



# READY TO GROW

INVITATION TO THE  
ANNUAL GENERAL  
MEETING OF  
KLÖCKNER & CO SE  
MAY 26, 2010, DÜSSELDORF

**klöckner & co**

multi metal distribution

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Would you like to receive your documents for the next Annual General Meeting by email? For more information, and to register, please visit [www.kloeckner.de/HV2010](http://www.kloeckner.de/HV2010).

## Klöckner & Co SE

with registered office in Duisburg, Germany

– ISIN DE000KC01000 –

– Wertpapier-Kenn-Nr.  
(Security Identification No.) KC0 100 –

## Invitation to the Annual General Meeting

Dear Shareholders,

We hereby invite you to the

Annual General Meeting of

Klöckner & Co SE on Wednesday,

May 26, 2010, at 10:30 a.m.

in the Congress Center Düsseldorf

(CCD Ost), Messe Düsseldorf,

Stockumer Kirchstraße 61,

40474 Düsseldorf.

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1. **Submission of the approved annual financial statements, the approved consolidated financial statements and the management report for Klöckner & Co SE and the Group for financial year 2009, the report of the Supervisory Board and the explanatory report of the Management Board on information pursuant to sections 289, para. 4, and 315, para. 4, of the German Commercial Code**

The aforementioned documents can be downloaded at [www.kloeckner.de/HV2010](http://www.kloeckner.de/HV2010) from the date of convocation of the Annual General Meeting. Furthermore, these documents will also be available for inspection by shareholders at the business premises of the company, Am Silberpalais 1, 47057 Duisburg, and in the meeting room during the Annual General Meeting.

2. **Resolution on the use of the balance sheet profit for financial year 2009**

The Management Board and the Supervisory Board propose that the full amount of the balance sheet profit for financial year 2009 in the amount of

€17,699,907.99

be transferred to other revenue reserves.

3. **Resolution on the discharge of the members of the Management Board for financial year 2009**

The Management Board and the Supervisory Board propose the discharge of the members of the Management Board who held office during the period of financial year 2009.

4. **Resolution on the discharge of the members of the Supervisory Board for financial year 2009**

The Management Board and the Supervisory Board propose the discharge of the members of the Supervisory Board who held office during the period of financial year 2009.

5. **Resolution on the appointment of the auditor for the annual financial statements and consolidated annual financial statements for financial year 2010**

The Supervisory Board proposes, on the recommendation of the Audit Committee, appointing KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor for the annual financial statements and the consolidated financial statements for financial year 2010,

as well as for reviewing the condensed financial statements and the interim management report pursuant to sections 37w, para. 5, and 37y, no. 2, of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) for financial year 2010.

#### **6. Resolution on the authorization to acquire the company's own shares**

Section 71, para. 1, no. 8, of the German Stock Corporation Act (Aktiengesetz – AktG) provides the company with the option of acquiring its own shares as long as the total does not exceed 10% of the company's share capital. By resolution of the Annual General Meeting of May 26, 2009, the company is authorized to acquire its own shares. This authorization, however, remains in effect only through November 25, 2010. In order to enable the company to use the purchase of its own shares as an additional financing tool beyond this point in time and to enable it to react quickly and flexibly, the current authorization is to be rescinded and replaced by a new authorization regarding the purchase of the company's own shares.

The Management Board and the Supervisory Board propose that the following resolution be adopted:

- (a) The authorization to acquire the company's own shares resolved as agenda item 6 of the Annual General Meeting of Klöckner & Co SE on May 26, 2009, will be rescinded once the subsequent authorization regarding the acquisition of the company's own shares takes effect and will be replaced by said authorization.
- (b) Pursuant to section 71, para. 1, no. 8, of the German Stock Corporation Act, the company will be authorized to acquire through May 25, 2015, up to 10% of the company's share capital existing at the time of the resolution by the Annual General Meeting or – if this value is lower – at the time the authorization is exercised. The authorization can be used in whole or in installments, once or several times, by the company, by companies of the Klöckner & Co Group or by third parties for the account of the company or companies of the Klöckner & Co Group. The authorization may be used for any legally permissible purpose. Trading with the company's own stock is not permitted. Depending on the Management Board's preference, such acquisitions will be effected either on the stock exchange or by means of a public purchase offer directed at all shareholders.
- (c) The equivalent value of each share to be acquired (excluding transaction costs) may where the share is purchased on the stock exchange not exceed or fall below the price fixed on the trading day during the opening auction of the company's shares with the same features in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange by more than 10%.
- (d) If shares are acquired by means of a public purchase offer, the company can either publish a formal offer or publicly call for the submission of offers. In both cases, the company will set a purchase price or a purchase-price range per share. In the latter case, the final price will be determined from the available declarations of acceptance respectively sale offers. The offer respectively the call for submission of offers can include a time limit applying to acceptances respectively offers, conditions and the option of modifying a possible purchase-price range during the time period covering acceptances respectively sale offers if significant price swings occur during this period. The purchase price per company share (excluding transaction costs) may not exceed or fall below the stock-market price by more than 10%. If the company makes a formal public offer, the applicable stock-market price will be the average closing price of the company's stock with the same features in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange in the five trading days that preceded the final decision by the Management Board regarding the formal offer or, should the offer be adjusted, that preceded the final decision by the Management Board regarding the offer adjustment. In the event that a call to submit sale offers is issued, the day on which the company accepted the sale offers will be substituted by the day on which the Management Board made a decision about the offer respectively the adjustment of the offer.
- (e) Should the volume of tendered shares exceed the expected repurchase volume, the acquisition must be carried out on the basis of the proportion of the tendered respectively offered shares. A preferential acquisition of fewer than 100 shares of tendered respectively offered stock per shareholder as well as the rounding according to business principles can be stipulated.
- (f) The Management Board will be authorized to sell the company's own shares on the stock exchange or through a public offer directed at all shareholders. For sales on the stock

exchange, shareholders' subscription rights will be excluded. In the event of a sale through a public offer, the Management Board will be authorized to exclude shareholders' subscription rights for fractional amounts of shares.

The Management Board will also be authorized to sell the company's own shares in a different manner if the company's shares are sold for cash at a price (excluding transaction costs) that is not significantly below the stock-market price of the company's stock at the time of the sale. This authorization (including other authorizations governing the issue of new shares and authorizations to issue warrant-linked and/or convertible bonds that exclude subscription rights pursuant to section 186, para. 3, sentence 4, of the German Stock Corporation Act and are exercised during the period of this authorization until the date when it is exercised) will be limited to a total of 10% of the share capital that existed at the time that the resolution was made by the Annual General Meeting or, should this be less, of the company's share capital that existed at the time the sale authorization was exercised.

The Management Board will further be authorized to sell the company's acquired shares to third parties, with the exclusion of the shareholders' subscription rights, if this is carried out for the purpose of acquiring companies, stakes in companies and/or making investments in companies or servicing warrant-linked and/or convertible bonds.

The Management Board will also be authorized, in the event of an offer to all shareholders, to grant to holders of warrant-linked and/or convertible bonds issued by the company or a group company subscription rights to the quantity of shares to which they would have been entitled had they exercised their warrants respectively conversion rights or fulfilled their conversion obligations.

- (g) Finally, the Management Board will be authorized to cancel the acquired shares of the company without any further decision by the Annual General Meeting being necessary.

The preceding authorizations can be used once or several times, in whole or in parts, individually or separately by the company or by companies affiliated with it or by third parties for the account of the company or companies affiliated with it.

## **7. Resolution on the cancellation of an existing authorization to issue warrant-linked and/or convertible bonds and on the creation of a new authorization**

The company's Annual General Meeting of June 20, 2008 authorized the Management Board to issue warrant-linked and/or convertible bonds. The Klöckner & Co Group has since undertaken a convertible bond issue based on an authorization granted by the Annual General Meeting of May 26, 2009. The authorization granted in 2008 can therefore no longer be used flexibly, especially since the option of a so-called simplified exclusion of subscription rights is not available anymore. In addition, the Management Board and the Supervisory Board consider it appropriate to enable the company to issue warrant-linked and/or convertible bonds in amounts higher than approximately 10% of the share capital. Against this backdrop, the Management Board and the Supervisory Board believe that the current authorization from 2008 should be rescinded and that a new authorization that will give the company more flexibility should be created.

The Management Board and Supervisory Board therefore propose that the following resolution be adopted:

The authorization of the Management Board to issue warrant-linked and/or convertible bonds granted by the resolution adopted as agenda item 10 of the company's Annual General Meeting of June 20, 2008, is rescinded.

The Management Board is authorized to issue bearer warrant-linked and/or convertible bonds respectively combinations of these instruments (hereinafter referred collectively as "bonds") on one or several occasions, including simultaneously in separate tranches, until May 25, 2015, in the total nominal amount of up to €500,000,000.00 and with or without a maximum term, and to grant to the holders of the bonds warrants or conversion rights to a total of up to 13,300,000 registered no-par-value shares of the company with a proportionate amount of the share capital of up to €33,250,000.00, in accordance with the respective conditions of the bonds (hereinafter "bond conditions"). The bonds can be issued against payment in cash or in kind.

The bonds can be issued in euro or the statutory currency of an OECD member country – restricted to the equivalent value of the maximum euro amount of €500,000,000.00. They can also

be issued by companies with registered offices within or outside of Germany in which Klöckner & Co SE holds a direct or indirect majority interest (hereinafter "group companies"). In this event, the Management Board is authorized, with the consent of the Supervisory Board, to assume a guarantee for the bonds on behalf of Klöckner & Co SE and to respectively grant to creditors of warrant-linked bonds and to holders of convertible bonds warrants for and conversion rights to new shares of Klöckner & Co SE and to issue other declarations and undertake actions necessary for a successful issue.

The bond conditions may provide for an obligation to convert or to exercise a warrant at the end of the term or at an earlier date, even if bonds are issued by group companies.

In principle, the shareholders have a subscription right to the bonds. The bonds can also be assumed by a credit institution or an enterprise being active pursuant to section 53, para. 1, sentence 1, or section 53b, para. 1, sentence 1 or section 53b, para. 7, of the German Banking Act (Kreditwesengesetz - KWG) (hereinafter "financial institution") or by a syndicate of such credit or financial institutions, together with an obligation to offer them to the shareholders for subscription. The Management Board is, however, authorized to exclude the shareholders' subscription rights to the bonds with the consent of the Supervisory Board

- if the bonds are issued against payment in cash and the Management Board reaches the decision, after a due examination, that the issue price is not substantially lower than the theoretical market value of the bonds determined in accordance with recognized actuarial methods. However, this only applies insofar as the shares to be issued to service the warrants and conversion rights or obligations associated with the bonds do not exceed a total of 10% of the company's share capital existing at the time of the resolution or – if this value is lower – at the time the authorization is exercised. This 10% threshold shall include the proportionate amount of the share capital attributable to shares of Klöckner & Co SE that (i) were issued with the exclusion of subscription rights in direct or analogous application of section 186, para. 3, sentence 4, of the German Stock Corporation Act during the term of this authorization up to the time of its exercise or (ii) are attributable to the subscription rights based on warrant-linked and/or convertible bonds issued on the basis of authorizations other

than the aforementioned in direct or analogous application of section 186, para. 3, sentence 4, of the German Stock Corporation Act during the term of this authorization up to the time of its exercise, with the exception of those shares intended to service convertible bonds issued on the basis of the resolution adopted as agenda item 9 of the company's Annual General Meeting of June 20, 2007, respectively the resolution adopted as agenda item 7 of the company's Annual General Meeting of May 26, 2009 (the "existing bonds");

- in order to exclude fractional shares arising due to the subscription ratio, from the subscription right of the shareholders;
- if the bonds are issued against payment in kind, especially for the purpose of acquiring existing bonds, in which case the combined total proportionate amount of the share capital attributable to shares of Klöckner & Co SE to be issued on the basis of bonds that were issued under this authorization with the exclusion of the shareholders' subscription rights against payment in kind, together with (i) other new shares issued during the term of this authorization against payment in kind with the exclusion of the shareholders' subscription rights and (ii) shares to be issued on the basis of warrant-linked and/or convertible bonds issued under other authorizations during the term of this authorization against payment in kind with the exclusion of subscription rights, shall not exceed 20% of the company's share capital existing at the time of the resolution or – if this value is lower – at the time of the Management Board's decision on the exercise of this authorization; and
- insofar as necessary in order to grant the holders of such warrants or warrant obligations or the creditors of such conversion rights or obligations as were or will be issued by the company or group companies a subscription right as they would be entitled to after exercising their rights or obligations.

In an issue of convertible bonds, the holders of the convertible bonds receive the right or, if a conversion obligation is provided for, assume the obligation to exchange their convertible bonds, in accordance with the bond conditions, for shares of the company. The exchange ratio is determined by dividing the nominal amount of a partial bond or, if the issue price is less than the nominal amount, its issue price by the fixed conversion price of one share of the company. The exchange ratio can in all cases be rounded up or down to the next whole number. Otherwise, provision can be

made for fractional shares to be combined and/or settled for cash; provision can further be made for an additional cash payment. The bond conditions may also provide for a variable exchange ratio, whereby the conversion price is calculated based on future market prices within a particular price range. If convertible bonds are issued against payment in kind, the value of the respective payment in kind must be equal to the conversion price, but shall in no event be less than the lowest issue price of the shares to be granted.

In case of an issue of warrant-linked bonds, one or more warrants are attached to each bond entitling the holder to subscribe to shares of Klöckner & Co SE in accordance with the bond conditions determined by the Management Board. For euro-denominated warrant-linked bonds issued by the company, the bond conditions may provide for the fact that the warrant price fixed in accordance with this authorization may also be settled through transfer of partial bonds and, if necessary, an additional cash payment. The proportionate amount of the share capital attributable to the shares to be purchased per partial bond must not exceed the nominal amount of this partial bond. Where fractions of shares arise, provision may be made whereby these fractions are added together in accordance with the bond conditions – with an additional payment where necessary – in order to subscribe whole shares.

Notwithstanding sections 9, para. 1, and 199 of the German Stock Corporation Act, the respective warrant or conversion price to be fixed must amount to at least 80% of the volume-weighted average stock-market price of the shares of the company in the Xetra trading system of the Frankfurt Stock Exchange (or a comparable successor system) on the fixing date of the conditions of the bonds in the period from the opening of trading until the final fixing of the conditions.

Notwithstanding section 9, para. 1, of the German Stock Corporation Act, the warrant or conversion price can be adjusted with value-preserving effect on the basis of an anti-dilution clause as specified in the bond conditions if the company – up until the expiration of the warrant or conversion period – increases the share capital and grants a subscription right to its shareholders or issues or guarantees further bonds and the holders of existing warrants or warrant obligations or of conversion rights or obligations are not granted a subscription right. The bond conditions can also provide for a value-preserving adjustment of the warrant or conversion

price for other actions of the company that can lead to a dilution of the value of the warrants or conversion rights.

The bond conditions may provide for the right of the company – in the event of the exercise of warrants or in the event of conversion – not to grant any shares, but to pay a cash amount instead. The bond conditions may further provide for the right of the company to grant shares of the company to bond creditors as full or partial settlement of the cash amount due. The subscription or conversion rights of the holders of bonds, as well as the claims arising from a mandatory conversion or warrant exercise by bondholders, can otherwise be fulfilled by delivering own shares of the company or by issuing new shares from authorized capital to be resolved pursuant to agenda item 10 of the company's Annual General Meeting of May 26, 2010, and/or from conditional capital and/or authorized capital and/or a regular capital increase to be resolved at a later date.

The Management Board will be authorized to fix the precise calculation of the warrant or conversion price, as well as further details concerning the issue and features of the bonds and the bond conditions or, respectively, to establish these particulars in consultation with the executive bodies of the bond-issuing group company, particularly with respect to the interest rate, offer price, term and denomination, purchase or exchange ratio, reasons for a conversion or warrant obligation, fixing of an additional cash payment, equalization or pooling of fractional shares, cash payment instead of delivery of shares, delivery of existing shares instead of issue of new shares, and the warrant or conversion period.

#### **8. Resolution on the cancellation of the Conditional Capital 2008 and on the creation of new conditional capital 2010**

The Conditional Capital 2008 is intended solely to grant new shares to holders of warrant-linked and/or convertible bonds issued by the Management Board with the consent of the Supervisory Board in accordance with the authorization to issue warrant-linked and/or convertible bonds granted by the resolution adopted under agenda item 10 of the company's Annual General Meeting of June 20, 2008. This authorization is to be cancelled pursuant to the preceding agenda item 7 and replaced with a new authorization so that the conditional capital 2008 can be cancelled, and the creation of new conditional capital resolved in its place.

The Management Board and the Supervisory Board therefore propose resolving as follows:

### **8.1 Cancellation of conditional capital 2008**

The conditional capital resolved under agenda item 11 of the company's Annual General Meeting of June 20, 2008, and provided for in section 4, para. 3, of the Articles of Association, is cancelled. The Management Board is instructed to file the deletion of section 4, para. 3, of the Articles of Association in the company's commercial register only if the company's Annual General Meeting has resolved, in accordance with agenda item 7 of the Annual General Meeting of May 26, 2010, to rescind the authorization to issue warrant-linked and/or convertible bonds granted by the resolution adopted as agenda item 10 of the company's Annual General Meeting of June 20, 2008, and to create a new authorization to issue warrant-linked and/or convertible bonds.

### **8.2 Creation of new conditional capital**

The share capital of the company is a conditionally increased by up to €33,250,000.00 through the issue of up to 13,300,000 new no-par-value registered shares with entitlement to profits from the beginning of the financial year in which such shares are issued.

The conditional capital is intended to grant shares to satisfy subscription and/or conversion rights and/or obligations of the holders of warrant-linked and/or convertible bonds that are issued by the company or a group company in accordance with the authorization of the company's Annual General Meeting of May 26, 2010, adopted under agenda item 7.

New shares will be issued in accordance with the warrant price or conversion price to be fixed in accordance with the authorization described above.

If warrant-linked and/or convertible bonds are issued by the company or a group company in accordance with the authorization described above for the purpose of acquiring convertible bonds issued by the company or a group company, the new shares are issued from the conditional capital against deposit of the respective (partial) convertible bond by the respective holder of that (partial) convertible bond as payment in kind. The number of shares to be issued against deposit of the respective (partial) convertible bond is derived from the exchange ratio determined on the basis of the authorization described above.

The conditional capital increase will only be executed to the extent the respective holders and creditors of subscription respectively conversion rights make use of these rights, or to the extent that holders with a conversion or warrant obligation fulfill such obligation, and insofar as no cash settlement is granted or own shares or shares created from other conditional capital or from authorized capital are used for servicing purposes. The Management Board will be authorized to establish the further details of the implementation of a conditional capital increase (Conditional Capital 2010).

### **8.3 Amendment to the Articles of Association**

Paragraphs 5 to 7 of section 4 of the Articles of Association of the company will become paragraphs 6 to 8, and section 4 will be amended with the addition of a new paragraph 5 that will be worded as follows:

"The share capital of the company is subject to a conditionally increased by up to €33,250,000.00 through the issue of up to 13,300,000 new no-par-value registered shares with entitlement to profits from the beginning of the financial year in which such shares are issued.

The conditional capital is intended to grant shares to satisfy subscription and/or conversion rights and/or obligations of the holders of warrant-linked and/or convertible bonds that are issued by the company or a group company in accordance with the authorization of the company's Annual General Meeting of May 26, 2010, adopted under agenda item 7. New shares will be issued in accordance with the warrant respectively conversion price to be fixed in accordance with the authorization resolved under agenda item 7 of the company's Annual General Meeting of May 26, 2010.

If warrant-linked and/or convertible bonds are issued by the company or a group company in accordance with the authorization resolved under agenda item 7 of the company's Annual General Meeting of May 26, 2010, for the purpose of acquiring convertible bonds issued by the company or a group company, the new shares are issued from the conditional capital against deposit of the respective (partial) convertible bond by the respective holder of that (partial) convertible bond as payment in kind. The number of shares to be issued against deposit of the respective (partial) convertible bond is derived from the exchange ratio determined on the basis of the authorization resolved under agenda item 7 of the company's Annual General Meeting of May 26, 2010.



The conditional capital increase will only be executed to the extent the respective holders and creditors of subscription respectively conversion rights make use of these rights, or to the extent that holders with a conversion or warrant obligation fulfill such obligation, and insofar as no cash settlement is granted or own shares or shares created from other conditional capital or from authorized capital are used for servicing purposes. The Management Board is authorized to establish the further details of the implementation of a conditional capital increase (Conditional Capital 2010)."

### 9. Resolution on the adjustment of existing conditional capital

With respect to the increase of the company's share capital by €50 million in 2009, the conversion ratio underlying the convertible bond issued by the company in 2009 has to be adjusted. For this reason, the Management Board and the Supervisory Board propose that the Conditional Capital 2009 intended to service the convertible bond issued in 2009 be adjusted accordingly. At the same time, it is further intended that the Conditional Capital 2007 be adjusted in a similar manner in order to have sufficient conditional capital for the issue of new shares in the event of any future capital-related actions and a resulting necessity to adjust the conversion ratio for the convertible bond issue by the Company in 2007.

The Management Board and the Supervisory Board therefore propose resolving as follows:

#### 9.1 Adjustment of Conditional Capital 2007

(a) The Conditional Capital 2007 created by resolution of the Annual General Meeting of June 20, 2007 is adjusted such that the share capital of the company is conditionally increased by up to €16,625,000.00 through the issue of up to 6,650,000 new no-par-value registered shares.

(b) Section 4, para. 2, of the Articles of Association shall be reworded as follows:

"The share capital of the company is conditionally increased by up to €16,625,000.00 through the issue of up to 6,650,000 new registered no-par-value shares with entitlement to profits from the beginning of the financial year in which such shares are issued.

The conditional capital is intended to grant subscription and/or conversion rights to the holders of warrant-linked and/

or convertible bonds that are issued by the company or a group company in accordance with the authorization of the company's Annual General Meeting of June 20, 2007.

New shares will be issued in accordance with the warrant respectively conversion price to be fixed in accordance with the authorization resolved under agenda item 9 of the company's Annual General Meeting of June 20, 2007.

The conditional capital increase will only be executed to the extent the holders and/or creditors of subscription or conversion rights make use of these rights or to the extent that the holders with a conversion obligation fulfill this obligation and insofar as no cash settlement is granted or own shares or shares created from authorized capital are used for servicing purposes. The Management Board will be authorized to establish the further details of the implementation of a conditional capital increase (Conditional Capital 2007)."

#### 9.2 Adjustment of Conditional Capital 2009

(c) The Conditional Capital 2009 created by resolution of the Annual General Meeting of May 26, 2009 is adjusted such that the share capital of the company is conditionally increased by up to €16,625,000.00 through the issue of up to 6,650,000 new no-par-value registered shares.

(d) Section 4, para. 4, of the Articles of Association shall be reworded as follows:

"The share capital of the company is conditionally increased by up to EUR 16,625,000.00 through the issue of up to 6,650,000 new registered no-par-value shares with entitlement to profits from the beginning of the financial year in which such shares are issued.

The conditional capital is intended to grant shares to satisfy subscription and/or conversion rights and/or obligations of the holders of warrant-linked and/or convertible bonds that are issued by the company or a group company in accordance with the authorization of the company's Annual General Meeting of May 26, 2009. New shares will be issued in accordance with the warrant price or conversion price to be fixed in accordance with the authorization resolved under agenda item 7 of the company's Annual General Meeting of May 26, 2009.

The conditional capital increase will only be executed to the extent that the holders and/or creditors of subscription or conversion rights make use of these rights or to the extent that the holders with a conversion obligation fulfill this obligation and insofar as no cash settlement is granted or own shares or shares created from authorized capital are used for servicing purposes. The Management Board is authorized to establish the further details of the implementation of a conditional capital increase (Conditional Capital 2009)."

#### **10. Resolution on the creation of authorized capital and on a corresponding amendment to the Articles of Association**

The company's existing authorized capital in section 4, para. 2, of the Articles of Association was fully depleted by the rights issue of 2009. The Management Board and the Supervisory Board therefore propose that new authorized capital be created and resolving in this respect as follows:

##### **(a) Creation of new authorized capital**

The Management Board will be authorized, with the consent of the Supervisory Board, to increase the company's share capital on one or several occasions until May 25, 2015, by up to €83,125,000.00 in aggregate through the issue of up to 33,250,000 new registered no-par-value shares against contributions in cash or in kind (Authorized Capital 2010). The new shares can be assumed by a credit institution or an enterprise being active pursuant to section 53, para. 1, sentence 1, or section 53b, para. 1, sentence 1 or section 53b, para. 7, of the German Banking Act ("financial institution") or by a syndicate of such credit or financial institutions, together with an obligation to offer them to the shareholders for subscription ("indirect subscription right"). In principle, the shareholders have a subscription right.

The Management Board will, however, be authorized, with the consent of the Supervisory Board, to exclude the statutory subscription right of shareholders in the following cases:

- to settle fractional shares;
- if the capital is increased against contributions in cash and the total proportionate amount of the share capital attributable to the new shares for which the subscription right is being excluded does not exceed 10% of the share capital exist-

ing at the time of the resolution or – if this value is lower – at the time of the Management Board's decision on the exercise of this authorization, and the issue price of the new shares is not substantially lower than the market price of the shares already listed at the time of the Management Board's final fixing of the issue price. This 10% threshold shall include the proportionate amount of the share capital attributable to shares of Klöckner & Co SE that (i) are issued or sold by the company with the exclusion of subscription rights in direct or analogous application of section 186, para. 3, sentence 4, of the German Stock Corporation Act during the term of this authorization up to the time of its exercise or (ii) are attributable to the subscription rights based on warrant-linked and/or convertible bonds issued on the basis of authorizations other than the preceding in direct or analogous application of section 186, para. 3, sentence 4, of the German Stock Corporation Act during the term of this authorization up to the time of its exercise, with the exception of those shares intended to service convertible bonds issued respectively on the basis of the resolution adopted as agenda item 9 of the company's Annual General Meeting of June 20, 2007, and of the resolution adopted as agenda item 7 of the company's Annual General Meeting of May 26, 2009;

- insofar as necessary in order to grant the holders of such warrants or warrant obligations or the creditors of such conversion rights or obligations that were or will be issued by the company or group companies a subscription right as they would be entitled to after exercising their rights or obligations; and
- in capital increases against contributions in kind, in which case the exclusion of the subscription right shall be limited to a maximum of 20% of the company's share capital existing at the time of the resolution or – if this value is lower – at the time of the Management Board's decision on the exercise of this authorization. Furthermore, if the combined total proportionate amount of the share capital attributable to shares of Klöckner & Co SE to be issued under this authorization with the exclusion of the shareholders' subscription rights against payment in kind, together with (i) other new shares issued during the term of this authorization against payment in kind with the exclusion of subscription rights and (ii) shares to be issued on the basis of warrant-linked and/or convertible bonds issued during the term of this authoriza-

tion against payment in kind with the exclusion of subscription rights, shall not exceed 20% of the company's share capital existing at the time of the resolution or – if this value is lower – at the time of the Management Board's decision on the exercise of this authorization.

The Management Board will be authorized, with the consent of the Supervisory Board, to establish the further details of the implementation of a capital increase from the Authorized Capital 2010. The Supervisory Board will be authorized to amend the wording of the Articles of Association in accordance with the respective use of Authorized Capital 2010 and, if the authorized capital 2010 should not be used, or not be fully used, by May 25, 2015, upon expiration of the authorization.

(b) Amendment to the Articles of Association

Section 4 will be amended with the addition of a new paragraph 5a worded as follows:

"The Management Board will be authorized, with the consent of the Supervisory Board, to increase the company's share capital on one or several occasions until May 25, 2015, by up to €83,125,000.00 in aggregate through the issue of up to 33,250,000 new no-par-value registered shares against contributions in cash or in kind (Authorized Capital 2010). The new shares can be assumed by a credit institution or an enterprise being active pursuant to section 53, para. 1, sentence 1, or section 53b, para. 1, sentence 1 or section 53b, para. 7, of the German Banking Act ("financial institution") or by a syndicate of such credit or financial institutions, together with an obligation to offer them to the shareholders for subscription ("indirect subscription right"). In principle, the shareholders have a subscription right. The Management Board is, however, authorized, with the consent of the Supervisory Board, to exclude the statutory subscription right of shareholders in the following cases:

- to settle fractional shares;
- if the capital is increased against contributions in cash and the total proportionate amount of the share capital attributable to the new shares for which the subscription right is being excluded does not exceed 10% of the share capital

existing at the time of the resolution or – if this value is lower – at the time of the Management Board's decision on the exercise of this authorization, and the issue price of the new shares is not substantially lower than the market price of the shares already listed at the time of the Management Board's final fixing of the issue price. This 10% threshold shall include the proportionate amount of the share capital attributable to shares of Klöckner & Co SE that were issued or sold by the company with the exclusion of subscription rights in direct or analogous application of section 186, para. 3, sentence 4, of the German Stock Corporation Act during the term of this authorization up to the time of its exercise or are attributable to the subscription rights based on warrant-linked and/or convertible bonds issued on the basis of authorizations other than the preceding in direct or analogous application of section 186, para. 3, sentence 4, of the German Stock Corporation Act during this period, with the exception of those shares intended to service convertible bonds issued respectively on the basis of the resolution adopted as agenda item 9 of the company's Annual General Meeting of June 20, 2007, and of the resolution adopted as agenda item 7 of the company's Annual General Meeting of May 26, 2009;

- insofar as necessary in order to grant the holders of such warrants or warrant obligations or the creditors of such conversion rights or obligations that were or will be issued by the company or group companies a subscription right as they would be entitled to after exercising their rights or obligations; and
- in capital increases against contributions in kind, in which case the exclusion of the subscription right shall be limited to a maximum of 20% of the company's share capital existing at the time of the resolution or – if this value is lower – at the time of the Management Board's decision on the exercise of this authorization. Furthermore, if the combined total proportionate amount of the share capital attributable to shares of Klöckner & Co SE to be issued under this authorization with the exclusion of the shareholders' subscription rights against payment in kind, together with (i) other new shares issued during the term of this authorization against payment in kind with the exclusion of subscription rights and (ii) shares to be issued on the basis of convertible and/or warrant-linked bonds issued during the term of this

authorization against payment in kind with the exclusion of subscription rights, shall not exceed 20% of the company's share capital existing at the time of the resolution or – if this value is lower – at the time of the Management Board's decision on the exercise of this authorization.

The Management Board is authorized, with the consent of the Supervisory Board, to establish the further details of the implementation of a capital increase from the Authorized Capital 2010. The Supervisory Board is authorized to amend the wording of the Articles of Association in accordance with the respective use of Authorized Capital 2010 and, if the Authorized Capital 2010 should not be used, or not be fully used, by May 25, 2015, upon expiration of the authorization."

#### **11. Resolution on lifting the exemption on disclosure of remuneration for individual members of the Management Board**

Pursuant to section 286, para. 5 of the German Commercial Code (Handelsgesetzbuch - HGB), the Company's Annual General Meeting resolved in 2006 that the remuneration of individual members of the Management Board should not be disclosed until and including financial year 2010. The Management Board and Supervisory Board intend to disclose the remuneration of individual members of the Management Board starting from financial year 2010.

The Management Board and the Supervisory Board accordingly propose resolving as follows:

The resolution of the Company's Annual General Meeting held on June 7, 2006 whereby the details required under section 285, sentence 1, no. 9, letter a) sentence 5 to 8 and section 314, para. 1, no. 6, letter a) sentence 5 to 8 of the German Commercial Code should not be disclosed is revoked with effect as from the end of this Annual General Meeting.

#### **12. System of remuneration for members of the Management Board**

Now that the Act on the Appropriateness of Remuneration for Members of Management Boards (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) and the remuneration-related parts of the newly amended German Corporate Governance Code (GCGC) have come into force, the Supervisory Board used the assistance of an independent external expert to carry out a review of the remuneration rules and negotiated with the Chairman of the Management Board an adjustment to comply with these provi-

sions. This is in line with the agreement reached with the Chairman of the Management Board when his contract with the company was extended in May 2009. There was no immediate need for action on the contract with the other member of the Management Board.

Following the adjustment of the contract with the Chairman of the Management Board to comply with the Act on the Appropriateness of Remuneration for Members of Management Boards and the contract with the other member of the Management Board that had already been signed in 2008, there is currently no standardized system of remuneration. In addition, as a result of the resolution of the Annual General Meeting passed in 2006, the remuneration for individual members of the Management Board has not been disclosed to date. Under agenda item 11, the Management Board and the Supervisory Board accordingly propose revoking the aforementioned resolution by the Annual General Meeting and allowing the remuneration for individual members of the Management Board to be disclosed starting from financial year 2010. On this basis, it is intended to submit the system of remuneration for members of the Management Board to next year's Annual General Meeting for approval, despite this not being required under the Stock Corporation Act. Shareholders will be given an opportunity at this year's Annual General Meeting to address the issue of the system of remuneration for members of the Management Board. A resolution on this matter will, however, not be passed.

#### **13. Resolution on changes to the Articles of Association to adjust the Articles of Association to comply with the Act on Transposition of the Shareholders' Rights Directive**

The Act on Transposition of the Shareholders' Rights Directive dated July 30, 2009 contains numerous amendments to the provisions relevant to annual general meetings in the Stock Corporation Act. In order to adapt the Articles of Association to comply with these new provisions, the Management Board and the Supervisory Board accordingly propose resolving as follows:

##### **13.1 Amendment to Article 16, para. 2 of the Articles of Association**

Article 16, para. 2 of the Articles of Association will be reworded as follows:

"(2) Voting rights may be exercised in accordance with the relevant statutory provisions by an authorized representative if the invitation to the Annual General Meeting does not

determine that formalities be dispensed with. Evidence of the authority may be transmitted to the company electronically by means to be determined in detail by the Management Board as part of the invitation to the Annual General Meeting."

### 13.2 Insertion of a new Article 16, para. 3

Article 16 of the Articles of Association will be supplemented by the addition of the following new paragraph 3:

"(3) The Management Board is authorized to provide for shareholders to be able to participate in an Annual General Meeting even without being present in person or through an authorized representative and to exercise all or specific rights wholly or in part by electronic means of communication. If the Management Board makes use of this authority, it must fix the details and list them in the invitation to the Annual General Meeting."

### 13.3 Insertion of a new Article 16, para. 4

Article 16 of the Articles of Association will be supplemented by the addition of the following new paragraph 4:

"(4) The Management Board is authorized to provide for shareholders to cast their votes, without participating in person in the Annual General Meeting, in writing or by electronic means of communication. If the Management Board makes use of this authority, it must fix the details and list them in the invitation to the Annual General Meeting."

### 13.4 Amendment to Article 18 of the Articles of Association

Article 18 of the Articles of Association will be reworded as follows:

"The Management Board is authorized to permit transmission of the Annual General Meeting in picture and sound."

### 14. Approval of the control and profit and loss transfer agreement with Becker Besitz GmbH

Klöckner & Co SE, as controlling company, and Becker Besitz GmbH, Duisburg, as controlled company, have signed a control and profit and loss transfer agreement on February 9, 2010. In order to be effective, the latter requires the approval of the Annual General Meeting of Klöckner & Co SE. The Shareholder's Meeting

of Becker Besitz GmbH approved the profit and loss transfer agreement on February 9, 2010.

The wording of the control and profit and loss transfer agreement reads as follows:

#### "Control and Profit and Loss Transfer Agreement

The following control and profit and loss transfer agreement is concluded between Klöckner & Co SE, hereinafter "Klöckner & Co SE", and Becker Besitz GmbH, hereinafter "Becker Besitz":

#### Preamble

The share capital of Becker Besitz amounts to €25,000.00. The sole shareholder is Klöckner & Co SE.

In view of the planned financial integration of Becker Besitz into Klöckner & Co SE, the following Control and Profit and Loss Transfer Agreement is entered into for the purpose of establishing a single fiscal entity as defined in sections 14 and 17 of the German Corporate Income Tax Act (Körperschaftsteuergesetz - KStG).

#### Clause 1 Management

- (1) Becker Besitz places the management of its company in the hands of Klöckner & Co SE.
- (2) Klöckner & Co SE is accordingly entitled to give the management of Becker Besitz instructions regarding the management of the company. This does not, however, affect the personal responsibility of the members of the management of Becker Besitz.

#### Clause 2 Transfer of profits

- (1) Becker Besitz agrees to transfer, subject to the accrual and dissolution of reserves pursuant to paragraph 2, to Klöckner & Co SE its total net income, calculated disregarding the transfer of profits, reduced by a potential loss carried forward from the previous business year and the amount blocked from distribution pursuant to section 268, para. 8 of the German Commercial Code (Handelsgesetzbuch - HGB).

- (2) With the consent of Klöckner & Co SE, Becker Besitz may transfer parts of the net income into other revenue reserves (section 272 para. 3 of the German Commercial Code), to the extent that such accrual is permitted by commercial law and is justified by economic reasons under reasonable commercial consideration. On demand of Klöckner & Co SE, other revenue reserves pursuant to section 272 para. 3 of the German Commercial Code accrued during the term of this Agreement shall be dissolved and used to compensate an annual loss or be transferred as profit.
- (3) The transfer of income from the dissolution of capital reserves or of revenue reserves generated prior to this Agreement shall be excluded.
- (4) The entitlement to the transfer of profits shall arise on the effective date for the financial statements of Becker Besitz and shall fall due on this date. From this date, interest in the amount of 5% p.a. shall accrue thereon. The obligation to transfer profits shall first apply to the whole profit of the business year of Becker Besitz in which this Agreement becomes effective pursuant to Clause 4 paragraph 1.

### **Clause 3**

#### **Assumption of losses**

- (1) Klöckner & Co SE undertakes, vis-a-vis Becker Besitz, to assume any loss in accordance with the provisions of section 302 of the German Stock Corporation Act (as amended from time to time) applying to control or profit and loss transfer agreements.
- (2) Clause 2 paragraph 4 shall apply accordingly to the obligation to compensate any losses.

### **Clause 4**

#### **Effectiveness and duration of the Agreement**

- (1) The conclusion of this Agreement is subject to approval by the Shareholders' Meetings of Klöckner & Co SE and Becker Besitz. It becomes effective upon entry in the commercial register of Becker Besitz and applies – except for the right to give instructions under Clause 1 – retrospectively for the period

commencing at the beginning of the financial year of Becker Besitz during which the Agreement became effective.

- (2) This Agreement shall be entered into for an indefinite period. It may be terminated by written notice of six months to the end of a financial year of Becker Besitz; however, it may not be so terminated earlier than with effect from the end of the financial year of Becker Besitz which ends at least five years after the beginning of the financial year in which it became effective according to paragraph 1 sentence 2 of this Clause 4. As regards compliance with this period, the date on which the notice of termination is received by the other party shall be decisive.
- (3) The right to terminate for good cause without complying with a notice period shall remain unaffected. Klöckner & Co SE may terminate this Agreement at any time with immediate effect for good cause if it is no longer entitled to the majority of voting rights from the shares in Becker Besitz or in the event that any other good cause within the meaning of section 60, para. 6 of the German Corporation Tax Rules (Körperschaftsteuer-Richtlinien - KStR) 2004 or any other applicable provision occurs which will apply on the date of the termination of this Agreement.

### **Clause 5**

#### **Final provisions**

- (1) The costs of this Agreement, of notarization of the resolution of the Shareholder's Meeting of Becker Besitz approving this Agreement and the costs of notarization of the General Meeting of Klöckner & Co SE and of registration in the commercial register shall be borne by Klöckner & Co SE.
  - (2) Should a provision of this Agreement be or become invalid, the validity of the other provisions of this Agreement shall remain unaffected. The parties undertake to replace such invalid provision by a legally valid provision which corresponds as closely as possible to the economic purpose of the invalid provision. This shall apply mutatis mutandis in the event of any gap in this Agreement."
-

Becker Besitz GmbH was in the process of formation at the time the Agreement was signed and was registered in the commercial register on March 1, 2010.

The Management Board and the Supervisory Board propose approving the control and profit and loss transfer agreement entered into by Klöckner & Co SE as controlling company and Becker Besitz GmbH, Duisburg, as controlled company.

The following documents will be available at the internet address [www.kloeckner.de/HV2010](http://www.kloeckner.de/HV2010) from the date on which the Annual General Meeting is convened:

- control and profit and loss transfer agreement between Klöckner & Co SE and Becker Besitz GmbH dated February 9, 2010
- annual financial statements and consolidated financial statements together with management reports of Klöckner & Co SE and of the Group for financial years 2007, 2008 and 2009
- report on the enterprise agreement pursuant to section 293a of the German Stock Corporation Act (by analogy) given by the Management Board of Klöckner & Co SE

In addition, the aforementioned documents will be available for inspection by the shareholders at the business premises of the company, Am Silberpalais 1, 47057 Duisburg, from the date on which the General Meeting is convened and in the meeting room for the duration of the General Meeting.

There is no requirement for an audit of the control and profit and loss transfer agreement pursuant to section 293b of the German Stock Corporation Act as all of the shares in Becker Besitz GmbH are held by Klöckner & Co SE.

### Reports to the Annual General Meeting

#### 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 regarding the sale of the company's own shares.

The report will be available on the Internet at [www.kloeckner.de/HV2010](http://www.kloeckner.de/HV2010) from the date on which the Annual General Meeting is convened. It is also available for inspection at the company's premises, Am Silberpalais 1, 47057 Duisburg, and in the meeting room for the duration of the General Meeting. The contents of the report are as follows:

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 May 26, 2009, the company is entitled to acquire its own shares. This authority resolution, however, only remains in effect until November 25, 2010. In order to enable the company to acquire its own shares also 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 own shares up to 10% of the current share capital by May 25, 2015. This will ensure observance of the maximum admissible limit. Acquisitions may only be made 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 it to be possible for the acquired own shares to 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. In these cases, it should be made possible for

the Management Board to be able to offer shares in the company in consideration for the acquisition of these companies or stakes in companies respectively to grant the holders of option rights respectively 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 own shares as currency for acquisitions and thereby to be able to react fast 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 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 will be able to issue 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 at the time of the resolution or – if this figure is lower – at the time the authority is exercised. This 10% limit must take into consideration all shares in Klöckner & Co SE, with the exception of shares destined for the servicing of convertible bonds issued on the basis of the resolution adopted as agenda item 9 of the Annual General Meeting of the company of June 20, 2007 or of the resolution adopted as agenda item 7 of the Annual General Meeting of the company of May 26, 2009, as well as options or convertible bonds issued on the basis of other authorities which are issued by direct or analogue application of section 186, para. 3, sentence 4 of the German Stock Corporation Act during the period of the authority until the date when it is exercised, or which are sold by the company. 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.

To the extent that the proposed authority provides for the opportunity to exclude subscription rights to fulfill option or conversion rights and meet conversion obligations arising from options and/or bonds issued by the company or group companies, this is intended to enable management to meet the commitment with own shares that already exist instead of using otherwise available conditional capital. This currently affects the convertible bonds issued in 2007 and 2009.

Finally the company should be given the opportunity to partially exclude subscription rights to shareholders upon a sale of own shares under an offer to all shareholders in favor of holders of option and/or conversion rights, in order to grant such holders subscription rights on the shares to be issued in a volume equivalent to that to which they would have been entitled after exercising their option respectively conversion rights or meeting their conversion obligation. This will avoid a reduction in the option respectively conversion price that would otherwise arise and so achieve a strengthening of the funds available to the company.

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.

The Management Board will report to the next Annual General Meeting regarding any use of the proposed authority to acquire and use own shares.

#### **Management Board report on agenda item 7**

Pursuant to section 221, para. 4, sentence 2, 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 7 on the grounds for the proposed authority to issue option bonds and/or convertible bonds (hereinafter "bonds") with the exclusion of the shareholders' subscription rights.

This report will also be available on the Internet at [www.kloeckner.de/HV2010](http://www.kloeckner.de/HV2010) from the date on which the Annual General Meeting is called. It is also available for viewing



at the company's premises, Am Silberpalais 1, 47057 Duisburg, and in the meeting room for the duration of the General Meeting. The contents of the report are as follows:

The proposed authority to issue bonds with a total nominal value of up to €500,000,000 is intended to enable Klöckner & Co SE to expand the financing of its activities and will provide the company with fast and flexible financing that will be in the company's interest, particularly where favorable capital market conditions exist. In principle, shareholders are entitled to a statutory subscription right to the bonds. In order to make the process easier, provision can be made for the bonds to be issued to a credit institution or financial institution or a syndicate of such institutions with the obligation to offer the bonds to the shareholders for subscription in accordance with their current participating quota (so-called "indirect subscription right"). The Management Board should also be entitled – with the Supervisory Board's approval – to exclude the statutory subscription right of shareholders in the cases listed below.

The envisaged exclusion of the subscription right for fractional shares enables the requested authority to be exercised for complete amounts. This exclusion of subscription rights is sensible and is usual in practice because, where fractional shares are concerned, the costs of trading in subscription rights are usually unreasonably disproportionate to the related benefits for the shareholders. Owing to the restriction to fractional shares, the dilution effect remains negligible. The bonds thereby excluded from the subscription right are thus best realized.

Excluding the subscription right in favor of the owners of any bonds issued in the past or any that may be issued in the future serves to ensure that the holders of these bonds are in the same position as they would have been, had they already made use of their rights arising from the bonds and were already shareholders. This protection against dilution prevents the option price or conversion price from ever being reduced for the issued bonds. This ensures a higher sales revenue overall. The issue amount for new shares must correspond to at least 80% of the share price determined at a time close to the issue of the bonds.

The subscription right should also be excluded in order to be able to issue bonds against contributions in kind. This gives the company the opportunity to react flexibly and rapidly, while at the same

time sparing its liquidity, when it acquires assets. The opportunity to be able to offer bonds in consideration can contribute considerably, say, upon acquisition of financing instruments issued by the Klöckner & Co Group against the issue of new bonds, towards optimizing the company's financing structure. The Management Board will in every instance carefully check whether it is going to use the authority to issue bonds against contributions in kind while excluding shareholders' subscription rights and will only do so if this is in the interests of the company and its shareholders when taking all aspects into account. It will in particular ensure that the ratio of the value of the contribution in kind to the value of the bonds is appropriate. This authority to exclude the subscription right when issuing bonds against contributions in kind is also subject to a restriction: this requires that the pro rata amount of the share capital made up of shares in Klöckner & Co SE, which are to be issued as a result of bonds granted under this authority against contributions in kind and exclude the subscription right, may not, taken together with (i) other new shares issued during the term of this authority against contributions in kind and excluding the subscription right and (ii) shares that are to be issued on the basis of convertible and/or option bonds issued under other authorities against contributions in kind and excluding the subscription right during the term of this authority, exceed a total of 20% of the company's share capital at the time of the resolution was made or – if this figure is lower – at the time of the resolution by the Management Board to use this authority. This restriction ensures that the company, even if additional such authorities are exercised, may not issue shares totaling more than a pro rata amount of 20% of the share capital against contributions in kind and excluding the subscription right.

The shareholders' subscription right should also be excluded if bonds are issued against cash at an issue price which is not appreciably less than the theoretical market value of these bonds as determined in accordance with recognized actuarial methods. This means that the company is given the opportunity to make fast and short-term use of favorable market conditions and to achieve better interest rate terms and a better option price or conversion price for the bonds by fixing conditions more in line with the market. This would not be possible if the statutory subscription rights were observed. Section 186, para. 2 of the German Stock Corporation Act permits disclosure of the subscription price (and of the conditions in the case of bonds) by the third-last day of the subscription period. However, owing to the volatility of stock markets, the market risk lasting several days would lead to reductions in

security with regard to the fixing of the conditions of the bond and thus to conditions that are less in line with the market. Moreover, because of the uncertainty surrounding the exercising of statutory subscription rights, their observance endangers the successful placing of bonds with third parties or results in additional expense. Ultimately, the length of the minimum two-week subscription period to be adhered to when observing statutory subscription rights slows the reaction to favorable or unfavorable market conditions, which may result in sub-optimal capital procurement.

In this exclusion of subscription rights, the shareholders' interests are observed by the fact that the bonds may not be issued significantly under their theoretical market value, thereby reducing the calculated value of the subscription right to virtually zero. The resolution thus provides that the Management Board, before issuing the bonds, must have reached the conclusion that the intended issue amount does not lead to an appreciable dilution of the value of the shares. If the Management Board considers it appropriate to obtain expert advice in the situation at hand, it is entitled to consult experts, e.g. the syndicate banks supervising the issue, an independent investment bank or a specialist authority, to confirm in an appropriate form that no appreciable dilution of the share value is to be expected. Irrespective of the examination by the Management Board, a determination of conditions in line with the market is guaranteed, as already mentioned, in the event of a bookbuilding procedure. The exclusion of subscription rights accordingly ensures that there will be no appreciable dilution of the value of the shares. Also, this type of exclusion of subscription rights is restricted to bonds with rights to shares with not more than a 10% share of share capital at the time of the resolution or – if this value is lower – at the time when the authority is exercised. Within this scope, the legislator deems it reasonable to expect the shareholders to maintain their participation quota by purchases on the market. This 10% limit must take into consideration, with the exception of shares destined for the servicing of convertible bonds issued on the basis of the resolution adopted as agenda item 9 of the Annual General Meeting of the company of June 20, 2007 or of the resolution adopted as agenda item 7 of the Annual General Meeting of the company of May 26, 2009, the pro rata amount of the share capital made up of shares in the company, which (i) with the exclusion of subscription rights, are issued by direct or corresponding application of section 186, para. 3, sentence 4 of the German Stock Corporation Act during the period of the authority until the date when it is exercised, or which are sold by the

company or (ii) relate to subscription rights based on option and/or convertible bonds which are issued under authorities other than the aforementioned during the term of this authority up to the time they are used with the exclusion of shareholders' subscription rights, by direct or corresponding application of 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.

#### **Management Board report on agenda item 10**

Pursuant to section 203, para. 2, sentence 2, 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 10 on the grounds for the proposed authority of the Management Board, with the approval of the Supervisory Board, to issue shares with the exclusion of the shareholders' subscription rights.

This report will also be available on the Internet at [www.kloeckner.de/HV2010](http://www.kloeckner.de/HV2010) from the date on which the Annual General Meeting is called. It is also available for viewing at the company's premises, Am Silberpalais 1, 47057 Duisburg, and in the meeting room for the duration of the General Meeting. The contents of the report are as follows:

With the approval of the Supervisory Board, the Management Board should be given the opportunity of being able to act flexibly and, in the interest of the company, take up available financing in order to take advantage of business opportunities and strengthen its equity base. This is why the Management Board and the Supervisory Board are proposing to the Annual General Meeting that the creation of this authorized capital 2010 with a total amount of €83,125,000.00 be resolved.

When this authority is used, shareholders must in principle be granted a subscription right. The Management Board should, however, be authorized to exclude this subscription right in certain cases that are to be specified individually in the proposed resolution with the approval of the Supervisory Board.

- The Management Board should be authorized to exclude the subscription right for fractional shares in order to give

a feasible subscription ratio in relation to the amount of the respective capital increase. This will make the technical implementation of the capital increase easier, particularly when capital is being increased by a round amount. The new fractional shares that are left over as a result of the exclusion of the shareholders' subscription right will either be sold over the stock exchange or otherwise disposed of at the best possible price for the company.

- The Management Board should, with the approval of the Supervisory Board, be authorized to exclude the subscription right with a capital increase against cash if the issue price for the new shares is not appreciably lower than the market price. This will enable management to place the new shares promptly and at a price close to the market price, i.e. without the discount generally required with subscription rights issues. This generates higher proceeds from the issue, which serves the interests of the company.

Account is taken of the shareholders' need to be protected against dilution of their holding by a limitation on the size of the capital increase and an issue price that is close to the market price. The proposed authority only gives the Management Board the chance to exclude the subscription right if the shares issued pursuant to section 186, para. 3, sentence 4 of the German Stock Corporation Act do not exceed, either at the time a resolution is made concerning this authority or at the time that this authority is exercised, 10% of the share capital. This restriction must take into consideration, with the exception of shares destined for the servicing of convertible bonds issued on the basis of the resolution adopted as agenda item 9 of the Annual General Meeting of the company of June 20, 2007 or of the resolution adopted as agenda item 7 of the Annual General Meeting of the company of May 26, 2009, the pro rata amount of the share capital made up of shares in the company, which (i) during the period of the authority until the date when it is exercised with the exclusion of subscription rights, are issued or sold by direct or corresponding application of section 186, para. 3, sentence 4 of the German Stock Corporation Act, or (ii) relate to subscription rights from option and/or convertible bonds which are issued under authorities other than the aforementioned during the term of this authority up to the time they are used with the exclusion of shareholders' subscription rights, by direct or corresponding application of 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. Under these terms it is possible and reasonable, as a result of the issue price being close to the market price and the restriction on the size of the capital increase without subscription rights, for shareholders to maintain the weighting of their holding, if required, by the purchase of shares over the stock exchange at virtually identical conditions.

- The Management Board should also be authorized to exclude the subscription right, should this be necessary, in order to grant holders or creditors of option bonds and/or convertible bonds (hereinafter "bonds") issued in the past or any that may be issued in the future, a subscription right to new shares. Excluding the subscription right serves to ensure that the holders of these bonds are in the same position as they would have been, had they already made use of their rights or met their obligations arising from the bonds and were already shareholders. This will make it easier to place the bonds and so serves the interests of the shareholders in an optimal financing structure for the company. In order to be able to provide the bonds with such protection from dilution, the subscription right of the shareholders to these shares must be excluded. This protection against dilution prevents the option price or conversion price from ever being reduced for the issued bonds. This ensures a higher sales revenue overall.
- The proposed authority also provides for the Management Board being authorized to exclude the subscription right for shareholders when the share capital is increased against contributions in kind. This puts the Management Board in a position to use the company's shares in suitable case-by-case situations to acquire companies, parts of companies, stakes in companies or other goods. The necessity may arise in negotiations to offer shares rather than cash in consideration. The opportunity to be able to offer shares in consideration accordingly gives an advantage in the competition for interesting acquisition targets and the necessary leeway to take advantage of opportunities that arise to acquire companies, parts of companies, stakes in companies or other goods while sparing the company's liquidity. From the aspect of an optimal financing structure the offer of shares may also make sense. This is not disadvantageous to the company as a prerequisite for the issue of shares against

contributions in kind is that the ratio of the value of such contribution to the value of the shares should be appropriate. In determining the valuation ratio, the Management Board will ensure that the interests of the company and its shareholders are upheld in an appropriate manner and that an appropriate issue price for the new shares is achieved. The exclusion of the subscription right in this case is, however, subject to no more than 20% of the company's share capital at the time the resolution was made or – if this figure is lower – at the time of the resolution by the Management Board to use this authority. There is also a further restriction: The pro rata amount of the share capital made up of shares in the company which are issued under this authority against contributions in kind with the exclusion of shareholders' subscription rights may, taken together with (i) other shares issued during the term of this authority against contributions in kind with the exclusion of subscription rights and (ii) shares which are to be issued during the term of this authority as a result of convertible or option bonds issued against contributions in kind with the exclusion of subscription rights, not exceed 20% of the share capital.

The Management Board will in every instance carefully check whether it is going to use the authority to increase capital while excluding shareholders' subscription rights and will only do so if, in its opinion and that of the Supervisory Board, this is in the interests of the company and its shareholders. It will report to the Annual General Meeting on every use of the proposed authority. For all of the cases proposed here that involve the exclusion of shareholders' subscription rights, the approval of the Supervisory Board is required.

### **Conditions for the participation in the Annual General Meeting and other details pursuant to section 121, para. 3, sentence 3 of the German Stock Corporation Act**

#### **Conditions for the participation in the Annual General Meeting and exercising voting rights**

Those shareholders are entitled to participate at the Annual General Meeting and to exercise their voting right who have registered with the company at the address below

Klöckner & Co SE  
Aktionärservice (shareholder relations)  
PO Box 94 60 03  
69946 Mannheim  
Fax: +49 (0) 69 2222 34289 (€0.12/min)

in writing or by fax or electronically by using the access-protected online-service for the Annual General Meeting at <https://netvote.kloeckner.de/> by May 19, 2010 (midnight Central European Summer Time), and who are listed in the company's shareholders' register at the time of the Annual General Meeting. Forms that shareholders may use to register are attached to the invitation documents sent to all shareholders listed in the shareholders' register.

The invitation documents will be sent by mail to all shareholders listed in the shareholders' register. The personal data required for access to our online service for shareholders – shareholder number and individual number required for access – are recorded on the reverse side of the invitation sent by mail. For the first time, for this year's Annual General Meeting you may register for the Annual General Meeting via our Annual General Meeting Online Service (<https://netvote.kloeckner.de/>) and order entry cards to the Annual General Meeting or authorize the company-appointed proxies or third parties to exercise their voting right. Ordering admission tickets and granting powers of attorney via the Annual General Meeting Online Service are similarly only possible up to May 19, 2010 (midnight Central European Summer Time).

During the preparation of the Annual General Meeting, for practical reasons, no changes can be made to the entries in the shareholders' register, i.e., acquirers of shares whose applications for changes of registration are received by the company after May 19, 2010, will be unable to exercise the entitlements to participate in the Annual General Meeting and to exercise the voting rights of these shares. In such cases, the shareholders still listed in the shareholders' register will remain entitled to participate in the Annual General Meeting and to exercise their voting rights until the change of registration has been made. All acquirers of shares in the company not yet entered in the shareholders' register are therefore requested to apply for a change of registration as soon as possible.

#### **Procedures for exercising voting rights by proxy**

Shareholders who do not wish to attend the Annual General Meeting in person may have their voting rights exercised by proxies, e.g., by a credit institution, or an association of shareholders or the company-nominated proxies. In this case, registrations must be submitted on time as well. Shareholders will receive a proxy form together with their admission ticket to the Annual General Meeting. The proxy form will also be sent to the shareholders at any time upon written request. Finally, the form can be downloaded

on the Internet at [www.kloeckner.de/HV2010](http://www.kloeckner.de/HV2010). Kindly note that, in the event of several persons or institutions being authorized, the company is entitled to reject one or more such parties.

If neither a credit institution nor an association of shareholders nor such persons or institutions as are considered their equivalent pursuant to section 135, para. 8, section 135, para. 10 taken in conjunction with section 125, para. 5 of the German Stock Corporation Act are authorized, the granting of an authority, its revocation and evidence of the authority vis-a-vis the company must be made in writing. Evidence of the authority must in such cases either be submitted to the company on the day of the Annual General Meeting or sent to the company at the following address:

Klöckner & Co SE  
Aktionärservice (shareholder relations)  
PO Box 94 60 03  
69946 Mannheim  
Fax: +49 (0) 69 2222 34289 (€0.12/min)  
Email: [kloeckner.hv@rsgmbh.com](mailto:kloeckner.hv@rsgmbh.com)

You may also use our Annual General Meeting Online Service (<https://netvote.kloeckner.de/>) to authorize the company-appointed proxies or third parties to exercise your voting right and order entry cards for them to the Annual General Meeting. Should a credit institution or an association of shareholders or such persons or institutions as are considered their equivalent pursuant to section 135, para. 8, section 135, para. 10 taken in conjunction with section 125, para. 5 of the German Stock Corporation Act be authorized, we would ask that you agree in good time the required form of the authority, as it is possible that such party may require a special form of authority.

Where company-nominated proxies are to be authorized, they must be instructed on how to exercise their voting rights. Without such an instruction, their authority is invalid. Proxies are obliged to vote in accordance with these instructions. In the event of a vote with respect to which no explicit instructions have been given, they will abstain from voting. Please note that proxies of the company are unable to accept any authority or mandate for the exercise of the right to speak and ask questions at the Annual General Meeting, the submission of motions and the filing of objections against

shareholders' resolutions and that proxies will always abstain from voting in the event of a vote with respect to which no explicit instructions have been given.

Powers of authority in favor of the company-appointed proxies can be issued by May 19, 2010 (midnight Central European Summer Time), to the following address in writing, by fax or email or via our Annual General Meeting online service (<https://netvote.kloeckner.de/>):

Klöckner & Co SE  
Aktionärservice (shareholder relations)  
PO Box 94 60 03  
69946 Mannheim  
Fax: +49 (0) 69 2222 34289 (€0.12/min)  
Email: [kloeckner.hv@rsgmbh.com](mailto:kloeckner.hv@rsgmbh.com)

To the extent that you have issued an authorization in favor of the company-appointed proxies via our Annual General Meeting online service, you may, if you wish, change your instructions up until May 25, 2010, 8:00 a.m. (Central European Summer Time). Our shareholders will receive more details on the issue of authority and instructions with the application forms. This information can also be downloaded on the Internet at [www.kloeckner.de/HV2010](http://www.kloeckner.de/HV2010).

#### **Motions and election nominations**

Anträge und Wahlvorschläge von Aktionären gemäß §§ 126, 127 AktG zu einem oder mehreren Tagesordnungspunkten sind bis spätestens 11. Mai 2010 (24.00 Uhr MESZ) ausschließlich zu richten an:

Klöckner & Co SE  
Zentralbereich Human Resources / Legal & Compliance  
Am Silberpalais 1  
47057 Duisburg  
Fax: +49 (0) 203-307-5050  
Email: [HV2010@kloeckner.de](mailto:HV2010@kloeckner.de)

All motions of shareholders to be made available in accordance with sections 126 and 127 of the German Stock Corporation Act, including the names of the shareholders proposing the motions and their reasons, will be made available on the Internet at

[www.kloeckner.de/HV2010](http://www.kloeckner.de/HV2010) together with any comments of the administration.

**Supplementary motions for the agenda at the demand of a minority pursuant to Article 56 of the SE Regulation, section 50, para. 2 of the German SE Implementation Act and section 122, para 2 of the German Stock Corporation Act**

Pursuant to Article 56 of the SE Regulation and section 50, para. 2 of the German SE Implementation Act taken in conjunction with section 122, para. 2 of the German Stock Corporation Act, shareholders whose shares jointly comprise at least a pro rata share in the company's share capital amounting to €500,000.00 (equivalent to 200,000 no-par-value shares in the company) may demand that items be added to the agenda and announced.

Such demands for additions to the agenda must reach the company in writing together with the statutorily required evidence and documents at least 30 days prior to the Annual General Meeting, i.e. by no later than April 25, 2010, at the following address:

Klöckner & Co SE  
Zentralbereich Human Resources / Legal & Compliance  
Am Silberpalais 1  
47057 Duisburg

**Entitlement to information on the part of the shareholders pursuant to section 131, para. 1 of the German Stock Corporation Act**

Pursuant to section 131, para. 1 of the German Stock Corporation Act, all shareholders and proxies at the Annual General Meeting may demand from the Management Board information on the affairs of the company, the legal and business relationships of the company with an affiliated company as well as on the situation of the Group and of the companies included in its consolidated financial statements, provided that such information is necessary to form a considered opinion on one or more agenda items. Kindly note that the Management Board may refuse to give such information subject to the conditions listed in section 131, para. 3 of the German Stock Corporation Act.

**Details of the website where information relevant to the Annual General Meeting is available**

This invitation and all other information on the Annual General Meeting including a more detailed explanation of the shareholders' rights listed above and the information that has to be made available pursuant to section 124a of the German Stock Corporation Act is available on the Internet at [www.kloeckner.de/HV2010](http://www.kloeckner.de/HV2010).

**Transmission of the Annual General Meeting**

The Management Board and the Supervisory Board have resolved that the opening of the Annual General Meeting at 10.30 a.m. on the day of the Annual General Meeting by the chairman of the meeting, the speech by the Chairman of the Management Board and the report of the Supervisory Board can be followed live on the Internet at [www.kloeckner.de/HV2010](http://www.kloeckner.de/HV2010). After the Annual General Meeting has ended, these contributions will be available for download.

**Total number of shares and voting rights**

At the time this Annual General Meeting is convened, the company's share capital in the amount of €116,250,000 is divided into 66,500,000 registered no-par-value shares, each carrying voting rights.

Duisburg, April 2010

Klöckner & Co SE  
The Management Board

Revised version May 4, 2010

Klöckner & Co SE  
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Telefax: +49 (0) 203-307-5000  
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