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Report to the Annual General Meeting regarding agenda item 6

Pursuant to Section 203 (2) sentence 2, Section 186 (3) sentence 4 and (4) sentence 2 of the German Stock Corporation Act, the Management Board wishes to submit the following report on agenda item 6 on the reasons for authorizing the Management Board, with the consent of the Supervisory Board, to issue shares with the exclusion of shareholders' subscription rights.

This report will be available on the Internet at http://www.kloeckner.com/en/annual-general-meeting.html from the date on which the Annual General Meeting is convened. It will also be available for inspection at the business premises of the Company, Am Silberpalais 1, 47057 Duisburg, Germany, and in the meeting room during the Annual General Meeting. The report is as follows:

With the consent of the Supervisory Board, the Management Board is to be given the ability to act flexibly and take advantage of financing options in order to exploit business opportunities and strengthen its equity base in the interest of the Company. Authorized Capital 2012 expires on May 24, 2017 and can no longer be used. The Management Board and Supervisory Board therefore propose that the Annual General Meeting resolves to cancel the Authorized Capital 2012 and to create this Authorized Capital 2017 in the total amount of up to EUR 124,687,500.00.

Shareholders must generally be granted subscription rights if Authorized Capital 2017 is utilized. However, the Management Board should be authorized, with the consent of the Supervisory Board, to exclude subscription rights in certain cases, as specified individually in the proposed resolution.

a. The Management Board is to be authorized to exclude subscription rights for fractional amounts to allow for the presentation of a feasible subscription ratio with respect to the amount of the respective capital increase. This simplifies the technical implementation of the capital increase, particularly when capital is increased by a round amount. The new fractional shares created by the exclusion of shareholders' subscription rights will either be sold on the stock exchange or otherwise disposed of at the best possible price for the Company.

b. The Management Board should, with the consent of the Supervisory Board, be authorized to exclude subscription rights in the case of a capital increase against cash contributions if the issue price for the new shares is not significantly lower than the market price. This enables the management to place the new shares promptly and at a price close to the market price, i.e., without the discount generally required in case of subscription rights issues. This can generate higher proceeds from the issue, which serves the interests of the Company.

A size limit on the capital increase and an issue price that is close to the market price protects shareholders against dilution of their shareholdings. The proposed authorization gives the Management Board the ability to exclude subscription rights only if the total shares issued pursuant to Section 186 (3) sentence 4 of the German Stock Corporation Act do not exceed 10% of the share capital either at the time of the resolution on this authorization or at the time the authorization is exercised. This limit shall, with the exception of those shares intended to service convertible bonds issued on the basis of the resolution adopted as agenda item 6 of the Company's Annual General Meeting of May 24, 2013, include the proportionate amount of the share capital attributable to the Company's shares that (i) are issued or sold with the exclusion of the subscription rights in direct or analogous application of Section 186 (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 subscription rights based on warrant-linked and/or convertible bonds issued with the exclusion of subscription rights on the basis of authorizations other than the preceding in direct or analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act during the term of this authorization up to the time of its exercise. This ensures that the statutory limit of 10% of the share capital for such a simplified exclusion of subscription rights (Section 186 (3) sentence 4 of the German Stock Corporation Act) is not exceeded. Under these terms, it is possible and reasonable, since the issue price is close to the market price and due to the size restriction on the capital increase without subscription rights, for shareholders to maintain their proportionate shareholdings by purchasing shares on the stock exchange under virtually identical conditions.

c. The Management Board is also to be authorized to exclude subscription rights where this is necessary to grant subscription rights to new shares to holders or creditors of warrant-linked and/or convertible bonds ("Bonds") issued in the past or any that may be issued in the future. Excluding subscription rights ensures that the holders of these Bonds are in the same position as they would have been had they already exercised their rights or met their obligations arising from the Bonds and were already shareholders. This makes it easier to place the Bonds and thus serves the interests of the shareholders in an optimum financial structure for the Company. In order to be able to give the Bonds such protection against dilution, the subscription rights of shareholders to these shares must be excluded. This protection against dilution prevents the warrant or conversion price from ever being reduced for the Bonds already issued. This ensures a higher cash inflow overall.

d. It is further proposed to authorize the Management Board to exclude shareholders' subscription rights when the share capital is increased against contributions in kind. This enables the Management Board in appropriate individual cases to use the Company's shares to acquire companies, parts of companies, interests in companies or other assets. It may become necessary during negotiations to offer shares as consideration rather than cash. The option to offer the Company's shares as consideration creates a competitive advantage for attractive acquisition targets and the flexibility needed to take advantage of opportunities that arise to acquire companies, parts of companies, interests in companies or other assets while conserving liquidity. Granting shares may also make sense from the perspective of an optimum financing structure. This in no way disadvantages the Company, since a prerequisite for the issue of shares against contributions in kind is that the value of such contribution is commensurate with the value of the shares. In determining the valuation ratio, the Management Board will ensure that the interests of the Company and its shareholders are adequately safeguarded and that an appropriate issue price for the new shares is attained. The exclusion of subscription rights in this case is, however, limited to a maximum of 20% of the Company's share capital at the time of the resolution by the Annual General Meeting on this authorization, or – if lower – at the time of the resolution by the Management Board to exercise this authorization.

In Addition, one other restriction applies: The total of the shares to be issued on utilization of Authorized Capital 2017 with the exclusion of subscription rights, taking into account other shares that will be sold or issued after May 12, 2017, by the Company with the exclusion of subscription rights, or that are to be issued, based on warrant-linked and/or convertible bonds issued after May 12, 2017 with the exclusion of subscription rights, must not exceed a proportionate amount of the share capital of EUR 49,875,000.00 (equivalent to 20% of the current share capital).

In every instance, the Management Board will carefully review whether to exercise the authorization 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 interest of the Company and thus its shareholders. It will report to the Annual General Meeting on every use of the proposed authorization. The consent of the Supervisory Board is required for all of the cases proposed here that involve the exclusion of shareholders' subscription rights.

Duisburg, March 2017

Gisbert Rühl | Marcus A. Ketter | Karsten Lork | William A. Partalis

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The Management Board

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