klöckner & co

multi metal distribution

CONVERSION OF KLÖCKNER & CO AKTIENGESELLSCHAFT INTO A EUROPEAN COMPANY (SOCIETAS EUROPAEA, SE) KLÖCKNER & CO SE

CONVERSION DOCUMENTATION

Non-binding convenience translation
For information purposes only

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Terms of Conversion

TERMS OF CONVERSION

pursuant to Art. 37 para. 4 of Council Regulation (EC) No. 2157/2001 on the Statute for a European Company (SE), Official Journal L 294 of 10 November 2001, p. 1 ("**SE Regulation**")

on the conversion of

Klöckner & Co Aktiengesellschaft,

Am Silberpalais 1, 47057 Duisburg,

registered in the commercial register kept at the Local Court (*Amtsgericht*) of Duisburg under HRB 18561

– hereinafter "**Klöckner & Co AG**" –

into the

legal form of a European Company (Societas Europaea) (SE)

– hereinafter "**Klöckner & Co SE**" –

(Klöckner & Co AG and Klöckner & Co SE respectively hereinafter also referred to as the "**Company**")

Preamble

(A) Klöckner & Co AG is a stock corporation incorporated under German law and listed on the stock exchange with its registered office in Duisburg, Germany. It is the parent holding company of Klöckner & Co Group, which operates in Europe and Northern America in the distribution of steel and metal.

(B) By way of an identity-preserving change of the legal form of Multi Metal Holding GmbH, Duisburg, registered in the commercial register kept at the Local Court of Duisburg, Klöckner & Co AG acquired the legal form of a stock corporation on 7 June 2006. Multi Metal Holding GmbH, Duisburg, was founded on 10 March 2005.

(C) The Company has held indirect interests for more than two years now in, inter alia, each of the following companies, which are each governed by the laws of a member state of the European Union:

(i) Since 13 April 2005, a 100% shareholding in Klöckner S.à.r.l., Luxemburg/Luxemburg, founded on 13 April 2005 according to the laws of the Grand Duchy of Luxemburg with place of business at 59, rue de Rollingergrund, L-2440 Luxemburg/Luxemburg, and registered in the Registre de Commerce et des Sociétés Luxemburg under No. B 107394.

(ii) Since 16 March 2005, a 100% shareholding in Klöckner Netherlands Holding B.V., Amsterdam/The Netherlands, founded according to the laws of The Netherlands with place of business at Donk 6, NL-2991 LE Barendrecht/The Netherlands, and

registered in the commercial register van de Kamer van Koophandel en Fabrieken voor Rotterdam under No. 33098390.

(iii) Since 16 March 2005, a shareholding in Klöckner Participaciones SA, Madrid/Spain, founded according to the laws of Spain with place of business at Velasques 63, E-28001 Madrid/Spain, and registered in the Registradores Mercantiles de Madrid under No. Hoja M-363933, Tomo 20558, Folio 185.

(iv) Since 16 March 2005, a shareholding in Klöckner UK France Holding Ltd., London/Great Britain, founded according to the laws of England and Wales with place of business at Valley Farm Road, Stouton, Leeds LS10 1SD, Great Britain and registered in the Register of Companies House under No. 05310738.

(D) Klöckner & Co AG shall be converted by way of conversion pursuant to Art. 2 para. 4 in conjunction with Art. 37 SE Regulation into the legal form of a European Company (*Societas Europaea* – SE).

The Management Board is convinced that the legal form of the SE, as the only stock corporation according to European law, is especially suitable to promote the international corporate structure of the Company.

The Management Board believes that the conversion of the legal form into an SE constitutes a further consistent step in the development and global focus of the business operations of the Klöckner & Co Group.

Now therefore, the Management Board of Klöckner & Co AG draws up the following Terms of Conversion pursuant to Art. 37 para. 4 SE Regulation:

1 Conversion of Klöckner & Co AG into Klöckner & Co SE

1.1 Pursuant to Art. 2 para. 4 in conjunction with Art. 37 SE Regulation, Klöckner & Co AG shall be converted into a European Company (*Societas Europaea* – SE). For over two years, Klöckner & Co AG has had indirect subsidiaries which are each governed by the law of other member states of the European Union, in particular the subsidiaries listed under (C) of the Preamble of these Terms of Conversion. The required prerequisites for the conversion of Klöckner & Co AG into an SE are fulfilled.

1.2 The conversion of Klöckner & Co AG into the legal form of an SE does not result in the winding up of the Company or the formation of a new legal entity. Also after the conversion becomes effective, the participation of the shareholders in the Company will continue to exist unchanged on the basis of the identity of the legal entity (*Rechtsträger*).

2 Effectiveness of the conversion

The conversion will become effective upon its registration in the commercial register of the Company.

3 Legal form, name and registered office of Klöckner & Co AG and Klöckner & Co SE

3.1 Klöckner & Co AG is a stock corporation incorporated under German law with its registered office in Duisburg, Germany, registered in the commercial register kept at the Local Court of Duisburg under HRB 18561. The name of Klöckner & Co AG is “Klöckner & Co Aktiengesellschaft“.

3.2 Through the conversion, Klöckner & Co AG shall receive the legal form of a European Company (*Societas Europaea* – SE).

3.3 The name of Klöckner & Co SE is “Klöckner & Co SE“.

3.4 The registered seat stipulated in the Articles of Association (*Satzungssitz*) and the head office (*Verwaltungssitz*) of Klöckner & Co SE is Duisburg, Germany.

4 Shareholding, shares and share capital of Klöckner & Co SE

4.1 Upon the conversion taking effect by way of registration in the commercial register of Klöckner & Co AG, the shareholders in Klöckner & Co AG will become shareholders in Klöckner & Co SE. They will participate in the share capital of Klöckner & Co SE to the same extent and with the same type and number of shares as they participated in the share capital of Klöckner & Co AG immediately before the conversion taking effect. The arithmetical proportionate amount of share capital allocated to each no-par value share (*Stückaktie*) remains the same as it was immediately before the conversion taking effect. All the shares in Klöckner & Co SE are ordinary shares (*Stammaktien*) and are registered by name.

4.2 The entire share capital of Klöckner & Co AG in the amount existing at the point in time of registration of the conversion in the commercial register and in the division into shares existing at the point in time of registration of the conversion in the commercial register as well as with the proportionate amount of share capital allocated to each no-par value share shall become the share capital of Klöckner & Co SE. The share capital of Klöckner & Co AG presently (information valid as per 30 April 2008) amounts to EUR 116,250,000.00 and is divided into 46,500,000 no-par value registered shares with a proportionate amount of share capital of EUR 2.50 each.

4.3 The shares in Klöckner & Co AG are securitised in global certificates (*Sammelurkunden*). These will be replaced by global certificates made out to Klöckner & Co SE.

5 Articles of Association of Klöckner & Co SE and capital

5.1 Klöckner & Co SE shall receive the Articles of Association which are attached to these Terms of Conversion as **Annex 1** and which are a component of these Terms of Conversion.

5.2 Upon the conversion taking effect, all types of capital of Klöckner & Co AG will be transferred to Klöckner & Co SE with the conditions and amounts they have at that time.

5.2.1 Upon the conversion taking effect, the share capital of Klöckner & Co AG will continue to exist as the share capital of Klöckner & Co SE in the same amount existing at the time of the conversion and with the same division into shares existing at the time of the conversion.

According to Section 4 para. (1) of the Articles of Association of Klöckner & Co AG, the share capital of Klöckner & Co AG currently amounts to (information valid as per 30 April 2008) EUR 116,250,000; it is divided into 46,500,000 no-par value registered shares. Therefore, the share capital of Klöckner & Co SE is also stipulated in Section 4 para. (1) of the Articles of Association of Klöckner & Co SE as attached to these Terms of Conversion as Annex 1 in an amount of EUR 116,250,000, divided into 46,500,000 no-par value registered shares. To the extent that the actual amount of the share capital of Klöckner & Co AG at the time of the conversion taking effect does not correspond to the amount and number of shares set out in the Articles of Association of Klöckner & Co AG and the version of the Articles of Association of Klöckner & Co SE which is attached as Annex 1 to these Terms of Conversion (e.g., due to capital increases effected in the meantime), it is the share capital of Klöckner & Co AG actually existing at the time of the conversion taking effect which will, at the time of the conversion taking effect, become the share capital of Klöckner & Co SE with the corresponding amount and division into shares.

5.2.2 Upon the conversion taking effect, the different types of authorised capital of Klöckner & Co AG will become the respective authorised capital of Klöckner & Co SE, with their respective amounts and the conditions applicable to them at that time being maintained.

Klöckner & Co AG currently (information valid as per 30 April 2008) has authorised capital as set out in Section 4 para. (2) of the Articles of Association of Klöckner & Co AG (Authorised Capital). The Authorised Capital is divided into three tranches. Therefore, corresponding Authorised Capital is also reported in Section 4 para. (2) of the Articles of Association of Klöckner & Co SE which are attached to these Terms of Conversion as Annex 1. In particular, the amount of Authorised Capital, the number of shares and the other data relating to the Authorised Capital pursuant to section 4 para. (2) of the Articles of Association of Klöckner & Co SE correspond with those set forth in section 4 para. (2) of the Articles of Association of Klöckner & Co AG. To the extent that the actual amounts or the other conditions regarding this Authorised Capital of Klöckner & Co AG change prior to the conversion into Klöckner & Co SE taking effect, the respective types of Authorised Capital will, at the time of the conversion taking effect, continue to exist in Klöckner & Co SE in the same amounts and with the same conditions applicable with respect to Klöckner & Co AG at the time of the conversion taking effect.

5.2.3 Conditional capital of Klöckner & Co AG continues to exist at the time of the conversion taking effect in the amounts existing at the time of the conversion taking effect and with the same conditions applicable at this time as the conditional capital of Klöckner & Co SE in the same amounts and with the same conditions.

Klöckner & Co AG currently (information valid as per 30 April 2008) has conditional capital as set out in section 4 para. (3) of the Articles of Association of Klöckner & Co AG (Conditional Capital 2007). Therefore, a corresponding Conditional Capital 2007 is set out in section 4 para. (3) in the Articles of Association of Klöckner & Co SE as attached to these Terms of Conversion as Annex 1. Therefore in particular, the amount of Conditional Capital 2007, the number of shares and the other conditions relating to the Conditional Capital 2007 pursuant to section 4 para. (3) of the Articles of Association of Klöckner & Co SE correspond with those pursuant to section 4 para. (3) of the Articles of Association of Klöckner & Co AG. To the extent that the actual amounts or the other conditions regarding the Conditional Capital of Klöckner & Co AG change prior to the conversion into Klöckner & Co SE taking effect, Conditional Capital 2007 at the time of the conversion taking effect will continue to exist in Klöckner & Co SE in the same amounts and with the same conditions applicable with respect to Klöckner & Co AG at the time of the conversion taking effect.

5.2.4 The annual General Meeting of Klöckner & Co AG of 20 June 2008 ("**General Meeting 2008**") will propose the procurement of new additional conditional capital (Conditional Capital 2008). Pursuant to the proposal for resolution of the Management Board and Supervisory Board, Conditional Capital 2008 envisages that the share capital of the Company shall be conditionally increased by up to EUR 11,625,000.00 by way of the issue of up to 4,650.000 new no-par value registered shares with dividend rights as of the beginning of the business year of their issue. Conditional Capital 2008 shall serve the purpose of granting shares to satisfy the subscription rights of the holders of option and/or convertible bonds that shall be issued pursuant to the authorisation of the Company or a group company which shall be resolved at the same time in the General Meeting 2008 (Convertible Bond 2008).

To the extent that the respective resolution of the General Meeting 2008 is already registered in the commercial register at the time of the conversion taking effect, Conditional Capital 2008 will, at the time of the conversion taking effect, continue to exist in Klöckner & Co SE in the same amount and with the same conditions applicable with respect to Klöckner & Co AG at the time of the conversion taking effect.

6 Cash compensation offer

An offer to purchase their shares against a cash compensation will not be made to shareholders who object to the conversion because the law does not envisage such a cash compensation offer.

7 Holders of special rights and holders of other securities

7.1 On 27 July 2007, the Luxembourg subsidiary of Klöckner & Co AG, Klöckner & Co Finance International S.A., issued a convertible bond in a total amount of EUR 325 million ("**Convertible Bond 2007**"). Convertible Bond 2007 has a term of five years and a nominal interest rate of 1.5% p.a. The conversion price was set at EUR 80.75. Based on the resolution of the General Meeting of 20 June 2007, Klöckner & Co AG assumed the guarantee for Convertible Bond 2007 by granting the holders of Convertible Bond 2007 convertible rights to new shares in Klöckner & Co AG ("**Guarantee**"). Convertible Bond 2007 entitles its holders to subscribe for a total of 4,024,767 shares in Klöckner & Co AG.

Upon the conversion taking effect, the holders of Convertible Bond 2007 shall have a subscription right for shares in Klöckner & Co SE instead of a subscription right for shares in Klöckner & Co AG. The number of shares, the conversion price and the other terms and conditions of Convertible Bond 2007 as well as the terms and conditions of the Guarantee do not change because of the conversion.

7.2 The conditional capital which was procured in order to secure the subscription rights under Convertible Bond 2007 (Conditional Capital 2007) (cf. Section 4 para. (3) of the Articles of Association of Klöckner & Co AG), continues to exist in the respective form at Klöckner & Co SE after the conversion (cf. Section 4 para. (3) of the Articles of Association of Klöckner & Co SE; also see clause 5.2.3 of these Terms of Conversion).

8 Management Board

The offices of all the members of the Management Board and the Supervisory Board of Klöckner & Co AG shall end upon the conversion taking effect, i.e. upon registration of the conversion in the commercial register of the Company.

Notwithstanding the competence of the future Supervisory Board of Klöckner & Co SE pursuant to Art. 39 para. 2 sentence 1 of the SE Regulation, it is pointed out at this point that presumably the present members of the Management Board of Klöckner & Co AG also will be appointed as members of the first Management Board of Klöckner & Co SE. These are Dr Thomas Ludwig, Mr Ulrich Becker und Mr Gisbert Rühl.

9 Supervisory Board

9.1 Pursuant to Section 9 para. 1 of the Articles of Association of Klöckner & Co SE (see **Annex 1**), a Supervisory Board shall be established at Klöckner & Co SE, comprising six members. All the members of the Supervisory Board of Klöckner & Co SE shall be appointed by the General Meeting. However, pursuant to Art. 40 para. 2 sentence 2 of the SE Regulation, the members of the first Supervisory Board shall be appointed by the Articles of Association of Klöckner & Co SE.

9.2 The offices of the members of the Supervisory Board Klöckner & Co AG shall end upon the conversion taking effect. Pursuant to Section 9 of the Articles of Association of Klöckner & Co SE, the persons listed in clause 9.3 of these Terms of Conversion shall be appointed as members of the Supervisory Board of Klöckner & Co SE.

9.3 The following members of the Supervisory Board of Klöckner & Co AG shall be appointed as members of the Supervisory Board of Klöckner & Co SE:

(i) Prof Dr Dieter H. Vogel, Meerbusch, Managing Partner of Lindsay Goldberg Vogel GmbH, Düsseldorf;

(ii) (Dr Michael Rogowski, Heidenheim, Chairman of the Supervisory Board and the Partners' Committee of Voith AG, Heidenheim;

(iii) Robert J. Koehler, Wiesbaden, Chairman of the Management Board of SGL CARBON Aktiengesellschaft, Wiesbaden;

(iv) Frank H. Lakerveld, Hattingen, member of the Management Board of Sonepar S.A., Paris (France);

(v) Dr. Jochen Melchior, Essen, former Chairman of the Management Board of the former STEAG AG, Essen;

(vi) Dr Hans Georg Vater, Ratingen, former member of the Management Board of HOCHTIEF Aktiengesellschaft, Essen.

Pursuant to Art. 40 para. 2 sentence 2 of the SE Regulation, the appointment is made by the Articles of Association of Klöckner & Co SE, which is attached to these Terms of Conversion as **Annex 1**.

For reasons of utmost precaution and notwithstanding the competence of the future Supervisory Board of Klöckner & Co SE, it is pointed out at this point that presumably Prof. Dr Dieter H. Vogel will be appointed as the chairman of the Supervisory Board.

10 Special benefits

For reasons of utmost precaution and notwithstanding the competence of the Supervisory Board of Klöckner & Co SE, it is pointed out at this point that presumably the members of the Management Board of Klöckner & Co AG shall be appointed as members of the Management Board of Klöckner & Co SE (see clause 8). Furthermore, it is pointed out that the present members of the Supervisory Board of Klöckner & Co AG will be appointed in the Articles of Association of Klöckner & Co SE as members of the Supervisory Board of Klöckner & Co SE (see clause 9).

11 Information on the procedure for the involvement of the employees in Klöckner & Co SE

The involvement of the employees in an SE is primarily based on an agreement between the corporate management and the employees who are represented by a so-called Special Negotiating Body ("**SNB**") which is elected by them or their representatives. In the event that no agreement is reached, the standard rules set forth in German law on the involvement of the employees in a European Company (German SE Employee Involvement Act (*SE-Beteiligungsgesetz – SEBG*) apply to the involvement of the employees of an SE with registered seat in Germany.

The Management Board of Klöckner & Co AG and the BVG have already concluded an agreement on the involvement of the employees in Klöckner & Co SE on 29 April 2008 ("**Employee**

Involvement Agreement"). In the following, the basic principles of the procedure which led to the conclusion of this agreement will be provided.

11.1 Basic Principles for the regulation of the involvement of the employees in Klöckner & Co SE

11.1.1 The negotiation procedure which is envisaged in the German SE Employee Involvement Act in this respect was carried out for the regulation of the involvement of the employees in Klöckner & Co SE. The German SE Employee Involvement Act implements the Council Directive 2001/86/EC dated 8 October 2001 supplementing the Statute of a European Company regarding the involvement of employees, into German law. It envisages negotiations between the corporate management of the participating company – here: the Management Board of Klöckner & Co AG – and the SNB.

In the event of the foundation of an SE through conversion, the SNB is comprised of employee representatives of both the company directly affected by the conversion – here: Klöckner & Co AG – and its subsidiaries and branches to the extent that their employees are employed in a member state of the European Union or a state which is a party to the Treaty on the European Economic Area ("**Member State**"). Pursuant to the provisions of the German SE Employee Involvement Act, the number of seats in the SNB attributable to the individual Member States shall be according to the number of employees employed in the respective Member State. See clause 11.3 below in respect of the composition of the SNB of the Klöckner & Co Group.

11.1.2 The aim of the negotiation procedure is the conclusion of an agreement on the involvement of the employees in the SE, which in the present case was reached by the conclusion of the Employee Involvement Agreement. If no such agreement had been concluded, the standard rules envisaged in the German SE Employee Involvement Act would have been applicable.

Involvement of employees constitutes in this respect any procedure – including information, consultation and participation – by which the employee representative bodies can exercise influence on the decision-making in the company.

Involvement rights are rights to which the employees and their representative bodies are entitled in the area of informing, consultation, co-determination and other types of participation. This can also include the exercise of these rights in the group companies of the SE.

Informing constitutes the informing of the SE works council or other employee representative bodies by the SE management concerning matters relating to the SE itself or one of its subsidiaries or one of its branches in another Member State or which go beyond the authority of the competent bodies at the level of the individual Member State. Time, form and contents of the information shall be selected in such a manner so as to enable the employee representative bodies to thoroughly examine the effects to be expected and if required, to prepare a hearing with the SE management.

Consultation constitutes the establishment of a dialogue and an exchange of opinions between the SE works council or other employee representative bodies and the SE management or another competent management level with decision-making authority of its own. The time, form and contents of the consultation shall enable the SE works council to provide an opinion on the measures planned by the SE management on the basis of the

information effected, which can be taken into consideration in the decision-making process within the SE.

Participation constitutes the ability of the employees to exercise influence on affairs of a company by

(i) exercising the right to elect or appoint part of the membership of the supervisory or administrative bodies of the company or

(ii) exercising the right to recommend or reject the appointment of part of the membership or all the members of the supervisory or administrative bodies of the company.

11.2 Initiation of the negotiation procedure

The initiation of the procedure for regulation of the involvement of the employees within Klöckner & Co SE took place according to the provisions of the German SE Employee Involvement Act. These provisions prescribe that the management of the company involved in the conversion – here: the Management Board of Klöckner & Co AG – in a first step, shall inform the employees and/or their representative bodies about the intended conversion and request the establishment of the SNB.

Pursuant to Section 4 of the German SE Employee Involvement Act, the information provided to the employee representative bodies and/or the employees extended to (i) the identity and structure of the company involved in the conversion – here meaning Klöckner & Co AG – as well as the subsidiaries and branches affected by the conversion and their distribution in the Member States, (ii) the employee representative bodies existing in these companies and branches, (iii) the number of employees employed in each of these companies and branches at the time of the provision of the information as well as the total number of employees employed in a Member State to be calculated from this and (iv) the number of employees entitled to participation rights in the bodies of these companies at the time the information is provided.

With letter of 24 September 2007, the Management Board of Klöckner & Co AG has already informed the employee representative bodies and/or the employees in Germany as well as in the Member States in which the Klöckner & Co Group employs employees (these are: Belgium, Bulgaria, France, Ireland, Lithuania, The Netherlands, Austria, Poland, Rumania, Spain, Czech Republic, Hungary und the United Kingdom of Great Britain and Northern Ireland) about the planned conversion of Klöckner & Co AG into the legal form of the SE and has requested the establishment of the SNB. Following the acquisition of the Bulgarian subsidiaries in January 2008, the Management Board of Klöckner & Co AG immediately also informed the employee representative bodies and/or the employees at that location about the intended conversion into the legal form of the SE and requested the election and/or appointment of the SNB member.

11.3 Establishment and composition of the SNB

In this case, Section 5 para. 1 of the German SE Employee Involvement Act shall apply to the establishment and composition of the SNB.

Members of the SNB were elected or appointed accordingly for the employees employed in every Member State at the participating companies – here: Klöckner & Co AG -, affected subsidiaries and affected branches. For every percentage of the employees employed in a Member State amounting to 10% of the total number of the employees employed in all Member States at the participating companies and the affected subsidiaries or affected branches or a fractional amount thereof, one member from this Member State was to be elected or appointed to the SNB.

On 5 December 2007, the Management Board of Klöckner & Co AG sent out invitations to the constituent meeting of the SNB to be held on 10 and 11 January 2008. The constituent meeting

took place on 10/11 January 2008. The bodies and/or employees competent for the appointment and/or election of the SNB members in Lithuania, Poland and the Czech Republic did not elect and/or appoint a representative for their country to the SNB.

Austria did not delegate a member to the SNB due to contrary national regulations.

Based on the number of employees of the companies of the Klöckner & Co Group in the Member States of the European Union (including Germany), the following allocation of seats on the SNB has resulted:

Country	**Number of employees**	**Proportion in total number of employees in percentage (rounded)**	**Seats on the SNB**
Belgium	96	1.3%	1
Bulgaria	253	3.43%	1
Germany	1767	23.95%	3
France	2462	33.37%	4
Ireland	6	0.08%	1
Lithuania*	2	0.03%	-
The Netherlands	549	7.44%	1
Austria**	107	1.45%	-
Poland*	44	0.6%	-
Rumania	9	0.12%	1
Spain	867	11.75%	2
Czech Republic*	28	0.38%	-
Hungary	31	0.42%	1
United Kingdom of Great Britain and Northern Ireland	1156	15.67%	2
Total	**7377**	**100%**	**17**

* Poland, Lithuania and the Czech Republic did not delegate any representatives to the SNB.

** Austria did not delegate a representative to the SNB due to the provisions of Austrian law.

The members of the SNB attributable to the German companies were elected according to the provisions of Sections 8 et seq. German SE Employee Involvement Act; the determination of the representatives attributable to each of the other Member States was accomplished according to the respective provisions of the Member State concerned which are applicable in this respect.

11.4 Negotiation procedure and regulation of the involvement of the employees in Klöckner & Co SE

Therefore in this case, with the constituent meeting of the SNB, the negotiation time limit pursuant to Section 20 para. 1 of the German SE Employee Involvement Act began to run. The negotiations were concluded by the conclusion of the Employee Involvement Agreement on 29 April 2008. It regulates the details on the establishment of the SE works council of Klöckner & Co SE and its involvement rights.

Furthermore, the Employee Involvement Agreement stipulates that there will be no participation in the supervisory or administrative bodies of Klöckner & Co. SE. Because Klöckner & Co AG is already not subject to participation, also Klöckner & Co SE must not provide for participation in the executive bodies (cf. also Section 21 para. 6 of the German SE Employee Involvement Act in this respect).

11.5 Costs of the negotiation procedure and the establishment of the SNB

The costs which have been incurred by the establishment and the activities of the SNB shall be borne by the Company. The obligation to bear the costs includes the non-personal economic costs and personal costs in connection with the work of the SNB including the negotiations, in particular for offices and non-personal economic resources (e.g., telephone, facsimile, literature), translators and office personnel in connection with the negotiations as well as necessary travel and accommodation costs of the members of the SNB.

12 Other effects of the conversion on the employees and their representatives

The conversion affects the employees and their representatives as follows:

12.1 The rights and obligations of the employees under existing service and employment contracts remain in **existence** unchanged. Section 613 a of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*) shall not be applied to the conversion because a transfer of business undertakings does not take place due to the identity of the legal entity.

12.2 Shop agreements, collective bargaining agreements and other regulations under collective employment law which apply to the employees of Klöckner & Co AG continue to be applicable unchanged for the employees of Klöckner & Co SE according to the provisions of the respective agreements.

12.3 The conversion will not result in any changes for the existing employee representational bodies and spokesmen committees (*Sprecherausschuss*) in the subsidiaries and branches of the Klöckner & Co Group. The existing national employee representational bodies and spokesmen committees remain in existence.

12.4 An SE works council shall be established at Klöckner & Co SE in accordance with the Employee Involvement Agreement (cf. also clause 11.4 above in this respect).

12.5 Finally, no measures are envisaged or planned due to the conversion which would have an effect on the situation of the employees.

13 Auditor of the annual financial statements

KPMG Hartkopf + Rentrop Treuhand KG Wirtschaftsprüfungsgesellschaft, Cologne, is appointed as the auditor of the annual financial statements of the Company and the Group as well as to conduct a review of the shortened financial statements and the interim management report

pursuant to Sections 37w para. 5, 37y no. 2 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) in the first business year of Klöckner & Co SE.

Duisburg, 5 May 2008

Klöckner & Co Aktiengesellschaft
The Management Board

sgd.	Dr. Thomas Ludwig (Chairman)	sgd.	Gisbert Rühl

Annex 1: Articles of Association of Klöckner & Co SE

PART B
Articles of Association of Klöckner & Co SE (Annex to Terms of Conversion)

Articles of Association of

Klöckner & Co SE, Duisburg

I. General Provisions

Section 1 Company Name, Seat and Business year

(1) The European Company (*Societas Europaea*) – hereinafter referred to as the ”Company“ – operates under the name of:

Klöckner & Co SE.

(2) It has its registered seat in Duisburg.

(3) The business year is the calendar year.

Section 2 Purpose of the Company

(1) The purpose of the Company is

(a) the distribution and trading of steel, metal and synthetic products as well as their manufacture and processing and

(b) the acquisition and administration of participations of all kinds, in particular in companies whose purpose includes the activities described under a).

(2) The Company may form subsidiaries in Germany and abroad, establish branches and assume participations in other companies to the extent they are active in the Company's field of business or are beneficial to its purpose, including for the purpose of the development and subsequent sale of such companies. The Company may represent companies in which it participates, consolidate them under a unified management and conclude inter-company agreements for this purpose. The Company may outsource or convey its business in full or in part to affiliated companies.

Section 3 Announcements and Transmission of Information

(1) The Company's announcements shall be published in the electronic Federal Gazette *(elektronischer Bundesanzeiger)*, unless otherwise required by law.

(2) The Company is entitled to transmit information to the shareholders, with their consent, by way of electronic data transmission.

II. Share Capital and Shares

Section 4 Amount and Division of the Share Capital

(1) Share Capital

The Company's share capital amounts to EUR 116,250,000.00 (in words: Euro one hundred and sixteen million two hundred and fifty thousand). It is divided into 46,500,000 (in words: forty-six million five hundred thousand) no-par value registered shares. The share capital in the amount of EUR 100,000,000.00 (in words: Euro one hundred million) was paid in through the identity-preserving change of legal form of the former Multi Metal Holding GmbH to Klöckner & Co Aktiengesellschaft. Then the share capital in the amount of EUR 116,250,000 (in words: Euro one hundred and sixteen million two hundred and fifty

thousand) was paid in through the identity-preserving conversion of the former Klöckner & Co Aktiengesellschaft into Klöckner & Co SE.

(2) Authorised Capital

(a) The Management Board of the Company is authorised, with the consent of the Supervisory Board, to increase the share capital in the period up to 20 June 2011 by issuing new no-par value registered shares against cash or non-cash contributions, once or several times, by up to a total of EUR 50,000,000.00 (in words: Euro fifty million) in accordance with the following provisions, however, only up to a maximum amount and number of shares in which amount Authorised Capital pursuant to Section 4 para. (2) of the Articles of Association of Klöckner & Co Aktiengesellschaft still exists at the point in time of the conversion of Klöckner & Co Aktiengesellschaft into a European Company (SE) pursuant to the Terms of Conversion of 5 May 2008 taking effect (Authorised Capital).

(b) The Authorised Capital may be utilised once or several times up to the total amount of EUR 50,000,000.00 (in words: Euro fifty million) by issuing new no-par value registered shares against cash contributions, however, only up to a maximum amount and number of shares in which amount Authorised Capital pursuant to Section 4 para. (2) of the Articles of Association of Klöckner & Co Aktiengesellschaft still exists at the point in time of the conversion of Klöckner & Co Aktiengesellschaft into a European Company (SE) pursuant to the Terms of Conversion of 5 May 2008 taking effect (Tranche I). The shareholders shall be granted a preemptive right.

(aa) However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the shareholders' preemptive right in order to avoid fractional amounts.

(bb) Moreover, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the shareholders' preemptive right to the extent this is necessary in order to grant the holders of conversion or other option rights, which are issued by the Company or its affiliated companies, a subscription right to new shares in the Company in the volume to which they would be entitled after exercising their conversion or other option rights.

(cc) The Management Board is also authorised, with the consent of the Supervisory Board, to exclude the shareholders' preemptive right to the extent the share in the total share capital accruing to the shares issued with the exclusion of the preemptive right pursuant to Section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz – AktG*) does not exceed 10% of the share capital and the issue price does not fall significantly below the market price of the Company's shares which are already listed.

(c) The Authorised Capital may be utilised once or several times up to the total amount of EUR 50,000,000.00 (in words: Euro fifty million) by issuing new no-par value registered shares against non-cash contributions for the purpose of the (also indirect) acquisition of companies, parts of companies or participations in companies, however, only up to a maximum amount and number of shares in which amount Authorised Capital pursuant to Section 4 para. (2) of the Articles of Association of Klöckner & Co Aktiengesellschaft still exists at the point in time of the

conversion of Klöckner & Co Aktiengesellschaft into a European Company (SE) pursuant to the Terms of Conversion of 5 May 2008 taking effect (Tranche II). In this case, the shareholders' preemptive right is excluded.

(d) The Authorised Capital may be utilized once or several times up to the total amount of EUR 50,000,000.00 (in words: Euro fifty million) by issuing new no-par value registered shares against cash contributions for the purpose of issuing shares to employees of the Company or its affiliated companies, however, only up to a maximum amount and number of shares in which amount Authorised Capital pursuant to Section 4 para. (2) of the Articles of Association of Klöckner & Co Aktiengesellschaft still exists at the point in time of the conversion of Klöckner & Co Aktiengesellschaft into a European Company (SE) pursuant to the Terms of Conversion of 5 May 2008 taking effect (Tranche III). In this case, the shareholders' preemptive right is excluded.

(e) Within the framework of the Authorised Capital, each of the Tranches I to III may only be utilized up to the maximum limit set forth therein. The sum of all capital measures arising from Tranches I to III may not exceed the total amount of the Authorised Capital.

(f) The Management Board is authorised, with the consent of the Supervisory Board, to determine the additional conditions of the rights embodied in the shares and the further details of the capital increase, its execution, and the conditions for issuing the shares. The Supervisory Board is authorised to adjust the wording of these Articles of Association following a partial or complete execution of the share capital increase out of the Authorised Capital or after expiration of the period of authorisation, in accordance with the amount of the capital increase out of the Authorised Capital.

(3) The share capital of the Company is conditionally increased by up to EUR 11,625,000.00 by issuing up to 4,650,000 new no-par value registered shares with dividend rights from the beginning of the business year of their issue. However, this conditional capital increase only applies up to a maximum amount and number of shares in which amount the conditional capital increase has not yet been executed at the point in time of the conversion of Klöckner & Co Aktiengesellschaft into a European Company (SE) pursuant to the Terms of Conversion of 5 May 2008 taking effect.

The conditional capital shall serve to grant subscription and/or conversion rights to the holders of option bonds and/or convertible bonds that are issued by the Company or a group company in accordance with the authority granted by the General Meeting of the Company on 20 June 2007. New shares shall be issued in accordance with the option price or conversion price resolved as Item 9 of the agenda of the General Meeting of the Company held on 20 June 2007.

The conditional capital increase shall 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 to the extent that no cash settlement is granted and none of the Company's own shares or shares created from authorised capital are used to satisfy this requirement. The Management Board is authorised to determine the further details of the execution of a conditional capital increase (Conditional Capital 2007).

(4) The shares are registered by name. If, in the event of a capital increase, the resolution on the capital increase does not specify whether the new shares should be bearer shares or registered shares, then they shall be issued as shares registered by name.

(5) The form of the share certificates and the dividend and talon coupons shall be determined by the Management Board with the consent of the Supervisory Board. The shareholders' right to a securitisation of their shares and dividends is excluded to the extent permissible by law and a securitisation is not required according to the rules of the stock exchange where the share has been admitted for trading. The Company shall be entitled to issue share certificates which embody individual shares or multiple shares (global shares).

(6) In the event of a capital increase, the dividend rights of new shares may be determined in deviation from Section 60 para. 2 of the German Stock Corporation Act.

III. Constitution of Organisation

Section 5 Constitution of Organisation

The constitution of organisation of the Company follows the two-tier system. Corporate bodies of the Company are the management body ("Management Board"), the supervisory body ("Supervisory Board") and the General Meeting.

IV. Management Board

Section 6 Composition and Rules of Procedure

(1) The Management Board comprises one or several members. The Supervisory Board shall determine the number of members of the Management Board.

(2) The Supervisory Board may appoint a chairman of the Management Board as well as a deputy chairman of the Management Board.

(3) The Supervisory Board shall issue Rules of Procedure for the Management Board including the allocation of duties.

(4) Members of the Management Board shall be appointed for a maximum term of office of five years. A member may be re-appointed once or several times.

Section 7 Representation of the Company

If the Management Board only has one member, then he shall represent the Company alone. If two or more members have been appointed, then the Company shall be represented by two members jointly or by one member jointly with a person holding general commercial power of representation (*Prokurist*). The Supervisory Board may grant individual Management Board members the power to represent the Company alone and/or release them from the prohibition of multiple representation set forth in Section 181 2nd Alternative of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*).

Section 8 Management

(1) The Management Board shall manage the business in accordance with the laws, the Articles of Association, its Rules of Procedure and the allocation of duties.

(2) The Management Board requires the approval of the Supervisory Board to carry out the following transactions:

- transactions which will cause a fundamental change of the asset, financial or earnings situation or the risk exposure of the Company;
- foundation, dissolution, acquisition or sale of shareholdings as well as changes in shareholding which exceed a limit to be determined by the Supervisory Board in the Rules of Procedure of the Management Board;
- conclusion, major amendment or termination of inter-company agreements within the meaning of Sections 291 et seq. of the German Stock Corporation Act; and
- conclusion, major amendment or termination of profit participation agreements and silent partnerships.

The Supervisory Board has the right to issue Rules of Procedure for the Management Board in which, in particular, further transactions may be made subject to the approval of the Supervisory Board. The Supervisory Board may grant revocable approval in advance of a specific group of transactions in general or on the condition that an individual transaction satisfies specific requirements.

V. Supervisory Board

Section 9 Composition, Term of Office, Resignation from Office

(1) The Supervisory Board comprises six members, who shall be elected by the General Meeting.

(2) The Supervisory Board members shall each be elected for a period up to the conclusion of the General Meeting which resolves on the formal approval of the actions of the Supervisory Board for the fourth business year after commencement of the respective term of office, whereby the business year in which the term of office begins is not counted. The term of office shall be no longer than six years. When electing a Supervisory Board member, the General Meeting may determine a shorter term of office respectively. The successor to a member who resigned before his term of office expired shall be elected for the remainder of the term of office of the resigning member unless otherwise resolved by the General Meeting. A member may be reappointed once or several times.

(3) Notwithstanding paragraph (1) and paragraph (2), the following persons are appointed as members of the first Supervisory Board of Klöckner & Co SE:

- Professor Dr. Dieter H. Vogel, Meerbusch, Managing Partner of Lindsay Goldberg Vogel GmbH, Düsseldorf;
- Dr. Michael Rogowski, Heidenheim, Chairman of the Supervisory Board and Partners' Committee of Voith AG, Heidenheim;
- Robert J. Koehler, Wiesbaden, Chairman of the Management Board of SGL CARBON Aktiengesellschaft, Wiesbaden;
- Frank H. Lakerveld, Hattingen, member of the Management Board of Sonepar S.A., Paris (France);

- Dr. Jochen Melchior, Essen, former Chairman of the Management Board of the former STEAG AG, Essen,
- Dr. Hans Georg Vater, Ratingen, former member of the Management Board of HOCHTIEF Aktiengesellschaft, Essen.

The appointment of Prof. Dr. Dieter Vogel, Dr. Michael Rogowski and Mr. Frank H. Lakerveld shall be for the period up to the conclusion of the General Meeting which resolves on the formal approval of the actions of the Supervisory Board for the second business year after the commencement of the term of office. The appointment of Dr. Jochen Melchior and Dr. Hans Georg Vater shall be for the period up to the conclusion of the General Meeting which resolves on the formal approval of the actions of the Supervisory Board for the third business year after the commencement of the term of office. The appointment of Mr. Robert J. Koehler shall be for the period up to the conclusion of the General Meeting which resolves on the formal approval of the actions of the Supervisory Board for the fourth business year after the commencement of the term of office.

The appointments set forth above shall each be for a maximum of six years. If the registration of the SE takes place in 2008, the business year in which the term of office commences shall not be counted in respect of the appointments set forth above. On the other hand, if the registration of the SE takes place in 2009 or later, the business year in which the term of office commences shall be counted in respect of the appointments set forth above

(4) When a Supervisory Board member is elected, a substitute member may also be appointed at the same time, who shall become a Supervisory Board member if the Supervisory Board member should resign prior to the expiration of his term of office and a successor has not been elected. The term of office of a substitute member who has joined the Supervisory Board shall expire once a successor for the resigned Supervisory Board member has been appointed, at the latest upon the expiration of the resigned Supervisory Board member's term of office.

(5) Notwithstanding their right to resign from office for good cause, the members and the substitute members of the Supervisory Board may resign from office by rendering a written declaration to the Chairman of the Supervisory Board or the Management Board observing a notice period of four weeks.

(6) The General Meeting may recall members of the Supervisory Board prior to the expiration of their term of office without providing reasons.

Section 10 Chairman and Deputy Chairman

(1) The Supervisory Board shall elect a Chairman and a Deputy Chairman from its midst. The Supervisory Board Chairman and the Deputy Supervisory Board Chairman shall be elected by a simple majority of votes, in the event of a voting tie, the decision shall be made by lot. Should the Chairman or his Deputy resign from the Supervisory Board before the term of office has expired, the Supervisory Board shall conduct new elections.

(2) If the Supervisory Board Chairman and the Deputy Supervisory Board Chairman are prevented from carrying out their activities, then the eldest Supervisory Board member in terms of age shall take the chair of the Supervisory Board for the duration of the prevention.

(3) The Chairman of the Supervisory Board or in his absence, his Deputy, are authorised to submit and receive declarations of intent in the name of the Supervisory Board which are required to implement the Supervisory Board's resolutions.

Section 11 Rules of Procedure

The Supervisory Board shall issue itself Rules of Procedure within the framework of the mandatory statutory provisions and the provisions of these Articles of Association.

Section 12 Committees

The Supervisory Board may form committees from its midst and, to the extent legally permissible, allocate decision-making authority to them.

Section 13 Confidentiality

The members of the Supervisory Board shall - even after resigning from office - maintain secrecy with respect to confidential information and secrets of the Company, namely trade and business secrets, which become known to them through their activities on the Supervisory Board.

Section 14 Remuneration

(1) In addition to reimbursement for their appropriate cash outlays and the VAT accruing on their remuneration and expenditures, the members of the Supervisory Board shall receive:

(a) a fixed annual remuneration in the amount of EUR 17,000.00;

(b) a profit-oriented remuneration in the amount of EUR 150.00 for each full EUR 1,000,000.00 by which the group surplus in the respective business year for which the remuneration is being paid exceeds the sum of EUR 50,000,000.00.

The remuneration pursuant to (b) for each Supervisory Board member may not exceed the sum of the fixed annual remuneration pursuant to (a), taking paragraph 2 into account, by more than 100 %. Section 113 para. 3 sentence 1 of the German Stock Corporation Act remains unaffected.

(2) The Supervisory Board Chairman shall receive three times and his Deputy twice the remuneration pursuant to paragraph 1.

(3) Additionally, Supervisory Board members shall receive an attendance fee of EUR 2,000.00 for each meeting of the Supervisory Board and its Committees at which they are present. The Supervisory Board Chairman and a Chairman of a Supervisory Board Committee shall receive three times and the Deputy Supervisory Board Chairman and Deputy Chairman of a Supervisory Board Committee shall receive twice the attendance fee.

(4) Supervisory Board members who only belong to the Supervisory Board during part of the respective business year shall receive one twelfth of the remuneration for each month or partial month of their membership. The same shall apply accordingly to the increase of the remuneration for the Supervisory Board Chairman and his Deputy pursuant to paragraph 2.

(5) The remuneration pursuant to paragraph 1 (a) and (b), as well as the attendance fee, shall be payable at the conclusion of the General Meeting which receives the consolidated annual financial statements for the respective business year or decides on their approval.

(6) For the calculation of the remuneration pursuant to paragraph 1, the group surplus for the relevant business year, as shown in the approved consolidated annual financial statements pursuant to IFRS, which has been furnished with an unlimited audit certificate, shall be

authoritative, whereby no planned amortizations of goodwill within the meaning of IFRS will be carried out.

(7) The fixed annual remuneration pursuant to paragraph 1 (a) and the profit-oriented annual remuneration pursuant to paragraph 1 (b) shall be paid in full for the first time for the business year which follows the business year in which the Company was registered as an SE in the commercial register.

(8) The Company may maintain D&O insurance for its corporate bodies with appropriate coverage in its own interest and at its own expense. If it does, then the Supervisory Board members must be included.

VI. General Meeting

Section 15 Location and Convening

(1) The General Meeting shall be held at the registered seat of the Company, a German financial centre or a major German city with a population of over 100,000.

(2) The convening of the meeting must be published in the electronic Federal Gazette at least 30 days before the day at the end of which the shareholders must have notified their attendance (Section 16), not counting the day of the announcement and the last day on which the shareholders must submit their notification.

Section 16 Participation and Voting Rights

(1) Shareholders shall be entitled to participate in the General Meeting and exercise their voting right in the General Meeting if they have notified the Management Board at the Company's registered seat of their participation in a timely manner in writing, by facsimile or, if the Management Board so resolves, electronically by a method to be determined in detail by the Company, and are registered in the share register on the date of the General Meeting. The voting right may only be exercised to the extent which exists according to the entry in the share register on the date of the General Meeting. The delivery of the notification and the date of the General Meeting must be at least six days apart. The Management Board may determine a shorter time limit.

(2) The voting right may be exercised by an authorised representative. If neither a credit institute nor a shareholders' association is so authorised, then the power of attorney shall be granted in writing, by facsimile or electronically by a method to be determined in detail by the Company.

Section 17 Chairing the General Meeting

(1) The General Meeting shall be chaired by the Chairman of the Supervisory Board or, if he is prevented from attending, by another Supervisory Board member to be determined by the Supervisory Board.

(2) The Chairman shall preside over the meeting. He determines the order in which the agenda items will be dealt with as well as the manner and order of the voting on resolutions. He may impose a reasonable time limit on the shareholders' right to ask questions and speak; in particular, he may set a reasonable timeframe for the course of the meeting, the discussion of the agenda items as well as the individual speeches or questions.

Section 18 Image and Sound Transmission

The General Meeting may be transmitted by the Company in the form of a sound and image transmission, in whole or in part, if the Management Board and the Supervisory Board so resolve and announce this upon convening the meeting.

Section 19 Adoption of Resolutions

(1) Each no-par value registered share shall grant one vote in the General Meeting.

(2) Unless otherwise prescribed by statute, the resolutions shall be adopted by a simple majority of the votes cast and, where the statutes require a majority of the capital along with a majority of the votes, by a simple majority of the share capital represented during the adoption of the resolution. A simple majority of the votes cast is sufficient for the adoption of a resolution regarding an amendment of the Articles of Association if at least half of the share capital is represented and no higher majority is prescribed by statute.

VII. Annual Financial Statements and Appropriation of Profit

Section 20 Annual Financial Statements and Appropriation Profit

(1) Within the first three months of the business year, the Management Board shall submit the annual financial statements and the management report, as well as the consolidated annual financial statements and the consolidated management report for the past year to the Supervisory Board without undue delay after their preparation. At the same time, the Management Board shall submit its proposal for the appropriation of the net retained profits to the Supervisory Board. Section 298 para. 3 and Section 315 para. 3 of the German Commercial Code (*Handelsgesetzbuch - HGB*) remain unaffected.

(2) Upon receipt of the Supervisory Board's report, the Management Board shall convene the ordinary General Meeting without undue delay, which must be held within the first six months of each business year. It shall decide on the formal approval of the actions of the Management Board and Supervisory Board, on the selection of the auditor of the annual financial statements and the appropriation of the net retained profit.

(3) Once the annual financial statements have been approved, the Management Board and Supervisory Board shall be authorised to allocate all or parts of the annual surplus remaining after the deduction of the amounts to be allocated to the statutory reserves and the loss carry-forward, to other reserves.

(4) The net retained profit shall be distributed to the shareholders unless the General Meeting resolves on a different use.

(5) The General Meeting may also resolve a distribution in kind if the items to be distributed can be traded on a market within the meaning of Section 3 para. 2 of the German Stock Corporation Act.

VIII. Final Provisions

Section 21 Amendments to the Articles of Association

The Supervisory Board is authorised to resolve amendments to these Articles of Association which only affect the wording. It may also adjust the Articles of Association to conform to new statutory requirements which are binding on the Company without a General Meeting resolution being required.

Section 22 Formation Costs (costs of formation of the company as a GmbH, of the conversion into a stock Company and of the conversion into an SE)

(1) Costs of formation as a GmbH

The Company shall bear the costs of the formation and publication up to an amount of EUR 2.000,00.

(2) Costs of Conversion of Multi Metal Holding GmbH into Klöckner & Co. Aktiengesellschaft

The Company was created by way of a conversion into a different legal form. The Company shall bear the cost of the change of form (notarial and court costs, publication costs, legal and tax consultation costs, cost of the formation audit) up to the amount of EUR 100,000.00.

(3) Costs of Conversion of Klöckner & Co Aktiengesellschaft into Klöckner & Co SE

The Company shall bear the costs of the conversion from the legal form of a stock corporation into the legal form of an SE (in particular the costs of the negotiation procedure on the participation of the employees, notarial and court costs, publications costs, legal and tax consultation costs, costs of preparation of the valuation certificate pursuant to Art. 37 para. 6 of the German SE Participation Act) up to the amount of EUR 1 million.

PART C
Agreement on the Involvement of the Employees within Klöckner & Co SE

Agreement on the Involvement of the Employees

at

Klöckner & Co SE

Agreement on the Involvement of the Employees at Klöckner & Co SE

(1) Klöckner & Co AG (hereinafter also referred to as the "**Company**"), represented by its Management Board, Am Silberpalais 1, D-47057 Duisburg,

and

(2) the Special Negotiating Body of Klöckner & Co AG, represented by its chairman, Heinz Detlef Pedina as well as his deputies Gilles Rocquet and Manuel Jesús Menéndez Fernández,

hereby enter into the following Agreement on the Involvement of the Employees at Klöckner & Co SE:

Preamble:

(A) Klöckner & Co AG is a stock corporation under German law. It is intended to have the general meeting of Klöckner & Co AG decide on 20 June 2008 on whether or not to transform the Company into a European Company (Societas Europaea - SE). The legal form of the SE reflects the international orientation of the Company and ensures adequate involvement of all employees in the European Union and European Economic Area Member States. This involvement in substantial planning and decision-making processes is an important precondition for taking the opportunities resulting from the transformation, as the economical success of the business is closely related to the commitment and satisfaction of the employees.

(B) Expecting the transformation of Klöckner & Co AG into an SE, the Management Board of the Company and the Special Negotiating Body hereby enter into this Agreement on the Involvement of the Employees at Klöckner & Co SE, based on the German Act on the Involvement of the Employees in a European Company (SEBG) and the Council Directive Supplementing the Statute for European Company With Regard to the Involvement of Employees (Directive 2001/86/EC of 8 October 2001).

(C) Hereby, a dialogue between Management and employee representation at European level as well as a representative involvement of the European employees shall be established, on the basis of acknowledging the freedom of association and the right to collective agreements. The Agreement shall be the basis for the cooperation between the Management bodies and the employees' representative bodies which shall be based on mutual trust for the best interest of the employees and the business.

Part I

1 Scope of Application of the Agreement

1.1 This Agreement shall apply to Klöckner & Co SE, the subsidiaries of Klöckner & Co SE with registered office in a Member State of the European Union (EU) or the European Economic Area (EEA) (Member State or Member States), as well as the establishments of Klöckner & Co SE and its subsidiaries located in a Member State.

1.2 The Agreement shall neither apply to subsidiaries of Klöckner & Co SE with registered office outside of the Member States nor to establishments located outside of the Member States.

Part II

2 Establishing an SE Works Council

In order to ensure the right to information and consultation within Klöckner & Co SE, an SE Works Council with a Managing Committee shall be established. The SE Works Council, the Managing Committee and the Management Board of Klöckner & Co SE shall cooperate on the basis of mutual trust for the interests of the employees and Klöckner & Co Group.

3 Composition of the SE Works Council

3.1 The SE Works Council shall be composed of employees of the SE, its subsidiaries and establishments.

3.2 For employees of the SE, its subsidiaries and establishments, who are employed in each Member State, members shall be elected or appointed for the SE Works Council. For each portion of employees employed in a Member State which equals 10%, or a fraction thereof, of the number of employees employed by the companies and establishments included in the scope of application hereof in all Member States**,** one member shall be elected or appointed to the SE Works Council from such Member State, so that for each Member State in which Klöckner Group employs employees, in principle at least one member will be elected or appointed for the SE Works Council.

3.3 The composition of the initial SE Works Council shall be in accordance with Annex 1 to this Agreement.

4 Election or Appointment of the Members of the SE Works Council

4.1 The country representatives in the SE Works Council shall be elected or appointed in accordance with the respective provisions applying in the Member States.

4.2 For each member of the SE Works Council, a deputy shall be elected or appointed. For the election or appointment of the deputy, the provisions applying to the election or appointment of the members of the SE Works Council shall apply *mutatis mutandis.* The deputy shall participate in the meetings of the SE Works Council if the respective member is temporarily not available. The deputy shall automatically succeed a member of the SE Works Council in office if the office of such member ends. If the office of a member or its deputy ends, a new deputy may be elected or appointed for that mandate. If the office of a member and its deputy ends, a new member as well as a new deputy may be elected or appointed for those mandates.

4.3 Only employees of Klöckner & Co SE as well as of the subsidiaries and establishments included in the scope of application of this Agreement shall be eligible to be members of the SE Works Council. In all other respects, the personal requirements regarding the members of the SE Works Council shall be governed by the respective provisions of each Member State in which the members of the SE Works Council are elected or appointed.

5 Time of Election or Appointment of the SE Works Council; Term of Office of Members of the SE Works Council

5.1 The election or appointment of the initial SE Works Council shall begin without undue delay after this Agreement has become effective. Subsequent elections of the SE Works Council shall be held every four years in the time period between 1 January and 30 June, beginning in 2012.

5.2 The regular term of office of the SE Works Council shall be four years, beginning with the constituent meeting of the SE Works Council. The term of office shall end with the constituent meeting of the elected new SE Works Council only.

5.3 Outside of the general SE Works Council elections pursuant to Clause 5.1, members of the SE Works Council shall be elected only pursuant to Clause 4.2 and Clause 9 or if a proper composition of the Managing Committee has become impossible.

6 Constituent Meeting and Representation of the SE Works Council

6.1 The Management Board of Klöckner & Co SE shall be informed without undue delay of the names of the members of the SE Works Council and their deputies, their addresses (including any business e-mail addresses) as well as of the identity of their respective employer companies and establishments. The Management Board shall provide this information to the local managements of establishments and companies as well as to the bodies representing employees at the respective locations. The Management Board of Klöckner & Co SE shall publish the results of the elections and appointments and shall issue the invitations to the constituent meeting of the initial SE Works Council without undue delay after having been informed of the members. The constituent meetings of future SE Works Councils shall be held - if possible - directly prior to the annual information and consultation meetings (Clause 12).

6.2 In the constituent meeting, the SE Works Council shall elect from among its members a chairperson as well as two deputy chairpersons. These chairpersons shall be from different Member States, whereas at least the chairperson has a good command of the German or the English language.

6.3 The chairperson represents the SE Works Council when passing the resolutions of the SE Works Council and is entitled to receive any declarations to be made vis-à-vis the SE Works Council. Each deputy chairperson may represent the chairperson in case of his/her absence alone.

7 The Managing Committee

The chairpersons of the SE Works Council as well as two additional members shall constitute the Managing Committee of the SE Works Council (the “Managing Committee”). The Managing Committee shall manage the affairs of the SE Works Council. This shall include in particular the preparation and follow up of meetings of the SE Works Council, receiving and forwarding information within the context of the information and consultation, as well as assuming other duties entrusted to it. Furthermore, the Managing Committee shall fulfil the duties allocated to it pursuant to this Agreement. Clause 6.3 shall apply *mutatis mutandis*.

8 Meetings and Resolutions

8.1 The SE Works Council shall meet immediately prior to the meeting with the Management Board pursuant to Clause 12; the Managing Committee shall issue the invitations to attend such meeting. In addition, a further meeting shall take place annually as a general rule. Extraordinary meetings of the SE Works Council may be called by the Managing Committee in coordination with the Management Board of Klöckner & Co SE if this is required by cross-border matters of extraordinary relevance for the Klöckner & Co Group with material consequences for the situation of the employees. The total number of meetings - ordinary and extraordinary ones - shall not exceed four meetings per calendar year. The occurrence of extraordinary circumstances (Clause 13) alone does not justify any extraordinary meeting of the SE Works Council.

8.2 The Managing Committee shall meet immediately prior to the meetings of the SE Works Council; otherwise, the Managing Committee shall meet if required, especially after an information pursuant to Clause 13.

8.3 The meetings of the SE Works Council and the Managing Committee shall be closed meetings.

8.4 The SE Works Council may pass resolutions if at least half of its members attend the meeting and if these members represent at least half of the represented employees. Resolutions require the majority of the attending members, unless the written rules of procedure (Clause 8.5) require a higher standard. Sentence 1, first half of the sentence, and sentence 2 shall apply *mutatis mutandis* to the Managing Committee.

8.5 The SE Works Council and the Managing Committee may enact for themselves written rules of procedure to be passed with the majority of the members. Within these written rules of procedure of the SE Works Council, the voting weights according to the number of employees actually represented and questions related to proxy voting power can be regulated.

8.6 The meeting place is generally the registered office of Klöckner & Co SE. The Managing Committee may, however, decide every two years in mutual agreement with the Management Board of Klöckner & Co SE that the ordinary meeting of the SE Works Council, which does not concern the annual consultation according to Clause 12.1, and the meeting of the Managing Committee immediately prior thereto shall take place at a different location of the Klöckner & Co Group within the scope of this Agreement.

9 Review of the Composition of the SE Works Council

At mid-term of the SE Works Council's term of office, the Management Board of Klöckner & Co SE shall review whether any changes of the SE or its subsidiaries and establishments have occurred, in particular with regard to the numbers of employees in the individual Member States. The Management Board shall inform the SE Works Council of the review. If the review requires a different composition of the SE Works Council, the SE Works Council shall arrange with the competent bodies in the affected Member States to have the members of the SE Works Council in these Member States re-elected or reappointed for the remaining term of office of the SE Works Council. The membership of the previous members of the SE Works Council from these Member States shall end upon the re-election or reappointment.

If Klöckner & Co SE acquires or establishes a subsidiary, or if Klöckner & Co SE or one of its subsidiaries acquires or establishes an establishment in a Member State which has not yet been represented in the SE Works Council, a representative of this Member State may participate in the meetings of the SE Works Council as a guest, until the next review or the next election or appointment on a rotational basis takes place. Clause 4.1 applies *mutatis mutandis*.

10 End of Membership in the SE Works Council

10.1 Membership in the SE Works Council shall end upon any of the following:

10.1.1 expiry of the term of office (Clause 5.2 sentence 2);

10.1.2 resignation from the office of member of the SE Works Council;

10.1.3 termination of the employment relationship, unless a new employment relationship is entered into with another company included in the scope of application of this Agreement with an habitual place of work in the country represented by the relevant member of the SE Works Council;

10.1.4 the employing company leaves the group of companies included in the scope of application of this Agreement;

10.1.5 loss of eligibility for election;

10.1.6 exclusion from the works council based on judicial decision pursuant to the following Clauses 10.2 or 10.3;

10.1.7 removal from office by the dispatching body, unless the law of the respective Member State conflicts with such removal;

10.1.8 other reasons for termination of office listed in this Agreement or provided for by law.

10.2 The SE Works Council or the Management Board of Klöckner & Co SE may file a motion for exclusion of a member from the SE Works Council for gross violation of legal duties before the Labour Court (*Arbeitsgericht*) of Duisburg. The membership in the SE Works Council shall end with the decision becoming final and non-appealable.

10.3 The validity of the election or appointment of any member of the SE Works Council or a deputy may be challenged if material provisions regarding the rules of election, the eligibility for election or the election procedure have been violated and such violation has not been rectified, unless the violation was not apt to change or affect the results of the election. The Management Board of Klöckner & Co SE, the SE Works Council, the employees' bodies of representation constituting the election body and, in case of an election by direct vote (*Urwahl*), at least three employees entitled to vote shall have such right of challenge. Such challenge may be declared within one month following announcement of the results of the election; such period shall not apply in case of an assertion of nullity. Jurisdiction in this regards lies with the competent court of that Member State in which the respective member has been elected or appointed.

Part III

11 Responsibilities of the SE Works Council and the Managing Committee

The SE Works Council and the Managing Committee are responsible for the cross-border matters of Klöckner & Co SE and the other companies and establishments included in the scope of application of this Agreement. Cross-border matters shall be matters which have a material effect on employees of the companies and establishments included in the scope of application hereof in at least two establishments in different Member States. The SE Works Council and the Managing Committee are furthermore responsible for Extraordinary Circumstances in the meaning of Clause 13 which are taken on instructions received by Klöckner & Co SE, even if the Extraordinary Circumstances are not transnational.

The SE Works Council and the management may - within the scope of this Agreement - jointly take initiatives on group-wide applicable guidelines, particularly in the following areas: Equal opportunities, equal treatment, discrimination, health and safety at work, as well as regarding policies with respect to training and professional development.

12 Annual Information and Consultation

12.1 At least once every calendar year, the Management Board of Klöckner & Co SE shall, for the purposes of information and consultation, hold a joint meeting with the SE Works Council in order to discuss the development of the business situation and the future prospects of Klöckner & Co SE, providing the necessary documentation in due time. The necessary documentation shall include in particular the business reports, the agendas of all meetings of the supervisory board, and copies of all documents submitted to the general meeting of the Company's stockholders. The documents submitted to the general meeting of the Company's stockholders shall be submitted in English and German, as a general rule. Whether and into which other languages individual documents out of this documentation shall be translated, or whether summaries of relevant parts thereof shall be drafted and translated, will be decided case by case by the Managing Committee upon mutual agreement with the management.

12.2 The development of the business situation and the perspectives as defined under Clause 12.1 shall include in particular cross-border matters with respect to

12.2.1 the structure of Klöckner & Co SE as well as the economic and financial situation;

12.2.2 the likely development of the business, financial and sales situations of Klöckner & Co Group and the strategic planning of the company;

12.2.3 the employment situation in the Klöckner & Co Group and its likely development;

12.2.4 capital expenditure (investment programmes) in the Klöckner & Co Group with material effects;

12.2.5 fundamental organisational;

12.2.6 the introduction of new working methods;

12.2.7 the relocation of companies, establishments or essential parts thereof;

12.2.8 mergers or divisions of companies or establishments;

12.2.9 reduction of operations or closing-down of companies, establishments or essential parts thereof;

12.2.10 collective redundancies (as defined in Art. 1 para. 1 (a) (i) of Directive 98/59/EC) in at least two Member States;

12.2.11 material changes in the structure of the stockholders of Klöckner & Co SE.

12.3 The Management Board shall inform the subsidiaries included in the scope of application of this Agreement on the place and date of such meeting.

13 Information and Consultation on Extraordinary Circumstances

13.1 The Management Board of Klöckner & Co SE shall inform the Managing Committee – copying in the other members of the SE Works Council - in due time on extraordinary circumstances which affect materially employees in at least two Member States, submitting the necessary documentation. Clause 12.1 last sentence shall apply *mutatis mutandis*, with the provision that translations will be provided into the languages of those countries which are represented in the Managing Committee and into the languages of those countries affected by the extraordinary circumstances. Extraordinary circumstances shall be in particular:

13.1.1 a cross-border relocation or transfer of companies, establishments or essential parts thereof;

13.1.2 a material reduction of operations or closing-down of companies, establishments or essential parts thereof which affects in at least two Member States;

13.1.3 collective redundancies (as defined in Art. 1 para. 1 (a) (i) of Directive 98/59/EC) in at least two Member States.

13.2 The Managing Committee is entitled to meet upon request with the Management Board of Klöckner & Co SE, in order to be consulted with regard to the extraordinary circumstances. The meeting shall be held within two weeks following the information. The Managing Committee has to call in a member of the SE Works Council representing employees directly affected by the extraordinary circumstances. The Managing Committee shall notify the Management Board of Klöckner & Co SE in due time of the persons invited.

13.3 The Managing Committee is entitled to comment on the measures. If such comment is made within a period of three weeks and the Management Board of Klöckner & Co SE resolves to refrain from acting in accordance with the comment of the Managing Committee, the Managing Committee may request within one week following notification by the Management Board of Klöckner & Co SE with regard to its resolution to meet once more with the Management Board in order to reach an agreement. The meeting shall be held within a period of two weeks following the request of the Managing Committee. Clause 13.2 sentences 3 and 4 shall apply *mutatis mutandis*.

13.4 Where a measure requires the consent of the supervisory board of Klöckner & Co SE, the Managing Committee is entitled to hand in a written statement to the supervisory board of Klöckner & Co SE. The chairperson of the supervisory board of

Klöckner & Co SE can then decide to arrange a consultation of the Managing Committee on this topic within two weeks,

14 Information of the Employee Representatives

The Managing Committee or the SE Works Council shall inform the employee representatives of the SE as well as of the subsidiaries and establishments included in the scope of application hereof on the content and the outcome of the information and consultation procedures.

Part IV

15 Training

Notwithstanding the applicable national rules, members of the SE Works Council are entitled to participate in training and education events, to the extent these provide knowledge required for the work of the SE Works Council and to the extent that the measure appears to be appropriate. This may include language courses in the English and German language. The member of the SE Works Council shall inform the Management Board of Klöckner & Co SE (via the Chairman of the SE Works Council) and the management of the concerned employer company in due time of the participation, the course fees, and the time schedule in this regard. When setting the time schedule, the business requirements shall be considered.

16 Experts / Representatives of Trade Unions

The SE Works Council or the Managing Committee may each draw on the assistance of up to two representatives of European trade unions which are represented in the Group, and - where this is necessary to enable them to duly carry out their tasks – on the assistance of up to two experts of their choice. The total number of persons called in shall not exceed three per meeting.

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17 Costs and Material Expenses

The necessary costs incurred in the establishment and activities of the SE Works Council as well as the Managing Committee, such as the travel and accommodation expenses of the members of the bodies, training costs (Clause 15), expert fees (Clause 16), costs for meeting rooms, technical facilities, interpreters, translations of internal conference documents (invitation, minutes of the meeting), shall be borne by Klöckner & Co SE. Any travel expenses and out-of-pocket costs in connection with attending meetings shall be settled in accordance with the local provisions of the employing companies.

18 Secrecy; Confidentiality

18.1 The members and deputies of the SE Works Council are in particular obliged to refrain from disclosing or using any operating and business secrets that they have obtained as a result of their membership in the SE Works Council and that have been designated expressly as sensitive by the Management Board of Klöckner & Co SE. The same applies also after the respective persons have ceased to be members of the SE Works Council. The SE Works Council and the Management Board of the

SE shall ensure jointly that any interpreters, experts and trade union representatives pursuant to Clause 16 as well as other guests (Clause 9) commit themselves accordingly vis-à-vis Klöckner & Co SE.

18.2 The confidentiality duty of the SE Works Council pursuant to Clause 18.1 shall not apply vis-à-vis the

18.2.1 members of the SE Works Council;

18.2.2 employee representatives of Klöckner & Co. SE, its subsidiaries and establishments if such representatives are to be informed on the content of the information and the results of the consultation based on this Agreement;

18.2.3 interpreters, experts and trade union representatives involved to support the SE Works Council as well as other guests (Clause 9).

18.3 The confidentiality duty pursuant to Clause 18.1 shall apply accordingly to

18.3.1 the employee representatives of the SE, its subsidiaries and establishments;

18.3.2 the interpreters, experts and trade union representatives who have been called in for assistance, as well as other guests (Clause 9).

18.4 The exemption from the confidentiality duty pursuant to Clause 18.2.1 shall apply *mutatis mutandis* to the group of persons pursuant to Clauses 18.3.1 and 18.3.2.

18.5 The provisions of section 41 SEBG shall remain unaffected.

19 Protection of Employee Representatives

19.1 When carrying out their tasks, the members of the SE Works Council shall enjoy the same protection and the same safeguards as the employee representatives under to the laws and customs applying in the Member State they are employed in. This shall apply in particular with regard to the protection against dismissal, the attendance in meetings of the bodies of which they are members, as well as continued payment.

19.2 SE Works Council members shall be released from their regular responsibilities to the extent required for carrying out their tasks.

19.3 In their function as member of the SE Works Council, the employee representatives are entitled to visit all establishments of Klöckner & Co Group within the Member State which they represent.

19.4 The provisions of sections 42 and 44 SEBG (see Annex 2) shall remain unaffected.

19.5 Klöckner & Co SE assures that the management bodies of the companies belonging to Klöckner & Co Group are aware of, and comply with, the employees' rights to information and consultation resulting from this Agreement.

Part V

20 Participation

20.1 There shall be no participation in the supervisory and administrative bodies of Klöckner & Co SE.

20.2 If a company, which has a co-determined supervisory board, is merged upon Klöckner & Co SE, participation will be subject to re-negotiation.

21 Other Bodies Representing Employees

21.1 In addition to the SE Works Council, no other bodies representing employees shall be maintained or established at European level. The agreement on the implementation of a European Works Council (*Vereinbarung über die Einsetzung eines Europäischen Betriebsrates*) of 1996 shall end upon entry into effect of this Agreement.

21.2 This Agreement shall not affect or negatively impact upon the existing co-determination rights that employees have pursuant to the national legal provisions and rules.

22 Term of the Agreement

22.1 This Agreement on the Involvement of the Employees at Klöckner & Co SE shall become effective upon registration of the transformation of Klöckner & Co AG into an SE. The Agreement is entered into for an indefinite term and may be terminated by the Management Board of Klöckner & Co SE or the SE Works Council by giving twelve months notice as per the end of each month, for the first time with effect as per the end of 30 June 2016.

22.2 This Agreement shall remain effective subsequently until it has been replaced with a new agreement on the involvement of the employees at Klöckner & Co SE.

23 New Negotiations

If negotiations pursuant to section 18 para. 3 SEBG (see Annex 2) are continued, such negotiations shall be held by the Management Board of Klöckner & Co SE and the SE Works Council jointly with representatives of the employees affected by the projected structural change which are not yet represented by the SE Works Council.

24 Governing Law and Language; Place of Jurisdiction; Arbitration Board

24.1 This Agreement on the Involvement of the Employees of Klöckner & Co SE shall be governed by German law. The SEBG shall apply in particular. The German version of the Agreement shall be binding.

24.2 The Labour Court of Duisburg shall have jurisdiction with regard to this Agreement.

24.3 In the event of disagreement between management and the SE Works Council about content, interpretation and application of this Agreement which cannot be settled by way of mutual trustful cooperation (vertrauensvolle Zusammenarbeit), an arbitration board at the registered seat of Klöckner & Co SE can be called. This does neither apply to questions related to the validity of elections or appointments (Clause 10.3), nor to the consultation procedure according to Clause 13. The members of the three-person arbitration board will be designated by the Managing Committee and the management. Each side also proposes one observer. The designation of the chairperson will occur jointly by the Managing Committee and the management; if no agreement about the chairperson can be reached, the chairperson will be appointed by the Labour Court which is competent at the registered seat of the Company.

Decisions made by the arbitration board do not prevent a subsequent call of the Labour Court.

25 Miscallaneous

25.1 The Management Board of Klöckner & Co SE and the SE Works Council may – by mutual agreement – make changes or amendments to this Agreement.

25.2 The central contact person for the SE Works Council is the Head of Human Resources of Klöckner & Co SE.

Klöckner & Co SE

Attn to: Head of Human Resources

Peter Ringsleben

Telephone: + 49203-307-2800

Fax: + 49203-307-5060

The Management Board of Klöckner & Co AG:
Duisburg, April 29th, 2008

sgd. The Management Board

Special Negotiating Body:
Duisburg, April 29th, 2008

sgd. Heinz Detlef Pedina sgd. Gilles Rocquet sgd. Manuel Jesús Menéndez Fernández

Annex 1 to the Agreement on the Involvement of the Employees of Klöckner & Co SE - Composition of the Initial SE Works Council

Country	Number of Employees	Proportional Share Compared to the Total Number of Employees (rounded)	Seats in the SE Works Council
Belgium	84	1,14%	1
Bulgaria	247	3,35 %	1
Germany	1788	24,25%	3
France	2397	32,51%	4
Ireland	6	0,08%	1
Lithuania	2	0,03%	1
The Netherlands	553	7,50%	1
Austria	99	1,34%	1
Poland	68	0,92%	1
Romania	12	0,16%	1
Spain	840	11,39%	2
Czech Republic	28	0,38%	1
Hungary	27	0,37%	1
United Kingdom	1223	16,59%	2
Total	7374	100%	21

Annex 2 – Extract from the German Act on the Involvement of the Employees in a European Company (SE-Beteiligungsgesetz - SEBG)

Section 18 Resumption of negotiations

(3) Where structural changes to the European Company are planned which are likely to lead to a reduction of the employees' participation rights, negotiations concerning the participation rights of the employees' of the European Company shall be held at the instigation of the management of the European Company or the SE Works Council. In lieu of the special negotiating body due to be reconstituted, the negotiations with the management of the European Company may, by mutual consent, be conducted by the SE Works Council acting jointly with representatives of the employees affected by the planned structural changes who are not yet represented by the SE Works Council. Where no agreement is reached in these negotiations, the provisions of Sections 22-33 concerning the SE Works Council by operation of law, and the provisions of Sections 34-38 concerning participation by operation of law, shall apply.

Section 42 Protection of the Employee Representatives

When carrying our their tasks,

1. the members of the special negotiating body;
2. the members of the SE Works Council;
3. the employee representatives involved in any other manner in an information and consultation procedure; and
4. employee representatives on the supervisory or administrative board of the SE;

Who are employees of the SE, its subsidiaries or establishments, or of one of the participating companies, concerned subsidiaries or concerned establishments, shall enjoy the same protection and safeguards as the employee representatives under the laws and customs of the Member State in which they are employed. This shall apply in particular with regard to

1. employment protection;
2. participation in meetings of the respective bodies referred to in the first sentence; and
3. continued payment of wages.

Section 44 Protection against interference during establishment and subsequent activities

Nobody shall be permitted

1. to hinder the setting-up of the special negotiating body, the creation of an SE Works Council or the introduction of an information and consultation procedure as referred to in Section 21 para. 2, or the election, appointment, recommendation, or rejection of the employee representatives on the supervisory or the administrative board, or to influence any of the same through the infliction or threat of disadvantages, or the granting or promise of advantages;

2. to hinder or disrupt the activities of the special negotiating body, the SE Works Council or the employee representatives as referred to in Section 21, para. 2, or the activities of the employee representatives on the supervisory or administrative board; or

3. to discriminate against or give preferential treatment to a member or deputy of the special negotiating body, the SE Works Council, or an employee representative as referred to in Section 21, para. 2, or to an employee representative because of the activities in which they are engaged.

PART D
Conversion Report

Conversion Report

by the Management Board of Klöckner & Co Aktiengesellschaft

regarding the conversion

of Klöckner & Co Aktiengesellschaft (a German stock corporation),

Duisburg, Germany,

into a

European Company (*Societas Europaea*, SE)

with the company name Klöckner & Co SE, Duisburg, Germany

Table of contents

List of defined terms

Articles of Association of Klöckner & Co AG	Articles of Association of Klöckner & Co AG, as amended on 20 June 2007
Company	Klöckner & Co AG and Klöckner & Co SE respectively
Convertible Bond 2007	Convertible bond issued by Klöckner & Co AG on 27 July 2007
EEA	European Economic Area (within the meaning of the Agreement on the European Economic Area)
EU	European Union
Expert	PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Moskauerstrasse 19, 40041 Düsseldorf, Germany, appointed by court order pursuant to Art. 37 para. 6 of the SE Regulation
General Meeting 2008	Ordinary general meeting of Klöckner & Co AG, to be held on 20 June 2008
German Employee Participation Act 1976	German Act on the Participation of Employees 1976 (*Mitbestimmungsgesetz 1976*)
German One-third Participation Act	German Act on the Participation of Employees on the Supervisory Board by One Third (*Drittelbeteiligungsgesetz*)
German SE Implementation Act	German Act on the Implementation of Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) (*Gesetz zur Ausführung der Verordnung EG Nr. 2157/2001 des Rates vom 8. Oktober 2001 über das Statut der Europäischen Gesellschaft (SE)*) dated 22 December 2004 (published in: Federal Law Journal, part I of the year 2004, no. 73, p. 3675 et seq.)
German SE Employee Involvement Act	German Act on the Involvement of Employees in a European Company (*Gesetz über die Beteiligung der Arbeitnehmer in einer Europäischen Gesellschaft*) dated 22 December 2004 (published in: Federal Law Journal, part I of the year 2004, no. 73, p. 3686 et seq.)
Klöckner & Co AG	Klöckner & Co Aktiengesellschaft
Klöckner & Co SE	Klöckner & Co AG following its conversion into the legal form of an SE

Klöckner & Co Group	Klöckner & Co AG and the remaining companies forming part of the Klöckner & Co Group
Klöckner & Co Group Companies	The individual companies forming part of the Klöckner & Co Group
Member State	an EU or EEA member state
MMI	Multi Metal Investment S.à r.l.
Employee Involvement Agreement	Agreement on the involvement of employees in Klöckner & Co SE dated 29 April 2008
SE	*Societas Europaea* (European Company)
SE Directive	Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company
SE Regulation	Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE)
SNB	Special negotiating body of employees
Valuation Certificate	Certificate pursuant to Art. 37 para. 6 of the SE Regulation

1 Introduction

The Management Board of Klöckner & Co Aktiengesellschaft (hereinafter referred to as "**Klöckner & Co AG**") has prepared a Terms of Conversion for the conversion of Klöckner & Co AG into a European Company (*Societas Europaea*, hereinafter also referred to as "**SE**"), which was notarised on 5 May 2008 (notarial deed no. 934/2008 of the notary Dr Detlef Klocke, with his office in Duisburg). "**Klöckner & Co SE**" hereinafter refers to Klöckner & Co AG following its conversion into the legal form of an SE. Klöckner & Co AG and, following its conversion into the legal form of an SE, Klöckner & Co SE respectively are also referred to as "**Company**" in this Conversion Report.

The conversion is effected pursuant to Art. 2 para. 4 in conjunction with Art. 37 of Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) ("**SE Regulation**"). In addition to the SE Regulation, the provisions of the German Act on the Implementation of Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE) (*Gesetz zur Ausführung der Verordnung EG Nr. 2157/2001 des Rates vom 8. Oktober 2001 über das Statut der Europäischen Gesellschaft (SE)*) dated 22 December 2004 (published in: Federal Law Journal, part I of the year 2004, no. 73, p. 3675 et seq.) ("**German SE Implementation Act**") apply.

The involvement of the employees in Klöckner & Co SE will be based on the German Act on the Involvement of Employees in a European Company (*Gesetz über die Beteiligung der Arbeitnehmer in einer Europäischen Gesellschaft*) dated 22 December 2004 (published in: Federal Law Journal, part I of the year 2004, no. 73, p. 3686 et seq.) ("**German SE Employee Involvement Act**"). "Involvement of the employees" in this respect means any mechanism, including information, consultation and participation, through which employees' representatives may exercise an influence on decisions to be taken within the Company. The German SE Employee Involvement Act implements Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees ("**SE Directive**"). Furthermore, the implementation provisions regarding the SE Directive which are applicable in the other Member States of the European Union ("**EU**") and in the other Member States of the Convention on the European Economic Area ("**EEA**") where the Klöckner & Co group has employees, apply. The German employee participation acts, in particular the German Act on the Participation of Employees on the Supervisory Board by One Third (*Gesetz über die Drittelbeteiligung der Arbeitnehmer im Aufsichtsrat – Drittelbeteiligungsgesetz*) ("**German One-third Participation Act**") and the German Employee Participation Act of 1976 (*Mitbestimmungsgesetz 1976*) ("**German Employee Participation Act 1976**") are not applicable to an SE. In principle, the participation of employees on the supervisory board of an SE is either governed by the agreement on the involvement of the employees in the SE, yet to be concluded and provided that such agreement is reached, or by the standard rules of the German SE Employee Involvement Act. However, the respective national provisions on employee representative bodies such as works councils apply. Only European works councils or similar bodies formed under the German European Works Councils Act (*Europäisches Betriebsräte-Gesetz*) will be replaced by the SE works council in accordance with Section 47 para. (1) no. 2 of the German SE Employee Involvement Act. On 29 April 2008, the Management Board of Klöckner & Co AG and the Special Negotiating Body of the employees concluded an agreement on the involvement of employees in Klöckner & Co SE ("**Employee Involvement Agreement**").

The conversion will be effected with the identity of the legal entity being maintained. The conversion will therefore neither result in the dissolution of the Company nor in the formation of a new legal entity. This means that the shareholders' participations in the Company will continue to exist in the form they have directly before the conversion takes effect.

As a premise for the conversion, the approval of the General Meeting of Klöckner & Co AG regarding the Terms of Conversion as well as the Articles of Association of Klöckner & Co SE is necessary. The Management Board and the Supervisory Board of Klöckner & Co AG have decided to submit the Terms of Conversion and the Articles of Association of Klöckner & Co SE for approval to the annual General Meeting of Klöckner & Co AG, to be held on 20 June 2008 ("**General Meeting 2008**").

The Management Board of Klöckner & Co AG prepared this Conversion Report pursuant to Art. 37 para. 4 of the SE Regulation. The report explains and justifies the legal and economic aspects of the conversion and the consequences which the conversion of the legal form from a Ger-man stock corporation into the supranational legal form of an SE will have for shareholders and employees. With regard to the description of the business activity of the Company, the Conversion Report gives a summary only as the Company's business activity will not be affected by the conversion of Klöckner & Co AG into the legal form of an SE due to the legal entity being identical. Please refer to the annual report 2007 for further information on the business activity (accessible at www.kloeckner.de).

2 Klöckner & Co AG

2.1 Seat/head office, business year and object of the company

Klöckner & Co AG is a stock corporation incorporated under German law and has its statutory seat and head office in Duisburg, Germany. It is registered with the commercial register of the Local Court (*Amtsgericht*) of Duisburg under no. HRB 18561. Its business address is Am Silberpalais 1, 47057 Duisburg, Germany. The business year of Klöckner & Co AG is the calendar year.

Klöckner & Co AG is the parent company of the Klöckner & Co group; it holds the participations in the Klöckner & Co group companies in Germany and abroad both directly and indirectly. Klöckner & Co AG and the remaining companies forming part of the Klöckner & Co group combined are also referred to as "**Klöckner & Co Group**"; the individual companies are also referred to as "**Klöckner & Co Group Companies**".

Pursuant to Section 2 para. 1 of its Articles of Association, Klöckner & Co AG's corporate purpose is

(a) The distribution of and trade with steel, metal and plastic products as well as their production and processing; and

(b) The purchase and management of all types of participations, in particular participations in companies whose corporate purpose covers the activities described under (a) above.

Pursuant to Section 2 para. (2) of its Articles of Association, Klöckner & Co AG may found subsidiaries in Germany and abroad, may establish branches and may assume participations in other companies , to the extent that such companies are active in the same field of business as the Company or where this is suitable to achieve the corporate purpose; it may also assume such participations in order to develop and subsequently sell such companies. Furthermore, it may represent companies in which it holds participations, combine

them under its coordinated management and conclude inter-company agreements for such purpose. Finally, Klöckner & Co AG may, either in part or as a whole, outsource or transfer its business to affiliated companies.

2.2 Business activity

The following presentation of the business activity of the Company and the Klöckner & Co Group respectively is only a summary. Please refer to the annual report 2007 for further information on the business activity (accessible on the internet at www.kloeckner.de).

2.2.1 Core business

Klöckner & Co Group is one of the world's leading distributors of steel and metal which operates independently from producers and takes a leading position in the combined market of Europe and North America. The focus of the business activity of Klöckner & Co Group is on the purchase of huge amounts of materials from about 70 main suppliers worldwide as well as on the delivery to customers – tailored to their needs – from local warehouses. Klöckner & Co Group thus constitutes the link in the value added chain between steel and metal production and small and medium-sized customers. The independence of Klöckner & Co Group from individual steel producers thus, on the one hand, allows for high flexibility and provides a good basis for negotiations with suppliers and, on the other hand, the annual purchase volume of about 6m tonnes allows for the building of strategic partnerships as well as for the negotiation of attractive framework agreements.

2.2.2 Core competencies and product programme

One of the core competencies of Klöckner &Co Group is the storage and distribution of steel products (accounting for 79% of total turnover in the business year 2007), aluminium products (7% of total turnover in the business year 2007) and other products (14% of total turnover in the business year 2007), such as non-ferrous metals and professional equipment for craftsmen. In addition to unmachined materials and intermediate products, Klöckner & Co Group offers its customers extensive services, including cutting and splitting steel strip, cutting to length, flame-cutting and surface treatments.

The product range of Klöckner & Co Group consists of long products (e.g. steel girders for the construction industry), flat products (e.g. sheet steel for machine builders), hollow sections (e.g. for structural purposes), stainless and quality steel (e.g. high alloy round steel rods for machinery engineering applications), aluminium products (e.g. sectional rods for plant construction) and special products, such as plastics, ironware and accessories.

2.2.3 Locations, employees, group structure and customers

Klöckner & Co Group is represented in 15 countries worldwide with about 260 sites in Europe and North America and, on 31 December 2007, had a total of approximately 10,600 employees worldwide, approximately 1,800 of whom were working in Germany, with another approximately 5,600 employed in other EU Member States. The holding company of Klöckner & Co Group is Klöckner & Co AG, which has its seat in Duisburg and has a total of about 130 subsidiaries in Europe and North America. The distribution of the products of Klöckner & Co Group as well as their processing (e.g. cutting and splitting steel strip, cutting to length, flame-cutting and surface treatments) as well as the provision of further services is performed di-

rectly by the subsidiaries of Klöckner & Co Group in the respective countries. Klöckner Global Sourcing GmbH, Duisburg, is responsible for purchasing worldwide.

In the business year 2007, Klöckner & Co Group served a total of approx. 210,000 active customers in Europe and North America with its comprehensive range of products and services. The customers of Klöckner & Co Group come from a large number of industries. with the focus being for example on the construction, machinery and mechanical engineering industries.

2.2.4 Business development

The business development of Klöckner & Co Group in the last two business years 2006 and 2007 was as follows:

Key corporate data		2007 (IFRS)	2006 (IFRS)
Turnover	in €m	6,274	5,532
EBITDA	in €m	371	395
EBIT	in €m	307	337
Accounting profit	in €m	210	273
Net income	in €m	156	235
Result per share	in €	2.87	4.44
Return on turnover	in %	4.9	6.1
Balance sheet total	in €m	2,966	2,552
Shareholders' equity	in €m	845	799
Equity ratio (ratio between shareholders' equity and balance sheet total)	in %	28	31
Net cash indebtedness	in €m	746	365
Debt-equity ratio (ratio between net cash indebtedness and shareholders' equity)		0.88	0.46
Investments in tangible assets and intangible assets	in €m	417	92
Number of employees at year end		10,581	9,688

(i) Turnover

In 2007, Klöckner & Co Group generated a turnover of approx. EUR 6.3bn compared to a turnover of approx. EUR 5.5bn in 2006. In 2007, 83% of the turnover of Klöckner & Co Group was generated in Europe (69% thereof within the EU) and 17% in North America.

(ii) Result of business activity

Compared to the previous year, the result of the business activity in 2007 decreased by 9% from EUR 337m to EUR 307m. In relation to turnover, the

result of the business activity reached 4.9% compared to 6.1% in the previous year (business year 2006).

2.2.5 Corporate strategy

Core elements of the corporate strategy of Klöckner & Co Group are expansion, based on external and organic growth, as well as optimising business processes.

The focus of the expansion strategy is on external growth. Special attention is paid to the acquisition of small and medium-sized competitors in the core markets, which may be purchased at attractive prices and can be integrated rapidly; however, larger acquisitions are not excluded. The activities are concentrated on expanding the geographic presence, customer base and product range.

In addition to external growth, Klöckner & Co Group is also targeting substantial organic growth. In this respect, the activities are focused on expanding the range of products, further increasing the level of vertical integration, extending the customer base through a segmented sales approach and geographically expanding in Eastern Europe. The existing network of branches in the Czech Republic, Romania and Lithuania is to be extended.

The second pillar of the corporate strategy of Klöckner & Co Group is the continuous optimisation of business processes. One focus is on the activities re. purchasing and sales as well as optimising the distribution network, net working capital, the difference between inventories and customer receivables on the one hand and supplier liabilities on the other hand, which were combined within the scope of the firm-wide STAR performance programme already initiated in 2005. It is planned to initiate and respectively further enhance the concentration of the purchasing activities at European level and the utilisation of international sources of supply via Klöckner Global Sourcing GmbH, Duisburg.

2.3 Capital and shareholders

2.3.1 Share capital

The share capital of Klöckner & Co AG is set out in Section 4 para. (1) of the Articles of Association of Klöckner & Co AG and currently (information valid as per 30 April 2008) amounts to EUR 116,250,000.00 (where reference is made in this report to the "**Articles of Association of Klöckner & Co AG**", this means the Articles of Association as amended on 20 June 2007). The share capital is divided into 46,500,000 no-par value shares. Each share participates in the share capital with EUR 2.50. The shares issued by Klöckner & Co AG are registered shares (Section 4 para. (4) of the Articles of Association of Klöckner & Co AG).

2.3.2 Authorised capital

Pursuant to Section 4 para. (2) lit. (a) of the Articles of Association of Klöckner & Co AG, the Management Board of Klöckner & Co AG is authorised to increase, with the approval of the Supervisory Board, the share capital until 20 June 2011 by issuing new no-par value registered shares against contributions in cash or in kind either once or several times by a total of up to EUR 50,000,000.00 in accordance with the provisions in Section 4 para. (2) lit. (b) to (f) of the Articles of Association of Klöckner & Co AG (Authorised Capital).

The Authorised Capital is divided into three tranches ("**Tranches I to III**"). Within the scope of the Authorised Capital, each of the Tranches I to III may be used up to the limit set out therein. The sum of all capital measures effected under Tranches I to III must not exceed the total amount of the Authorised Capital (Section 4 para. (2) lit. (e) of the Articles of Association of Klöckner & Co AG).

(i) Tranche I

Pursuant to Section 4 para. (2) lit. (b) of the Articles of Association of Klöckner & Co AG, the Authorised Capital may by used once or several times up to a total amount of EUR 50,000,000.00 by issuing new no-par value registered shares against cash contributions (**Tranche I**). Shareholders must be granted a subscription right.

However, the Management Board may – with the approval of the Supervisory Board – exclude the subscription right of shareholders in order to avoid fractional amounts. The Management Board is furthermore authorised to exclude the subscription right of shareholders with the approval of the Supervisory Board where this is necessary to grant subscription rights for new shares of the Company to holders of conversion or option rights created by the Company or affiliated companies of the Company, to the extent they would be entitled to such rights after exercising their conversion of option rights. Finally, the Management Board is authorised to exclude the subscription right of shareholders with the approval of the Supervisory Board, to the extent that the percentage in the share capital of shares issued under exclusion of the subscription right in accordance with Section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz – AktG*) does not exceed 10% of the share capital in total, and the issue price is not substantially below the exchange price of the shares of the Company already listed on the stock exchange.

(ii) Tranche II

Pursuant to Section 4 para. (2) lit. (c) of the Articles of Association of Klöckner & Co AG, the Authorised Capital may be used once or several times up to an amount of EUR 50,000,000.00 by issuing new no-par value registered shares against contributions in kind for the purpose of purchasing (also indirectly) companies, parts thereof or participations in companies (**Tranche II**). The subscription right of shareholders is excluded.

(iii) Tranche III

Pursuant to Section 4 para. (2) lit. (d) of the Articles of Association of Klöckner & Co AG, the Authorised Capital may be used once of several times up to an amount of EUR 50,000,000.00 by issuing new no-par value shares against cash contributions for the purpose of issuing new shares to employees of the Company or of affiliated companies of the Company (**Tranche III**). The subscription right of shareholders is excluded.

Pursuant to Section 4 para. (2) lit. (f) of the Articles of Association of Klöckner & Co AG, the Management Board is authorised to determine – with the approval of the Supervisory Board – the further contents of the share rights, the further details of the share capital increase, its realisation and the conditions of the

share issue. The Supervisory Board is authorised to adjust the Articles of Association following the share capital increase, either in part or as a whole, by means of the Authorised Capital or after expiration of the authorisation period, in each case in accordance with the scope of the share capital increase effected by means of the Authorised Capital.

2.3.3 Conditional capital

Pursuant to Section 4 para. (3) of the Articles of Association, there is a contingent increase in the share capital of Klöckner & Co AG by up to EUR 11,625,000.00 due to the issue of 4,650,000 new no-par value registered shares, entitled to dividends as from the beginning of the business year in which they are issued.

The conditional capital serves the purpose of granting of shares in order to satisfy subscription and/or conversion rights of the holders of warrants and/or convertible bonds issued by the Company or a group company in accordance with the authorisation given by the General Meeting of the Company on 20 June 2007. Moreover, the new shares will be issued at the respective option or conversion price, in each case to be determined in accordance with the resolution adopted by the General Meeting of the Company on 20 June 2007, agenda item no. 9.

The conditional capital increase will only be effected to the extent that the holders of subscription or conversion rights exercise such rights or that the holders having an obligation to convert fulfil such obligation as well as to the extent that no cash compensation is made and no own shares or shares issued under authorised capital are used for satisfaction respectively. The Management Board is authorised to determine the further details regarding the realisation of a conditional capital increase (Conditional Capital 2007).

It is intended to propose to the General Meeting 2008 to create new conditional capital (Conditional Capital 2008). The Conditional Capital 2008 is meant to satisfy subscription rights for shares resulting from convertible bonds and/or warrants, which are issued on the basis of a corresponding authorisation by the General Meeting. It is intended to propose to the General Meeting 2008 to resolve upon the granting of such authorisation (agenda item 10; please refer to clause 6.1.5 of this Conversion Report for details on the Conditional Capital 2008).

2.3.4 Stock exchange trading and shareholder structure

The shares of Klöckner & Co AG were listed on the Frankfurt stock exchange for trading in the official market in June 2006, with the listing resulting in further obligations (Prime Standard).

The shares of Klöckner & Co AG are also traded on the following stock exchange trading places: Stuttgart, Düsseldorf, Berlin, Munich, Hamburg and Hanover(?). The shares of Klöckner & Co AG were listed on the MDAX index of Deutsche Börse in late January 2007.

The shareholder structure of Klöckner & Co AG has substantially changed since the Company went public in 2006. The Company's former majority shareholder Multi Metal Investment S.à.r.l. ("**MMI**"), an investment company of the private equity firm Lindsay Goldberg, sold the last shares still held by it in Klöckner & Co AG – such participation amounting to 15.5% – to mostly institutional investors in April 2007. Thus, the percentage of free float shares increased to 100%. Already in Oc-

tober 2006, the then majority shareholder MMI had sold 20% of the shares within the scope of a share offering, followed by the sale of further 30% of the shares in January 2007.

Thomson Financial conducted a survey in September 2007 and established that about 76% of our share capital is held by institutional investors. 11% of our share capital is held by private shareholders. The remaining percentage could not be clearly allocated by the survey. Of the institutional investors identified by the survey, nearly 50% are US investors, followed by investors from Germany, Great Britain and France. According to the mandatory notices (information valid as per 30 April 2008), Franklin Mutual Advisors, LLC, is the most important individual shareholder with 10.81%. Furthermore, TPG-Axon holds 5.38% and Fidelity International Limited holds 5.03%. Moreover, the share in the voting rights held by Franklin Mutual Series Fund amounts to 5.00%.

2.4 Constitution of the Company

2.4.1 Executive bodies

The executive bodies of Klöckner & Co AG are the Management Board, the Supervisory Board and the General Meeting.

Their respective scope of competence as well as the rights and obligations of such executive bodies result from the law, in particular from the German Stock Corporation Act, from the Articles of Association of Klöckner & Co AG and the rules of procedure applicable to Management Board and Supervisory Board.

(i) Management Board

The Management Board manages the business of Klöckner & Co AG. It comprises three members, who are appointed by the Supervisory Board.

The following persons are members of the Management Board of Klöckner & Co AG:

Name	Year of birth	Scope of competence/Activity	Member of the supervisory board of
Dr Thomas Ludwig (Chairman)	**1948**	**Segment:** **North America;** **Functions:** **Legal affairs, Compliance, Revision, Human Resources and Communications**	**Positions held within the group** ▪ **Klöckner Stahl- und Metallhandel GmbH, Duisburg, Germany, chairman of the supervisory board[a]** ▪ **Comercial de Laminados, Madrid, Spain, chairman[b]** ▪ **Debrunner Koenig Holding AG, St. Gallen, Switzerland, chairman[b]** ▪ **Klöckner Distribution Industrielle S.A., Aubervilliers, France, chairman[b]** ▪ **Klöckner Investment S.C.A., Luxembourg, Luxembourg[b]** ▪ **Klöckner Metalsnab AD, Sofia, Bulgaria, chairman[b]** ▪ **Klöckner UK Holdings Ltd, Leeds, United Kingdom, chairman[b]** ▪ **Klöckner Namasco Holding Corporation, Atlanta, United States of America, chairman[b]**

Name	Year of birth	Scope of competence/Activity	Member of the supervisory board of
			▪ Klöckner Polska Sp. z o.o., in liquidation, Katowice, Poland, chairman[(b)] ▪ Namasco Limited, Toronto, Canada, chairman[(b)] ▪ ODS B.V., Rotterdam, Netherlands, chairman[(b)] Other appointments ▪ Trimet Aluminium AG, Essen, Germany, chairman of the supervisory board[(a)] ▪ Bandstahl Schulte & Co. GmbH, Hagen, Germany, chairman of the advisory board[(b)] ▪ 3A Aluminium AG, Düsseldorf, Germany, member of the supervisory board[(a)] ▪ Rölfs W. P. Partner AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany, chairman of the supervisory board[(a)] ▪ (7S) Personal GmbH, Hamburg, Germany, chairman of the advisory board [(b)]
Ulrich Becker[1]	1961	Segment: Europe; Function: purchasing	Positions held within the group ▪ Klöckner Distribution Industrielle S.A., Aubervilliers, France[(b)]
Gisbert Rühl	1959	Functions: Accounting, Finance, Controlling / M&A, Tax Affairs, IT and Investor Relations	Positions held within the group ▪ Klöckner Stahl- und Metallhandel GmbH, Duisburg, Germany, member of the supervisory board[(a)] ▪ Comercial de Laminados, Madrid, Spain, deputy chairman[(b)] ▪ Klöckner & Co Financial Services B.V., Rotterdam, Netherlands, chairman[(b)] ▪ Klöckner Distribution Industrielle S.A., Aubervilliers, France, deputy chairman[(b)] ▪ Klöckner Ibérica S.L., Madrid, Spain, deputy chairman[(b)] ▪ Klöckner Investment S.C.A., Luxembourg, Luxembourg(b) ▪ Klöckner Metalsnab AD, Sofia, Bulgaria[(b)] ▪ Klöckner Namasco Holding Corporation, Atlanta, United States of America[(b)] ▪ Namasco Limited, Toronto, Canada[(b)] ▪ ODS B.V., Rotterdam, Netherlands[(b)] Other appointments ▪ Deutsche Bank Aktiengesellschaft, Essen branch, Germany, member of the regional advisory board[(b)] ▪ DAL Deutsche Afrika Linien GmbH & Co KG, Hamburg, Germany, member of the advisory board[(b)] ▪ Walter Services Holding GmbH, Ettlingen, Germany, chairman of the shareholders' committee and, since 29 November 2007, chairman of the supervisory board[(b)]

(a) Supervisory boards to be established according to applicable law

(b) Comparable bodies of domestic and foreign companies

[1] By the time of the General Meeting on 20 June 2008, Mr Ulrich Becker is expected to hold the following positions in supervisory bodies of foreign companies within the group comparable to the Supervisory Board: Comercial de Laminados, Madrid, Spain; Debrunner Koenig

Holding AG, St. Gallen, Switzerland; Klcökner UK Holdings Ltd., Leeds, United Kingdom; Klöckner Metalsnab AD, Sofia, Bulgaria.

The members of the Management Board of Klöckner & Co AG can be contacted at the following business address: Klöckner & Co AG, Am Silberpalais 1, 47057 Duisburg, Germany.

(ii) Supervisory Board

The Supervisory Board controls the actions of the Management Board and appoints its members.

Pursuant to Section 8 para. (1) of the Articles of Association of Klöckner & Co AG, the Supervisory Board of Klöckner & Co AG comprises six members, all of whom are shareholders' representatives and are elected by the General Meeting. Klöckner & Co AG is not subject to employee participation at company level (cf. clause 7.3.2 of this Conversion Report). The employees of Klöckner & Co AG are therefore not entitled to elect or appoint any of the members of the Supervisory Board.

In order to organise its duties, the Supervisory Board has formed a three-man executive committee and a three-man audit committee among its members. The executive committee also fulfils – in each case based on an authorisation to make decisions – the tasks of a staff committee and an urgency committee. The executive committee also acts as nomination committee. So far, no further committees have been formed. However, the Supervisory Board of Klöckner & Co AG may form further committees in the future.

The following persons are members of the Supervisory Board of Klöckner & Co AG:

Name	Position	Became a member in	Further appointments
Prof Dr Dieter H. Vogel (Managing shareholder of Lindsay Goldberg Vogel GmbH, Düsseldorf, Germany)	**Chairman of the Supervisory Board**	**May 2006**	**(b)** ▪ **HSBC Trinkaus & Burkhardt AG, member of the administrative board** ▪ **Ernst & Young AG, member of the advisory board** ▪ **Debrunner Koenig Holding AG, member of the administrative board**[***] ▪ **HDI-Gerling-Industrie Versicherung AG, member of the advisory board** ▪ **Board of trustees of Bertelsmann Stiftung, chairman**
Dr Michael Rogowski (Chairman of the super-	**Deputy chairman**	**June 2006**	**(a)** ▪ **Voith AG (chairman of**

Name	Position	Became a member in	Further appointments
visory board and the shareholders' committee of Voith AG, Heidenheim, Germany)			**the supervisory board and the shareholders' committee)** ▪ **Talanx AG** ▪ **IKB Deutsche Industriebank AG** ▪ **Carl Zeiss AG** **(b)** ▪ **Freudenberg & Co., deputy chairman of the shareholders' committee** ▪ **Deutsche Bank AG, member of the central advisory board**
Robert J. Koehler** (Chairman of the management board of SGL Carbon AG, Wiesbaden, Germany)		**December 2007**	**(a)** ▪ **Benteler AG (chairman)** ▪ **Pfleiderer AG** ▪ **Heidelberger Druckmaschinen AG** ▪ **Demag Cranes AG** ▪ **Lanxess AG** **(b)** ▪ **SGL CARBON SpA, Milan, Italy*** ▪ **SGL CARBON SA, La Coruña, Spain***
Frank H. Lakerveld (Member of the management board of Sonepar S.A., Paris (France))		**June 2006**	**(b)** ▪ **Sonepar Nederland B.V., deputy chairman of the supervisory board *** ▪ **Sonepar Holding S.A., chairman of the supervisory board *** ▪ **Sonepar Canada, Inc., chairman of the board*** ▪ **Osso Electric Suppliers, Inc., member of the board*** ▪ **Otra N.V., member of the supervisory board*** ▪ **Tatje GmbH & Co KG, member of the advisory board*** ▪ **Sonepar Nordic A/S, member of the supervisory board*** ▪ **Sonepar Ibérica S.A.,**

Name	Position	Became a member in	Further appointments
			member of the supervisory board* ▪ **Sonepar US Holdings, Inc., member of the board*** ▪ **Sonepar E.C.O., member of the supervisory board*** ▪ **Sonepar France S.A., member of the supervisory board*** ▪ **Sonepar France, Comtoir d'Electricité Franco-Belge, member of the supervisory board*** ▪ **Sonepar Italia SpA, member of the supervisory board*** ▪ **Sonepar Belgium, CEBEO, member of the supervisory board*** ▪ **Sonepar Mexico S.A. de C.V., member of the supervisory board***
Dr Jochen Melchior (Former chairman of the management board of the then STEAG AG, Essen, Germany)		**June 2007**	**(a)** ▪ **AXA Service AG, member of the supervisory board** ▪ **National Bank AG, member of the supervisory board** ▪ **Tecon Technologies AG, chairman of the supervisory board** **(b)** ▪ **Mattson Technology Inc., chairman of the board** ▪ **Ernst & Young AG, member of the advisory board** ▪ **Universitätsklinikum Essen AöR, member of the supervisory board**
Dr. Hans-Georg Vater (Former member of the management board of HOCHTIEF Aktiengesellschaft, Essen, Germany)		**June 2007**	**(a)** ▪ **ENRO Geothermie AG, deputy chairman of the supervisory board** ▪ **MEDION AG, deputy**

Name	Position	Became a member in	Further appointments
			chairman of the supervisory board **(b)** ▪ **Athens International Airport S.A., member of the board** ▪ **HAPIMAG AG, member of the administrative board** ▪ **DEMATIC GmbH & Co. KG, member of the advisory board** ▪ **OWA Odenwald Faserplattenwerk GmbH, member of the advisory board**

(a) Supervisory boards to be established according to applicable law

(b) Comparable bodies of domestic and foreign companies

* Regarding the respective member of the Supervisory Board, these positions are held within the group within the meaning of Section 100 para. 2 sentence 2 of the German Stock Corporation Act

** Mr Robert J. Koehler was appointed a member of the Supervisory Board by the Local Court of Duisburg with effect from 11 December 2007; his term of office will expire with the General Meeting 2008. Mr Robert J. Koehler will be proposed to the General Meeting for reappointment as a member of the Supervisory Board.

*** It is expected that Mr Prof. Dr. Dieter H. Vogel will have stepped down from this position by the time of the General Meeting on 20 June 2008.

The members of the Supervisory Board of Klöckner & Co AG can be contacted at the following business address: Klöckner & Co AG, Am Silberpalais 1, 47057 Duisburg, Germany.

2.4.2 Corporate Governance

The German Corporate Governance Code (*Deutscher Corporate Governance Kodex*) is applicable to Klöckner & Co AG in its capacity as a listed German stock corporation. Pursuant to Section 161 of the German Stock Corporation Act, Klöckner & Co AG must make a declaration once per year in which it discloses which recommendations of the German Corporate Governance Code it complies with and to which extent it deviates from the recommendations (declaration of compliance).

Apart from a few exceptions, Klöckner & Co AG mostly complies with the recommendations of the German Corporate Governance Code (please refer to the declaration of compliance dated 12 December 2007, which can be accessed on the internet at www.kloeckner.de).

2.4.3 Employees and employee involvement in Klöckner & Co AG and Klöckner & Co Group

As of 31 December 2007, the Klöckner & Co Group Companies had a total of approximately 10,600 employees worldwide, approximately 1,800 of whom were

working in Germany and approximately 5,600 of whom were working in other EU Member States.

The Supervisory Board of Klöckner & Co AG currently comprises six members, all of whom are appointed by the General Meeting. Klöckner & Co AG is not subject to employee participation at company level. The employees of Klöckner & Co AG are therefore not entitled to elect of appoint any of the members of the Supervisory Board. Only Klöckner Stahl- und Metallhandel GmbH, Duisburg, Germany has a supervisory board which is subject to employee participation in accordance with the German One-third Participation Act, with the employees appointing two members.

Employee representative bodies exist for the companies and branches of Klöckner & Co Group in accordance with the law respectively applicable. In Germany, there is the local works council of the joint business formed in Duisburg by Klöckner & Co AG, Klöckner Information Services GmbH, Klöckner Global Sourcing GmbH and Klöckner Stahl- und Metallhandel GmbH; in addition, further local works councils exist at Klöckner Stahl- und Metallhandel GmbH which appoint members to the company works council of Klöckner Stahl- und Metallhandel GmbH. Furthermore, a uniform committee representing the executives of the joint business Duisburg has been formed. In the Klöckner & Co group in Germany, there are no other employee representative bodies or committees representing the executives.

3 Essential aspects in favour of the conversion

3.1 Essential aspects in favour of the conversion

The modern, entrepreneurial Europe finds expression in the legal form of the European Company (SE). By converting the holding company of the group into the legal form of an SE, Klöckner & Co Group emphasises its international, open business culture. At the same time, the conversion into an SE as a European legal form emphasises the special importance of the European market to Klöckner & Co Group. Thus, approx. 69% of the worldwide turnover of Klöckner & Co Group was generated within the EU in the business year 2007.

3.2 Costs of conversion

According to the current estimate of the Management Board of Klöckner & Co AG, the costs of the conversion will altogether amount to approx. EUR 1Mio.

Such estimate includes in particular the preparation costs, the costs of the examination and preparation of the valuation certificate by the expert appointed by court pursuant to Art. 37 para. 6 of the SE Regulation, the costs of the notarisation of the Terms of Conversion, the costs of the register entries, the costs of external advisors, the costs of necessary publications, the costs of the procedure governing employee involvement as well as the costs of adjusting the stock exchange listing, i.e. the conversion of Klöckner & Co AG shares into Klöckner & Co SE shares. The estimate does, however, not include the costs of the holding of the annual General Meeting of Klöckner & Co AG for 2008 as the meeting had to be held anyway.

4 Comparison between the legal forms of a German stock corporation and an SE having its seat in Germany as well as between the legal positions of Klöckner & Co AG shareholders and Klöckner & Co SE shareholders

Below, a comparison is made between the fundamental legal and statutory provisions governing Klöckner & Co AG and the regulations that will apply to the future Klöckner & Co SE. The comparison will focus on shareholder rights and corporate governance.

To the extent that this Conversion Report explains the legal provisions generally applicable to an SE, this refers to an SE having its seat in Germany; it is possible that an SE having its seat in other EU or the remaining EEA Member States is – in detail – subject to other provisions.

4.1 Introduction

Similar to a stock corporation incorporated under German law, the SE – pursuant to Art. 1 of the SE Regulation – is a commercial company (*Handelsgesellschaft*) with own legal personality, whose share capital has been divided into shares. However, an SE is not a German, but a European stock corporation (Art. 1 para. 1 of the SE Regulation), which has its legal bases in European Community Law.

The primary legal basis of the SE is the SE Regulation which, as a European regulation, is directly applicable in all EU Member States and takes precedence over national legislation. Based on the SE Regulation, companies having the legal form of an SE can be founded in all EU Member States and the remaining states of the EEA. An SE founded in accordance with the SE Regulation has to be recognised in all EU Member States and the remaining states of the EEA.

However, as the SE Regulation does not conclusively govern all matters, there are many areas where the SE is subject to the national laws of the state in which it has its seat. This is clarified in Art. 9 para. 1 of the SE Regulation, which sets out the legal norms applicable to an SE and also details the hierarchy of such legal norms:

- In the first place, the SE is governed by the SE Regulation (Art. 9 para. 1 lit. (a) of the SE Regulation) and by the provisions of its Articles of Association, to the extent expressly authorised by the SE Regulation (Art. 9 para. 1 lit. (b) of the SE Regulation).
- In the case of matters not regulated by the SE Regulation, or where matters are only partly regulated by it, the SE shall be governed as follows pursuant to Art. 9 para. 1 lit. (c) of the SE Regulation with respect to the areas/aspects not covered by the SE Regulation
  - (i) the provisions of laws adopted by Member States in implementation of Community measures relating specifically to SE,
  - (ii) the provisions of Member States' laws which would apply to a stock corporation formed in accordance with the law of the Member State in which the SE has its seat,
  - (iii) the provisions of its Articles of Association, in the same way as for a stock corporation formed in accordance with the law of the Member State in which the SE has its seat.

In the first place, Klöckner & Co SE will be governed by the provisions of the SE Regulation and the provisions of its Articles of Association, to the extent they were made based on a corresponding authorisation to adopt provisions in the SE Regulation. To the extent that a certain area or aspect is not regulated therein, the provisions of the German Act on the Implementation of the SE Regulation – the German SE Implementation Act – and the German SE Employee Involvement Act, which implements the SE Directive and contains provisions on employee involvement within the SE, will apply as Klöckner & Co SE will have its seat in Germany. If no corresponding provision is contained therein, the provisions that would apply to a German stock corporation shall apply – i.e. in particular the provisions of the German Stock Corporation Act as well as the commercial law, tax law and capital markets regulations applicable to a German stock corporation. To the extent that German stock corporation law allows for a matter being provided for in the Articles of Association, the provisions adopted and incorporated into the Articles of Association of Klöckner & Co SE on this basis will apply .

The involvement of the employees in an SE is governed either by an agreement concluded between the executive management Klöckner & Co AG and a so-called special negotiating body representing the employees ("**SNB**") or, if no such agreement is reached, the involvement of the employees in an SE will be subject to the standard rules set out in Sections 22 et seq. of the German SE Employee Involvement Act. If an agreement is reached, it must , according to Section 21 para. 6 of the German SE Employee Involvement Act, in the present case at least guarantee a scope of employee involvement in the SE that is equivalent to the one existing in the company to be converted into an SE. If the standard rules apply, an SE works council must be formed (Sections 22 to 33 of the German SE Employee Involvement Act) and the scope of employee participation existing on the supervisory board of the company prior to the conversion (Sections 34 et seq. of the German SE Employee Involvement Act) must be maintained. The Employee Involvement Agreement was already concluded between the Management Board of Klöckner & Co AG and the SNB on 29 April 2008 (please refer to clause 7 of this Conversion Report for details).

4.2 General provisions

4.2.1 Share capital and shares

Pursuant to Art. 4 para. 1 of the SE Regulation, the share capital of an SE will be denominated in Euro (EUR). There are no differences to a stock corporation in this respect. However, differences exist with regard to the subscription capital. In case of a stock corporation, it is at least EUR 50,000.00 (Section 7 of the German Stock Corporation Act), in case of an SE it is at least EUR 120,000.00 (Art. 4 para. 2 of the SE Regulation).

Currently (information valid as per 30 April 2008), the share capital of Klöckner & Co AG amounts to EUR 116,250,000.00. The amount of the share capital of Klöckner & Co AG may change between the signature of this Conversion Report and the registration of the conversion into the commercial register, e.g. due to the use of conditional capital. The share capital of Klöckner & Co SE upon its registration into the commercial register will be equivalent to the share capital of Klöckner & Co AG upon the registration of the conversion into the commercial register (please refer to clauses 4.2 and 5.2.1 of the Terms of Conversion). The required minimum share capital of an SE in the amount of EUR 120,000.00 will, however, clearly be exceeded when Klöckner & Co AG is converted into Klöckner & Co SE.

Pursuant to Art. 5 of the SE Regulation, the provisions applicable to the share capital, its preservation and changes in the share capital as well as the provisions applicable to the shares in an SE having its seat in Germany will incidentally be the same as the provisions applicable to German stock corporations. This means that the shares in an SE may be issued in the form of par value shares or no-par value shares. Furthermore, an SE may issue registered shares which are transferable only with the issuer's consent as well as shares belonging to different classes of shares (e.g. preference shares).

Currently (information valid as per 30 April 2008), the share capital of Klöckner & Co AG is divided into 46,500,000 no-par value registered shares. The share capital of Klöckner & Co SE will be divided into the same number of no-par value registered shares upon its registration into the commercial register as the share capital of Klöckner & Co AG upon the registration of the conversion into the commercial register.

4.2.2 Seat of the Company and possibility of a cross-border seat relocation

The seat of a German stock corporation is determined pursuant to its Articles of Association (please refer to Section 5 para. 1 of the German Stock Corporation Act). Pursuant to Section 5 para. 2 of the German Stock Corporation Act (in the version applicable upon the signature of this Conversion Report), the seat stipulated in the Articles of Association must, in principle, be the place where a plant is operated by the corporation, where the management is based or where the administrative decisions are taken.

The seat of an SE is also determined by its Articles of Association. Pursuant to Art. 7 of the SE Regulation, it must be located within an EU Member State or one of the remaining EEA Member States, namely in the same Member State as the head office of the SE. If the statutory seat and the head office of the SE are not identical, this may lead to the SE being dissolved (please refer to clause 4.10 of this Conversion Report). As Klöckner & Co SE will have its seat in Germany, its Articles of Association must specify its seat as being the place where the main administrative decisions are taken pursuant to Art. 7 sentence 2 of the SE Regulation in conjunction with Section 2 of the German SE Implementation Act.

The seat of Klöckner & Co SE will be the same as the seat of Klöckner & Co AG, i.e. Duisburg, Germany (please see Section 1 para. (2) of the Articles of Association of Klöckner & Co SE, please also refer to clause 6.2.1 of this Conversion Report).

In order to relocate the seat within Germany, the General Meeting of the SE will have to adopt a corresponding resolution on an amendment to the Articles of Association (Art. 9 para. 1 lit. (c) (ii) of the SE Regulation in conjunction with Sections 179 et seq., 45 of the German Stock Corporation Act). This is in compliance with the legal situation existing with respect to stock corporations.

In contrast to a stock corporation (according to the laws applicable upon the signature of this Conversion Report), an SE may also relocate its seat to another EU Member State or to one of the remaining EEA Member States, without this resulting in its dissolution or the formation of a new legal entity. Art. 8 of the SE Regulation contains a special provision in this respect. Accordingly, a cross-border relocation of the SE's seat requires a shareholders' resolution amending the Articles of Asso-

ciation. Section 12 para. 1 of the German SE Implementation Act stipulates in this respect that shareholders who object to the resolution on the relocation of the seat declaring that their objection to be included in the minutes, must be offered the purchase of their shares against a reasonable cash compensation. Due to the fact that – to the extent that the SE Regulation and respectively the national acts implementing the SE Regulation and the SE Directive do not contain any specific regulations – the law applicable to an SE is always the law applicable to stock corporations incorporated under the laws of the Member State in which the SE has its seat, the cross-border relocation of its seat will result in a change in the applicable stock corporation law, which may also entail changes with respect to contents or may have consequences on, for example, the legal position of shareholders.

4.2.3 Company name

Pursuant to Section 4 of the German Stock Corporation Act, the company name of a German stock corporation must contain the term "Aktiengesellschaft" or a generally comprehensible abbreviation of such term (e.g. "AG").

In contrast to this, the company name of an SE must be preceded or followed by the abbreviation "SE" (Art. 11 para. 1 of the SE Regulation).

As a result of the conversion, Klöckner & Co AG will therefore change its company name from "Klöckner & Co Aktiengesellschaft" to "Klöckner & Co SE" (clause 3.3 of the Terms of Conversion and Section 1 para. (1) of the Articles of Association of Klöckner & Co SE).

4.2.4 Reporting obligations

The general reference contained in Art. 9 para. 1 lit (c) (ii) of the SE Regulation leads to the consequence that the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*) will also apply to Klöckner & Co SE. Therefore and among others, the provisions regarding insider control and reporting obligations with respect to voting rights will also be applicable to Klöckner & Co SE. The provisions on the loss of shareholder rights in case of a violation of reporting obligations set out in the German Securities Trading Act apply to both Klöckner & Co AG and Klöckner & Co SE. To this extent, no changes result from the conversion of Klöckner & Co AG into Klöckner & Co SE.

Pursuant to Art. 9 para. 1 lit. (c) (ii) of the SE Regulation, Klöckner & Co SE is furthermore subject to the same reporting obligations already applicable to Klöckner & Co AG; this includes in particular Section 10 of the German Securities Prospectus Act (*Wertpapierprospektgesetz – WpPG*).

4.3 Formation of the Company

The formation of a stock corporation is subject to the provisions of Sections 23 et seq. of the German Stock Corporation Act. If a company assumes the legal form of a stock corporation as a result of a conversion (change of legal form), the provisions of the German Corporate Transformation Act (*Umwandlungsgesetz – UmwG*), and in particular the provisions on a change of the legal form (Sections 190 et seq. of the German Corporate Transformation Act), will also be applicable.

Pursuant to Art. 15 para. 1 of the SE Regulation, the formation of an SE will be governed by the stock corporation law applicable in the state in which the SE establishes its seat,

subject to the provisions of the SE Regulation. Thus, in particular the provisions of Art. 2 para. 4 and Art. 37 of the SE Regulation regarding the formation of an SE by way of a conversion and – supplementary – Sections 23 et seq. of the German Stock Corporation Act as well as Sections 190 et seq. of the German Corporate Transformation Act will apply to the formation of Klöckner & Co SE by way of the conversion of Klöckner & Co AG (please refer to clause 5 as well as to the comments on the Terms of Conversion contained in clause 6 of this Conversion Report for details on the formation of Klöckner & Co SE by way of a conversion).

4.4 Capital maintenance and equal treatment of shareholders

According to Art. 5 of the SE Regulation, an SE having its seat in Germany will be subject to the laws applicable to German stock corporations with respect to capital maintenance and other changes in capital. Klöckner & Co SE is therefore subject to the same provisions regarding capital maintenance that were already applicable to Klöckner & Co AG.

This refers in particular to the purchase of own shares which is permissible only if certain conditions are fulfilled (Sections 71 et seq. of the German Stock Corporation Act), the prohibition to subscribe for own shares (Section 56 of the German Stock Corporation Act), the prohibition to repay contributions to the shareholders (Section 57 of the German Stock Corporation Act), the rules on how to use the profit for the business year, on the creation of re-serves, on profit utilisation (Section 58 et seq. of the German Stock Corporation Act) as well as on the admissibility of advance payments on the balance-sheet profit (Section 59 of the German Stock Corporation Act).

Furthermore, pursuant to Art. 9 para. 1 lit. (c) (ii) of the SE Regulation, the principle of the equal treatment of shareholders (Section 53 a of the German Stock Corporation Act) will apply to an SE having its seat in Germany as well as to stock corporations, meaning that there will not be any changes in this respect due to the conversion of Klöckner & Co AG into Klöckner & Co SE.

4.5 Constitution of the Company: two-tier system and one-tier system

A particular feature of a German stock corporation compared to an SE is that an SE may choose its company constitution and has the choice between the so-called two-tier system and the so-called one-tier system.

According to Sections 76 et seq., 95 et seq. and 118 et seq. of the German Stock Corporation Act, a German stock corporation has the following executive bodies: Management Board, Supervisory Board and General Meeting. The Management Board manages the stock corporation and conducts its business while the Supervisory Board supervises the management. Such constitution is referred to as two-tier system. The constitution of a German stock corporation is automatically subject to the two-tier system, there is no option to choose in this respect.

The SE, in contrast, has the opportunity to choose the so-called one-tier system instead of the two-tier system. Whereas the two-tier system in case of an SE provides for a “management body” (corresponding to the Management Board) and a “supervisory body” (corresponding to the Supervisory Board) in addition to the General Meeting, the one-tier system provides only for one administrative body in addition to the General Meeting (called “board of directors” (*Verwaltungsrat*) in the case of an SE having its seat in Germany, pursuant to Section 20 of the German SE Implementation Act). The administrative body manages the company, defines the principles of its activity and supervises their implementa-

tion, cf. Art. 43 para. 1 of the SE Regulation and the provision contained in Section 22 para.1 of the German SE Implementation Act.

Section 5 of the Articles of Association of Klöckner & Co SE provides for the maintenance of the two-tier system, i.e. the Management Board as management body and the Supervisory Board as supervisory body will be maintained (please see also clause 4.5.2 of this Conversion Report in this respect). Although the conversion thus does not lead to a fundamental change in the constitution of the Company, there will be a few changes affecting details, with the most important changes set out below.

With respect to the terminology used, the following should be noted: The SE Regulation refers to the management body in a two-tier system as "management organ" (Art. 38 lit. (b) and Art. 39 para. 1 of the SE Regulation) and the supervisory body as "supervisory organ" (Art. 38 lit. (b) and Art. 40 para. 1 of the SE Regulation). However, in order to avoid misunderstandings, we will continue to refer to the management organ of Klöckner & Co SE as "Management Board" and to the supervisory organ as "Supervisory Board" pursuant to Section 5 of the Articles of Association of Klöckner & Co SE. In order to ensure the consistent use of terminology, the management organ of the SE will hereinafter also be referred to as "Management Board" and the supervisory organ of the SE will hereinafter also be referred to as "Supervisory Board".

4.5.1 Management organ (Management Board)

(i) Management of the Company

Pursuant to Art. 39 para. 1 of the SE Regulation, the management organ (i.e. the Management Board) of Klöckner & Co SE manages the business of the Company in its own responsibility. In respect of contents, this corresponds to the provisions contained in Section 76 para. 1 of the German Stock Corporation Act applicable to the Management Board of Klöckner & Co AG, so that the conversion will not affect the management of the Company.

(ii) Management

As is the case with a stock corporation, the principle of common management applies to the SE as well. Both legal forms provide for the opportunity to agree differently in the Articles of Association or the rules of procedure. However, it is impossible to determine that one or more members of the Management Board decide issues disputed in the Management Board against the wishes of the majority of its members (Section 77 para. 1 of the German Stock Corporation Act which is also applicable to the SE as a result of the reference contained in Art. 9 para. 1 lit. (c) (ii) of the SE Regulation). In contrast, a veto right may be granted to one member of the Management Board (usually the chairman), i.e. a right to block a majority decision. In accordance with the provisions applicable to Klöckner & Co AG so far, the Articles of Association of Klöckner & Co SE do, however, not provide for a veto right of the chairman or another member of the Management Board.

Unless otherwise provided for in the Articles of Association, the Management Board of SE has a quorum if at least half the members of the Management Board are present or represented (Art. 50 para. 1 lit. (a) of the SE

Regulation). In principle, a resolution must be adopted with the majority of the members present or represented (Art. 50 para: 1 lit. (b) of the SE Regulation) and unless otherwise set out in the Articles of Association, the chairman's vote shall be decisive in case of a tie (Art. 50 para. 2 of the SE Regulation). Neither the Articles of Association of Klöckner & Co AG nor the Articles of Association of Klöckner & Co SE contain any deviating provisions in this respect. As – pursuant to applicable law – the vote of the chairman of the Management Board of a German stock corporation is not decisive in case of a tie, there will be a corresponding change as a result of the conversion of Klöckner & Co AG into Klöckner & Co SE.

(iii) Representation of the company

Pursuant to Section 78 para. 1 and para. 2 of the German Stock Corporation Act, a stock corporation will in principle be represented – in and out of court – by the Management Board; an exemption will only apply to the representation of the company vis-à-vis members of the Management Board, with the company being represented by the Supervisory Board pursuant to Section 112 of the German Stock Corporation Act.

The representation of a stock corporation by the Management Board will in principle be effected by all members of the Management Board collectively, unless otherwise provided for in the Articles of Association (Section 78 para. 2 of the German Stock Corporation Act). The Articles of Association of a stock corporation may grant individual members of the Management Board the power to represent the company alone or together with a holder of a statutory power of attorney (*Prokurist*) (Section 78 para. 3 sentence 1 of the German Stock Corporation Act).

These provisions will apply accordingly to Klöckner & Co SE in its capacity as an SE having its seat in Germany due to the reference in Art. 9 para. 1 lit. (c) (ii) and (iii) respectively of the SE Regulation.

Section 7 of the Articles of Association of Klöckner & Co SE stipulates that, if the Management Board comprises one member only, then such member will represent the Company alone but that, if several persons have been appointed as members of the Management Board, the Company will be represented by two members of the Management Board acting jointly or by one member of the Management Board acting together with a holder of a statutory power of attorney. Furthermore, the Supervisory Board may authorise individual members of the Management Board to represent the Company alone and/or may exempt them from the prohibition of multiple representation set out in Section 181, second alternative of the German Civil Code (*Bürgerliches Gesetzbuch – BGB*). The corresponding provisions in the Articles of Association of Klöckner & Co SE are equivalent to the provisions of Section 6 of the Articles of Association of Klöckner & Co AG. Thus, no changes as to contents will result in this respect from the conversion into the legal form of an SE.

(iv) Size and composition of the Management Board

According to Section 76 para. 2 sentence 2 of the German Stock Corporation Act, the Management Board of a German stock corporation with a

share capital exceeding three million Euro must comprise at least two individuals, unless the Articles of Association stipulate that the Management Board consists of one person only. The latter is impossible if the stock corporation is subject to employee participation pursuant to the German Employee Participation Act 1976 – as is, however, not the case of Klöckner & Co AG.

The Management Board of an SE with a share capital exceeding three million Euro must also comprise at least two persons, unless otherwise provided for in the Articles of Association (Art. 39 para. 4 sentence 2 of the SE Regulation in conjunction with Section 16 of the German SE Implementation Act). The standard rules of section 38 para. 2 sentence 2 of the German SE Employee Involvement Act which, in case that the participation of the employees of an SE is governed by the standard rules, provides that the Management Board of the SE (subject to employee participation) must comprise at least two members, one of whom will be responsible for the field of employment and social issues, are only applicable to the extent that the company was subject to employee participation on the Supervisory Board prior to conversion, or if the agreement on the involvement of the employees in the SE provides for its application. The Employee Involvement Agreement however, does not do so.

Pursuant to Section 6 para. (1) of the Articles of Association of Klöckner & Co SE, the Management Board of Klöckner & Co SE will comprise one or several members; the exact number will be determined by the Supervisory Board. This corresponds to the provision already contained in Section 5 para. (1) of the Articles of Association of Klöckner & Co AG. Subject to any agreement to the contrary regarding the involvement of employees, no changes will result from the conversion of Klöckner & Co AG into Klöckner & Co SE with respect to the size and composition of the Management Board as Klöckner & Co AG is not subject to employee participation on the Supervisory Board.

(v) Appointment and removal of the Management Board/term of office

Pursuant to Section 84 para. 1 of the German Stock Corporation Act, the Supervisory Board of a stock corporation will appoint members of the Management Board for a term of no more than five years. A person may be reap-pointed or his term be extended for another term of no more than five years. According to Section 84 para. 3 of the German Stock Corporation Act, the Supervisory Board may revoke an appointment of a member of the Management Board for good cause.

In deviation from the provisions applicable to stock corporations, Art. 46 para. 1 of the SE Regulation stipulates that members of SE executive bodies will be appointed for a term set out in the Articles of Association, with such term lasting no longer than six years, however. Reappointments are permissible pursuant to Art. 46 para. 2 of the SE Regulation, but are subject to the restrictions set out in the Articles of Association, if any. Furthermore, German stock corporation law will be applicable to Klöckner & Co SE in its capacity as an SE having its seat in Germany due to the reference contained in Art. 9 para. 1 lit. (c) (ii) of the SE Regulation.

The members of the Management Board of Klöckner & Co SE will be appointed and removed by the Supervisory Board of Klöckner & Co SE in accordance with Art. 39 para. 2 of the SE Regulation. Thus, there is no difference in respect of contents compared to Klöckner & Co AG.

Concerning the term of office of the members of the Management Board, Section 6 para. (4) of the Articles of Association of Klöckner & Co SE provides that members of the Management Board will be appointed for a term of no more than five years, and may be reappointed once or several times. Thus, no changes as to contents will result in this respect from the conversion into the legal form of an SE.

(vi) Principles regarding remuneration of members of the Management Board, prohibition to compete, granting of loans to members of the Management Board

The Management Board of Klöckner & Co SE will be subject to the same provisions as the management of Klöckner & Co AG with respect to the remuneration, the granting of loans and the prohibition to compete. Sections 87 et seq. of the German Stock Corporation Act, Section 285 para. 1 no. 9 lit. (a), 314 para. 1 no. 6 lit. (a) of the German Commercial Code (*Handelsgesetzbuch – HGB*) will also be applicable to an SE having its seat in Germany due to the reference in Art. 9 para. 1 lit. (c) (ii) of the SE Regulation.

(vii) Reports submitted to the Supervisory Board

The reporting obligations of the Management Board of an SE vis-à-vis the Supervisory Board are similar to the reporting obligations of the Management Board of a stock corporation vis-à-vis its Supervisory Board.

Pursuant to Section 90 para. 1 sentence 1 of the German Stock Corporation Act, the Management Board of a stock corporation must report to the Supervisory Board with respect to the following:

- the intended business policy and other fundamental issues concerning the business planning (in particular the financial, investment and staff planning), with the obligation to comment on deviations between the actual development and the goals pursued, as reported previously, as well as to give reasons for such deviations;
- the company's profitability, in particular the profits generated by share-holders' equity;
- the state of business, in particular turnover and the situation of the company;
- transactions which may significantly affect the company's profitability or liquidity.

If the company is a parent company within the meaning of Section 290 para. 1, para. 2 of the German Commercial Code (HGB), the report must also include subsidiaries and joint ventures within the meaning of Section 310 para. 1 of the German Commercial Code (Section 90 para. 1 sentence 2 of the German Stock Corporation Act). Further-more, the chairman of the

Supervisory Board must be notified of other important issues which the Management Board becomes aware of, with such important issues including transactions entered into by an affiliated company which might fundamentally affect the position of the company (Section 90 para. 1 sentence 3 of the German Stock Corporation Act). The re-ports must be made regularly (Section 90 para. 2 of the German Stock Corporation Act).

Moreover, the Supervisory Board of a stock corporation may – pursuant to Section 90 para. 3 of the German Stock Corporation Act – at any time request a report by the Management Board on issues concerning the company, its both legal and business relations with affiliated companies as well as on business transactions entered into by such companies, which may fundamentally influence the situation of the company. Such a report may also be requested by a single member of the Supervisory Board, with the report being prepared, however, for the Supervisory Board as a body.

The reports by the Management Board must be prepared with due care and must give a true representation of the situation. They shall be made in due time and usually in text form (Section 90 para. 4 of the German Stock Corporation Act). Each member of the Supervisory Board is entitled to acquaint himself with the report (Section 90 para. 5 sentence 1 of the German Stock CorporationAct).

The reporting obligations of the Management Board vis-à-vis the Supervisory Board of an SE having its seat in Germany are similar. According to Art. 41 of the SE Regulation, the Management Board of the SE must report to the Supervisory Board at least every three months on the progress and foresee-able development of the business of an SE. In addition to such regular in-formation, the Management Board shall promptly pass the Supervisory Board any information on events likely to have an appreciable effect on the SE (Art. 41 para. 2 of the SE Regulation).

The Supervisory Board of the SE may require the Management Board to pro-vide any information necessary in order for the Supervisory Board to fulfil its supervisory function (Art. 41 para. 3 sentence 1 of the SE Regulation). Furthermore, Section 18 of the German SE Implementation Act stipulates with respect to an SE having its seat in Germany – supplementary to Art. 41 para. 3 of the SE Regulation – that each member of the Supervisory Board may request information of any kind from the Management Board; such information being provided to the Supervisory Board as a body. According to Art. 41 para. 4 of the SE Regulation, the Supervisory Board may under-take or arrange for any investigations necessary for the performance of its duties. Each member of the Supervisory Board is entitled to examine all in-formation submitted to the Supervisory Board (Art. 41 para. 5 of the SE Regulation).

When comparing the provisions contained in German stock corporation law to the provisions applicable to an SE having its seat in Germany, no fundamental changes result with respect to contents. The reporting obligations of the Management Board of Klöckner & Co AG are therefore similar to those of the Management Board of Klöckner & Co SE, so that the conversion does not lead to fundamental changes.

(viii) Duties of the Management Board in case of loss, overindebtedness and illiquidity

The duties of the management applicable in case of a loss, overindebtedness and illiquidity of a stock corporation as set out in Section 92 of the German Stock Corporation Act will also be applicable to the Management Board of an SE having its seat in Germany due to the reference in Art. 9 para. 1 lit. (c) (ii) of the SE Regulation. Therefore, there will not be any differences due to the conversion of Klöckner & Co AG into Klöckner & Co SE in this respect.

(ix) Duty of care and responsibility

According to Section 93 para. 2 of the German Stock Corporation Act, the members of the Management Board of a stock corporation who violate their duties to have an obligation to pay damages to the company as joint and several debtors (*Gesamtschuldner*) in order to compensate for the damage thus caused. Pursuant to Section 93 para. 1 sentence 1 of the German Stock Corporation Act, members of the Management Board must act with the care taken by a prudent business manager when conducting the business of the company. However, a breach of obligations will not be given if the respective member of the Management Board could reasonably, at the time of taking the business decision acting on the basis of appropriate information, assume that he was acting for the benefit of the company (Section 93 para. 1 sentence 2 of the German Stock Corporation Act; this provision is also known as "business judgment rule"). Members of the Management Board are furthermore subject to an obligation of secrecy (Section 93 para. 1 sentence 3 of the German Stock Corporation Act).

This applies accordingly to the members of the Management Board of an SE having its seat in Germany due to the reference contained in Art. 51 of the SE Regulation: Pursuant to Art. 51 of the SE Regulation, the members of the Management Board of an SE will be liable – in accordance with the provisions applicable to stock corporations in the state in which the seat of the SE is situated – for the loss or damage sustained by the SE following any breach on their part of their legal, statutory or other obligations inherent in their duties. Art. 49 of the SE Regulation contains an SE-specific provision on secrecy. Accordingly, members of the Management Board of an SE must not divulge – even after they have ceased to hold office – any information concerning the SE, the disclosure of which might be prejudicial to the company's interests, except where such disclosure is required or permitted un-der national law provisions applicable to stock corporations or is in the public interest.

The conversion of Klöckner & Co AG into Klöckner & Co SE will therefore not lead to any changes regarding the applicable duty of care and the responsibility of the Management Board.

(x) Liability for abusing the influence over the company

Pursuant to Section 117 of the German Stock Corporation Act, it is prohibited to induce a member of the Management Board or Supervisory Board, a holder of a statutory power of attorney or a holder of a commercial power of

attorney (*Handlungsbevollmächtigter*) of a stock corporation to use his influence over the company in order to damnify the company or its shareholders. This prohibition is also applicable to an SE having its seat in Germany (Art. 51 and respectively Art. 9 para. 1 lit. (c) (ii) of the SE Regulation in conjunction with Section 117 of the German Stock Corporation Act), so that in this respect no changes will result from the conversion of Klöckner & Co AG into Klöckner & Co SE.

4.5.2 Supervisory organ (Supervisory Board)

(i) Rights and duties of the Supervisory Board

The main task of the Supervisory Board of a German stock corporation is to supervise the Management Board's management of the company (Section 111 para. 1 of the German Stock Corporation Act). The Supervisory Board itself must no be entrusted with management duties (Section 111 para. 4 sentence 1 of the German Stock Corporation Act).

This corresponds to the provision set out in Art. 40 para. 1 of the SE Regulation, according to which the Supervisory Board of a two-tier SE supervises the work of the Management Board, but may not itself exercise the power to manage the SE. Therefore, the Supervisory Board of Klöckner & Co SE – just like the Supervisory Board of Klöckner & Co AG – will be responsible for supervising the work of the management.

There are, however, certain transactions, which may only be entered into by the Management Board of a stock corporation as well as the Management Board of an SE with the approval of the Supervisory Board. In case of a stock corporation, it is stipulated that either the Articles of Association or the Supervisory Board determines the types of transactions which may only be entered into with its approval (Section 111 para. 4 sentence 2 of the Ger-man Stock Corporation Act). In the case of an SE, however, the types of transactions for which, in a two-tier system, the Management Board must obtain the approval of the Supervisory Board must be set out in the Articles of Association; however, the Member States are authorised to stipulate that, in a two-tier system, the Supervisory Board may itself determine that certain types of transactions will be subject to its approval (Art. 48 para. 1 of the SE Regulation). The German legislator has exercised its right to do so with respect to an SE having its seat in Germany in Section 19 of the SE Implementation Act. It is mainly assumed that the Articles of Association of an SE – in contrast to the Articles of Association of a stock corporation – must contain a catalogue of matters requiring approval. In addition to the trans-actions set out in the Articles of Association, the Supervisory Board may, however. determine further transactions requiring its approval pursuant to Art. 48 para. 1 sentence 2 of the SE Regulation in conjunction with Section 19 of the German SE Implementation Act. Based on this comprehension, the rules applicable to an SE would thus deviate from the rules applicable to stock corporations in the sense that the Articles of Association of an SE must always contain a catalogue of matters requiring approval.

There are differences between Klöckner & Co AG and Klöckner & Co SE regarding this issue: Section 10 of the Articles of Association of Klöck-

ner & Co AG merely provides that the rules of procedure of the Supervisory Board must stipulate that certain transaction types set out in the Articles of Association require the approval of the Supervisory Board. However, the Articles of Association themselves do not contain any transactions which are subject to the approval of the Supervisory Board. In contrast thereto, the Articles of Association of Klöckner & Co SE detail transactions requiring approval in Section 8. The transactions set out in Section 8 of the Articles of Association of Klöckner & Co SE were already subject to approval pursuant to the provisions of the Articles of Association of Klöckner & Co AG in conjunction with the rules of procedure applicable to the Management Board. Any modifications to transactions of Klöckner & Co SE requiring approval, with such transactions now detailed in the Articles of Association themselves, is subject to the General Meeting adopting a resolution for changing the Articles of Association.

If the Supervisory Board of a stock corporation does not grant approval, the Management Board may request that the matter be decided by the General Meeting (Section 111 para. 4 sentences 3 to 5 of the German Stock Corporation Act). According to the appropriate interpretation of the reference contained in Art. 52 sub-paragraph 2 of the SE Regulation, this does also apply to an SE having its seat in Germany, so that no changes will result from the conversion of Klöckner & Co AG into Klöckner & Co SE in this respect.

The Supervisory Board of a stock corporation must furthermore convene a General Meeting if required for the good of the company (Section 111 para. 3 sentence 1 of the German Stock Corporation Act). On the basis of Art. 54 para. 2 of the SE Regulation, this provision is also applicable to an SE, so that no changes will result from the conversion of Klöckner & Co AG into Klöckner & Co SE in this respect.

Pursuant to Section 111 para. 5 of the German Stock Corporation Act, a member of the Supervisory Board of a stock corporation must fulfil his tasks personally. It is not permissible for other persons – including other members of the Supervisory Board – to fulfil the tasks of a member of the Supervisory Board. The same applies to an SE pursuant to Art. 9 para. 1 lit. (c) (ii) of the SE Regulation.

The Supervisory Board has examination rights which allow it to fulfil its supervisory tasks in a stock corporation as well as in an SE.

Accordingly, the law stipulates inspection and examination rights for Supervisory Boards of stock corporations referring to books and records of the company as well as assets – namely the company funds as well as inventories of securities and goods (Section 111 para. 2 sentence 1 of the German Stock Corporation Act). The Supervisory Board of a stock corporation may entrust individual members with exercising such rights or may assign particular tasks to experts (Section 111 para. 2 sentence 2 of the German Stock Corporation Act). Art. 41 para. 4 of the SE Regulation stipulates also with respect to the Supervisory Board of an SE that it may itself undertake or arrange for any investigations necessary for the performance of its duties, so that there are no material differences between the examination

rights of the Supervisory Board of Klöckner & Co AG and those of the Supervisory Board of Klöckner & Co SE.

(ii) Representation of the company vis-à-vis members of the Management Board

The Supervisory Board will represent the stock corporation in and out of court vis-à-vis members of the Management Board (Section 112 of the German Stock Corporation Act).

Based on the reference in Art. 9 para. 1 lit. (c) (ii) of the SE Regulation, this will also apply to an SE having its seat in Germany, so that no changes will result from the conversion of Klöckner & Co AG into Klöckner & Co SE in this respect.

(iii) Size and composition

The size of the Supervisory Board of a stock corporation which has its seat in Germany is, in principle, governed by Section 95 of the German Stock Corporation Act. Accordingly, the Supervisory Board of a stock corporation comprises three members, unless the Articles of Association of the stock corporation stipulates a higher number which can be divided by three. No further legal provisions exist with respect to the size of the Supervisory Board of a stock corporation that is not subject to employee participation, as is the case of Klöckner & Co AG. Subject to the share capital of the stock corporation, the number of members of the Supervisory Board is limited according to Section 95 sentence 4 of the German Stock Corporation Act. In case of stock corporations with a share capital of up to EUR 1,500,000 the maximum number is nine, if the share capital exceeds EUR 1,500,000, the maximum number is fifteen and in case the share capital amounts to more than EUR 10,000,000, the maximum number is twenty-one.

Pursuant to Section 96 para. 1 of the German Stock Corporation Act, the Supervisory Board of a stock corporation which not subject to employee participation – as is the case of Klöckner & Co AG – comprises only members representing the shareholders.

Art. 40 para. 3 of the SE Regulation provides that the number of the members of the Supervisory Board of the SE is determined in the Articles of Association. Pursuant to Art. 40 para. 3 sentence 1 of the SE Regulation, the Articles of Association will either lay down the number of members of the Supervisory Board or the rules for determining such number. In the case of an SE having its seat in Germany, Section 17 para. 1 of the German SE Implementation Act in conjunction with Art. 40 para. 3 sentence 2 of the SE Regulation shall be taken into ac-count. Accordingly, the Supervisory Board of an SE must comprise a mini-mum of three members. A higher number may be stipulated in the Articles of Association with the requirement that such number must be divisible by three. Subject to the share capital of an SE, the number of members of the Supervisory Board is limited pursuant to Section 17 para. 1 of the German SE Implementation Act: For companies with a share capital of up to EUR 1,500,000, the maximum number is nine, if the share capital exceeds EUR 1,500,000, the maximum number is fifteen

and if the share capital exceeds EUR 10,000,000, the maximum number is twenty-one.

However, pursuant to Section 17 para. 2 of the German SE Implementation Act, the involvement of the employees under the German SE Employee Involvement Act will not be affected thereby. The number of employee representatives on the Supervisory Board of an SE is therefore in principle subject to the agreement on the involvement of employees in the SE (cf. Section 21 para. 3 no. 1 of the German SE Employee Involvement Act). In case of an SE formation by way of a conversion it must be guaranteed with regard to all aspects of employee involvement that the scope of employee involvement existing in the stock corporation subject to conversion is at least maintained (Section 21 para. 6 of the German SE Employee Involvement Act). Such provision is to be interpreted in the sense that the level of employee participation in the SE must at least correspond to that of the stock corporation subject to conversion. This means that the agreement may only provide for a Supervisory Board of the SE which is not subject to employee participation if the Supervisory Board of the stock corporation was neither subject to employee participation, as is the case of Klöckner & Co AG. It is, however, not prescribed that the absolute number of members of the Supervisory Board in the SE must be the same as in the stock corporation.

In the present case, the Employee Involvement Agreement concluded between the Management Board of Klöckner & Co AG and the SNB on 29 April 2008 does not provide for employee participation in the Supervisory Board (cf. clause 7 of this Conversion Report for details on the Particpation Agreement).

Pursuant to Section 9 para. (1) of the Articles of Association of Klöckner & Co SE, the Supervisory Board of Klöckner & Co SE will comprise the same number of members as the Supervisory Board of Klöckner & Co AG, i.e. a total of six, all of whom will be elected by the General Meeting. Unless otherwise agreed in the agreement on the involvement of employees, there will not be any differences in the composition of the Supervisory Board of Klöckner & Co AG and the Supervisory Board of Klöckner & Co SE.

(iv) Status proceedings on the composition of the Supervisory Board

If the Management Board of a stock corporation is of the opinion that the composition of the Supervisory Board does not comply with the applicable legal provisions, it must initiate status proceedings pursuant to Sections 97 et seq. of the German Stock Corporation Act. Status proceedings may also be commenced by persons entitled to submit a motion – as set out in the German Stock Corporation Act – if the legal provisions according to which the Supervisory Board must be composed are disputed or uncertain (Section 98 of the German Stock Corporation Act).

These provisions will also apply to Klöckner & Co SE in its capacity as an SE having its seat in Germany due to the reference contained in Art. 9 para. 1 lit. (c) (ii) of the SE Regulation. Pursuant to Section 17 para. 3 sentence 1 German SE Implementation Act, in addition to the persons entitled to submit a motion who are mentioned in the German Stock Corporation

Act, the SE works council will be as well entitled should an SE submit a motion for the commencement of status proceedings according to Sections 98, 99 of the German Stock Corporation Act. Apart from the additional legal right of the SE works council to submit a motion no changes will result from the conversion of Klöckner & Co AG into Klöckner & Co SE with respect to the status proceedings.

(v) Requirements as to the person of Supervisory Board members

The members of the Supervisory Board of a German stock corporations must be individuals with full legal capacity (Section 100 para. 1 sentence 1 of the German Stock Corporation Act).

The same applies to the membership of the Supervisory Board of an SE having its seat in Germany. It is correct that Art. 47 para. 1 of the SE Regulation in principle allows for a company or legal entity being a member of the Supervisory Board of an SE; however, this is subject to the provision that the stock corporation law applicable in the state in which the SE has its seat does not stipulate otherwise. The provision contained in Section 100 para. 1 of the German Stock Corporation Act stipulates otherwise in this respect and therefore also applies to an SE having its seat in Germany.

Furthermore, the following individuals may not become a member of the Supervisory Board of a stock corporation according to Section 100 para. 2 of the German Stock Corporation Act:

- individuals who are already members of ten Supervisory Boards of commercial companies having a legal obligation to form a Supervisory Board;
- legal representatives of an enterprise controlled by the company, or
- legal representatives of other corporations whose Supervisory Board comprises a member of the Management Board of the company.

The maximum number set out under the first dash bullet must not take into account up to five Supervisory Board seats held by a legal representative (owner in case of a sole proprietor (*Einzelkaufmann*)) of the controlling company of a group on the Supervisory Boards of commercial group companies which must form a Supervisory Board. Furthermore, Supervisory Board memberships within the meaning of the first dash bullet shall be taken into account twice in case the member has been appointed chairman.

These provisions are also applicable to the membership on the Supervisory Board of Klöckner & Co SE in its capacity as an SE having its seat in Germany pursuant to Art. 47 para. 2 of the SE Regulation.

(vi) Incompatibility of simultaneous membership on Management Board and Supervisory Board

In case of a stock corporation, a member of the Supervisory Board cannot at the same time hold a seat on the Management Board, act as a permanent deputy of members of the Management Board, or act as holder of a statutory power of attorney or holder of a commercial power of attorney with

the power to manage the complete business (Section 105 para. 1 of the German Stock Corporation Act). The Supervisory Board may appoint individual members as deputies of members of the Management Board who are missing or otherwise prevented from fulfilling their duties, with such appointment being limited from the start to a period of one year at maximum; during such period these members of the Supervisory Board are prevented from fulfilling their duties as members of the Supervisory Board of the corporation (Section 105 para. 2 of the German Stock Corporation Act).

In the case of an SE, no individual may be a member of the Management Board and the Supervisory Board at the same time (Art. 39 para. 3 sentence 1 of the SE Regulation). The Supervisory Board may, however, assign the tasks of a member of the Management Board to one of its own members if the position in question is unoccupied. Such individuals' office as member of the Supervisory Board shall be inactive for the relevant period of time. The Member States may stipulate a time limit in this respect; Germany has stipulated a time limit for an SE having its seat in Germany in Section 15 of the German SE Implementation Act. Accordingly, the time period must be set in advance and must not exceed one year; a reappointment or an extension of the term of office is admissible, provided that the term of office does not exceed a period of one year in total.

Therefore, there will not be any differences between Klöckner & Co AG and the future Klöckner & Co SE in this respect.

(vii) Appointment of the Supervisory Board

The members of the Supervisory Board of a German stock corporation will be elected by the General Meeting unless otherwise provided for in provisions under employee participation law (Section 101 para. 1 of the German Stock Corporation Act). As Klöckner & Co AG is not subject to employee participation, all six members of the Supervisory Board will elected by the General Meeting.

In the case of an SE, the members of the Supervisory Board will be appointed by the General Meeting pursuant to Art. 40 para. 2 sentence 1 of the SE Regulation. In principle, this applies to all members of the supervisory body, i.e. including the employee representatives, if any. However, it results from Art. 40 para. 2 sentence 3 of the SE Regulation that the agreement on employee involvement may stipulate otherwise. Subject to an agreement on the involvement of employees stipulating otherwise, Klöckner & Co SE is not subject to employee participation., so that no employee representatives are to be appointed to the Supervisory Board of Klöckner & Co SE.

Subject to any deviating agreement on the involvement of employees, in principle no difference results with respect to the appointment of members of the Supervisory Board from the conversion of Klöckner & Co AG into Klöckner & Co SE. However, the members of the first Supervisory Board of Klöckner & Co SE following the conversion will be appointed by the Articles of Association of Klöckner & Co SE in accordance with Art. 40 para. 2 sentence 2 of the SE Regulation, with such Articles of Association being ap-

proved by the General Meeting of Klöckner & Co AG within the scope of the passing of the resolution on the conversion (please also refer to clauses 6.1.9 and 6.2.9 of this Conversion Report).

(viii) Term of office

The members of the Supervisory Board of a German stock corporation may not be appointed for a term exceeding the period of time until the conclusion of the General Meeting deciding on the formal approval of the acts of the Management Board during the fourth business year following the beginning of their term of office (Section 102 para. 1 of the German Stock Corporation Act). The business year already running when the term of office commenced will not be included in this calculation.

In the case of an SE, the members of the Supervisory Board may, however, be appointed for a term stipulated in the Articles of Association, with such term not exceeding six years (Art. 46 para. 1 of the SE Regulation). Reappointments may be effected for the same period of time, unless the Articles of Association stipulate restrictions in this respect (Art. 46 para. 2 of the SE Regulation). This means that the term of office determined for members of the Supervisory Board of an SE may exceed the term of office applicable to members of the Supervisory Board of a stock corporation.

However, the Articles of Association of Klöckner & Co SE stipulate in Section 9 para. (2) that the members of the Supervisory Board of Klöckner & Co SE will also be appointed until the conclusion of the General Meeting deciding on the approval of the activities of the Management Board during the fourth business year following the beginning of the term of office, with the business year already running at the time of the beginning of the term of office not being taken into account; and with the term of office lasting six years at maximum. This largely corresponds to the provision currently applicable to the term of office of the members of the Supervisory Board of Klöckner & Co AG (please refer to clause 6.2.14 of this Conversion Report for more information). The provision contained in Section 9 para. (2) sentence 2 of the Articles of Association of Klöckner & Co SE, according to which the General Meeting may resolve on a shorter term of office upon election, also corresponds to the current regulation of the Articles of Association of Klöckner & Co AG.

(ix) Appointment by court

In case that not all the seats on the Supervisory Board of a stock corporation are filled, Section 104 of the German Stock Corporation Act stipulates that the missing members of the Supervisory Board will be appointed by the competent court: If the number of members of the Supervisory Board of a stock corporation is insufficient to constitute a quorum, the court shall appoint the members necessary to reach a quorum at the request of the Management Board, a member of the Supervisory Board or a shareholder. The Management Board has an obligation to submit a motion without undue delay (*unverzüglich*), unless it is to be expected that the vacant seat(s) on the Supervisory Board will be filled in due time before the next meeting of the Supervisory Board. If the number of members of the Supervisory

Board falls short of the number stipulated by law or in the Articles of Association for a period of more than three months, the court shall appoint the missing members upon request, so that the Supervisory Board meets the number of members required. In urgent cases, the court shall appoint the missing members of the Supervisory Board prior to the expiration of the three months' period (Section 104 para. 2 of the German Stock Corporation Act).

These provisions are also applicable to the Supervisory Board of an SE having its seat in Germany. In addition to the persons entitled to submit a motion mentioned in Section 104 para. 1 sentence 1 of the German Stock Corporation Act, the works council too is entitled to submit a motion for an appointment by a court (Section 17 para. 3 of the German SE Implementation Act).

Apart from the enlargement of the circle of the persons entitled to submit a motion to include the SE works council, no changes will result from the conversion of Klöckner & Co AG into Klöckner & Co SE with respect to the appointment of members of the Supervisory Board by a court.

(x) Removal

Pursuant to Section 103 para. 1 of the German Stock Corporation Act, members of the Supervisory Board of a stock corporation who have been elected by the General Meeting without the General Meeting having been bound by an election proposal, may be removed by the Stock-holders' Meeting prior to the expiration of their term of office. The resolution requires a majority of at least three quarters of the votes cast. The Articles of Association may stipulate another majority and further requirements. Furthermore, the competent court may – upon request of the Supervisory Board– remove a member of the Supervisory Board if there is good cause on the part of the Supervisory Board member personally. The Supervisory Board will decide on the submission of the motion with simple majority (Section 103 para. 3 of the German Stock Corporation Act).

The SE Regulation and the German SE Implementation Act do not contain provisions on the removal of members of the Supervisory Board of an SE, which means that the provisions contained in the stock corporation law of the Member State in which the SE has its seat will apply on the basis of Art. 9 para. 1 lit. (c) (ii) of the SE Regulation.

Therefore and unless any deviating agreement on the involvement of employees has been reached, the removal of the members of the Supervisory Board of Klöckner & Co SE is subject to the same provisions as the removal of the shareholder representatives on the Supervisory Board of Klöckner & Co AG, so that no changes will result from the conversion in this respect.

(xi) Internal organisation

The Supervisory Board of a stock corporation must elect a chairman and a deputy chairman among its members (Section 107 para. 1 sentence 1 of the German Stock Corporation Act). The Supervisory Board of a stock cor-

poration furthermore has a quorum – subject to any deviating provisions in the Articles of Association – if at least half of its members participate in the adoption of a resolution (Section 108 para. 2 sentence 2 of the German Stock Corporation Act).

The Supervisory Board of an SE must also elect a chairman among its members (Art. 42 sentence 1 of the SE Regulation). Furthermore, the Supervisory Board of an SE will also elect a deputy chairman pursuant to Section 107 para. 1 of the German Stock Corporation Act.

Unless otherwise provided for in the Articles of Association, the Supervisory Board of an SE will have a quorum if at least half its members are present (Art. 50 para. 1 lit. (a) of the SE Regulation) and will decide with the majority of the members present or represented (Art. 50 para. 1 lit. (b) of the SE Regulation). Pursuant to Art. 50 para. 2 of the SE Regulation, the vote cast by the chairman of the Supervisory Board of an SE will be decisive in case of a tie. The Articles of Association may, however, stipulate otherwise (in case the Supervisory Board does not comprise 50% shareholder representatives and 50% employee representatives). If the chairman of the Supervisory Board is prevented from participating in the vote, the vote cast by his deputy will be decisive in case of a tie (with an exception applying only if the Supervisory Board is subject to parity participation: if the deputy represents the employees, the vote cast by him must not be decisive).

In accordance with the above provisions, the Articles of Association of Klöckner & Co SE as well as those of Klöckner & Co AG stipulate that the Supervisory Board will elect a Chairman and a Deputy Chairman among its members (Section 10 para. (1) of the Articles of Association of Klöckner & Co SE; Section 9 para. (1) of the Articles of Association of Klöckner & Co AG). However, neither the Articles of Association of Klöckner & Co SE nor the Articles of Association of Klöckner & Co AG contain any provisions on the quorum required for the Supervisory Board of Klöckner & Co SE to adopt resolutions or on the weighting of the vote cast by the Chairman of the Supervisory Board in case of a tie. Therefore, the legal provisions will apply in this respect, so that the Supervisory Board of Klöckner & Co SE has a quorum if at least half its members are present or represented; in case of a tie, the vote cast by the Chairman – and if he is prevented, the vote cast by his deputy – will be decisive.

This means that, apart from the deviations described (and unless otherwise agreed in the agreement on the involvement of employees), no significant changes will result from the conversion of Klöckner & Co AG into Klöckner & Co SE in this respect.

(xii) Convening and frequency of meetings

Each member of the Supervisory Board or the Management Board of a stock corporation may request that the chairman of the Supervisory Board convenes a meeting of the Supervisory Board without undue delay (*unverzüglich*), with such request stipulating the purpose of and reasons for such meeting. The meeting must be held within two weeks after having been convened; if the request is not complied with, the meeting may be

convened by the member of the Supervisory Board or the Management Board, with invitation stipulating issues and agenda of the meeting (Section 110 paras. 1 and 2 of the German Stock Corporation Act).

Pursuant to Section 110 para. 3 sentence 1 of the German Stock Corporation Act, the Supervisory Board of companies listed on a stock exchange, which is the case of Klöckner & Co AG, must hold two meetings in the first half of the calendar year and two meetings in the second half.

These provisions also apply to Klöckner & Co SE on the basis of the reference contained in Art. 9 para. 1 lit. (c) (ii) of the SE Regulation, so that no changes will result from the conversion of Klöckner & Co AG into Klöckner & Co SE in this respect.

(xiii) Remuneration of Supervisory Board members, agreements with Supervisory Board members, granting loans to Supervisory Board members

The provisions of stock corporation law referring to the remuneration of Supervisory Board members, agreements with Supervisory Board members and the granting of loans to Supervisory Board members (Sections 113 to 115 of the German Stock Corporation Act) are also applicable to an SE due to the reference contained in Art. 9 para. 1 lit. (c) (ii) of the SE Regulation. Thus, no changes will result from the conversion.

The provisions on the remuneration of the Supervisory Board of Klöckner & Co SE contained in the Articles of Association of Klöckner & Co SE in some points deviate from the provisions applicable to the Supervisory Board of Klöckner & Co AG, with such deviations not resulting from the conversion. Please refer to clause 6.2.14 of this Conversion Report for more information on this issue.

(xiv) Duty of care and obligation of secrecy

The members of the Supervisory Board of a stock corporation must act with due care, as reasonably expected from a prudent and conscientious Supervisory Board member in the exercise of his duties (Section 116 sentence 1 of the German Stock Corporation Act in conjunction with Section 93 para. 1 sentence 1 of the German Stock Corporation Act). Members of the Supervisory Board must, in particular, maintain secrecy with regard to confidential reports received as well as confidential discussions (Section 116 sentence 2 of the German Stock Corporation Act).

This applies accordingly to an SE having its seat in Germany: Art. 51 of the SE Regulation refers to the provisions applicable to stock corporations as regards the liability of members of the Supervisory Board. Moreover, Art. 49 of the SE Regulation expressly stipulates that members of the executive bodies of an SE – i.e. also members of an SE Supervisory Board – must not, even after they have ceased to hold office, divulge any information concerning the SE, the disclosure of which might be prejudicial to the company's interests, except where such disclosure is required or permitted under national law provisions applicable to stock corporations in the Member State in which the SE has its seat, or is in the public interest. With respect

to contents, however, this explicit determination of the obligation of secrecy which remains applicable after an individual has ceased to be a member of an executive body does not mean any changes as the continued existence of the obligation of secrecy has been recognised in German stock corporation law.

Therefore, no changes will result from the conversion of Klöckner & Co AG into Klöckner & Co SE in this respect.

4.5.3 General Meeting

In a German stock corporation, the shareholders exercise their rights with respect to Company matters in the General Meeting, unless otherwise provided for by law (Section 118 para. 1 of the German Stock Corporation Act). The members of the Management Board and Supervisory Board shall participate in the General Meeting (Section 118 para. 2 sentence 1 of the German Stock Corporation Act).

This shall also apply to the SE with its seat in Germany so that the conversion from Klöckner & Co AG into Klöckner & Co SE will not lead to any difference in this respect.

(i) Responsibilities of the General Meeting

Pursuant to Section 119 para. 1 of the German Stock Corporation Act, the General Meeting of a German stock corporation shall in the cases expressly specified by law and in the Articles of Association resolve on

- the appointment of the members of the Supervisory Board, unless they are to be appointed to the Supervisory Board or elected as Supervisory Board members of the employees pursuant to the German Employee Participation Act, the German Supplementary Employee Participation Act (*Mitbestimmungsergänzungsgesetz*), the German One-third Participation Act or the German Act on the Participation of Employees in Case of a Cross-border Merger (*Gesetz über die Mitbestimmung der Arbeitnehmer bei einer grenzüberschreitenden Verschmelzung*);
- the allocation of the balance-sheet profit;
- the formal approval of the acts of the Management Board and Supervisory Board members;
- the appointment of the auditor (*Abschlussprüfer*);
- amendments to the Articles of Association;
- measures of capital procurement and capital reduction;
- appointment of auditors to audit processes relating to the formation or management; and
- the dissolution of the Company.

Responsibilities of the General Meeting of a German stock corporation can also be found elsewhere in the law, including e.g. the responsibility for resolutions on measures under the German Corporate Transformation Act

(in particular mergers, divisions and changes of legal form), inter-company agreements (Sections 291 et seq. of the German Stock Corporation Act), exclusion of minority shareholders (so-called squeeze-out pursuant to Sections 327a et seq. of the German Stock Corporation Act), convertible bonds, income bonds and profit participation rights (Section 221 of the German Stock Corporation Act), waiver or settlement of compensation claims (Sections 50, 93 para. 4, 116 of the German Stock Corporation Act).

The General Meeting may generally only decide on activities of the management – apart from the cases expressly referred to it by law – if the Management Board so requires (Section 119 para. 2 of the German Stock Corporation Act). However, the Federal Court of Justice (*Bundesgerichtshof – BGH*) permitted exceptions from this principle in its so-called "Holzmüller" and "Gelatine" decisions: The General Meeting of the stock corporation has a limited special responsibility for decisions where the Management Board – as set out in the "Holzmüller" decision – "cannot reasonably assume that it may decide exclusively in its own responsibility without involving the General Meeting".

The responsibilities of the General Meeting of a German stock corporation largely correspond to the responsibilities of the General Meeting of an SE with seat in Germany. Art. 52 sub-para. 2 of the SE Regulation provides that the General Meeting of an SE shall resolve on the matters which have been submitted – either pursuant to legal provisions or pursuant to statutory provisions corresponding to such legal provisions – to the responsibility of the General Meeting of a stock corporation governed by the laws of the Member State in which the SE has its seat.

It has not yet been clarified in literature and court decisions whether the further development of the law by judicial decisions shall also be covered by Art. 52 sub-para. 2 of the SE Regulation and thus apply to an SE with seat in Germany. Pursuant to the (presumably) prevailing view, this question is to be affirmed as legal provisions of the Member State in which the SE has its seat also cover the case law of this Member State. On this basis, the General Meeting of the SE is responsible for resolutions on management activities to the same extent as the General Meeting of a German stock corporation, as established by the "Holzmüller" and "Gelatine" decisions of the Federal Court of Justice.

Furthermore, the General Meeting of the SE is responsible for matters for which it is responsible by virtue of the SE Regulation or the relevant law implementing the SE Directive in the state in which the SE has its seat, which is the German SE Employee Involvement Act in Germany. Such matters include, in particular, the cross-border relocation of the seat of the SE pursuant to Art. 8 of the SE Regulation and the reconversion of the SE into a stock corporation (Art. 66 of the SE Regulation). Furthermore, it is expressly specified in the SE Regulation that the General Meeting shall be responsible for resolving on amendments to the Articles of Association (Art. 59 of the SE Regulation) and appointing the Supervisory Board members (Art. 40 para. 2 of the SE Regulation), which is in accordance with the provisions of the German Stock Corporation Act.

In this respect, no changes as to contents will result from the conversion into the legal form of an SE as comparable measures affecting a German stock corporation must also be resolved upon by the General Meeting since they constitute resolutions changing the Articles of Association.

(ii) Convening the General Meeting/organisation and procedure

With the stock corporation, the General Meeting shall be convened in the cases provided for by law or in the Articles of Association and if required for the corporation's welfare (Section 121 para. 1 of the German Stock Corporation Act). In the latter case, the Supervisory Board shall also convene a General Meeting (Section 111 para. 3 sentence 1 of the German Stock Corporation Act). The same shall apply to the SE with seat in Germany due to the reference in Art. 54 para. 2 SE Regulation to German stock corporation law.

Contrary to the German stock corporation whose General Meeting is held in the first eight months of the business year (Section 175 para. 1 sentence 2 of the German Stock Corporation Act), the General Meeting of the SE shall be held at least once in each calendar year within six months after the end of the business year (Art. 54 para. 1 of the SE Regulation). The Articles of Association of Klöckner & Co SE meet this requirement in Section 20 para. (2) sentence 1 which insofar deviates from Section 19 para. (2) sentence 1 of the Articles of Association of Klöckner & Co AG.

With respect to convening the General Meeting and amending the agenda on request of a minority, the SE Regulation partly contains own provisions for the SE which supersede the provisions of the German Stock Corporation Act; as a result, this does not lead to material deviations of the SE with seat in Germany from the provisions applicable to German stock corporations (for more details, please see clause 4.5.3 (iii) below). Besides, the provisions of the German Stock Corporation Act (Sections 121 et seq. of the German Stock Corporation Act) apply accordingly to the convening of General Meetings and the information of shareholders, in particular the provisions on the notice period, the notice confirming the participation in the General Meeting, the announcement of the agenda and the shareholders' forum shall also apply to the SE with seat in Germany.

For the organisation and procedure of the General Meeting of an SE with seat in Germany and for the voting procedure, the provisions of Ger-man stock corporation law shall generally apply (Art. 53 of the SE Regulation). However, this shall not fully apply to questions of voting majorities. For related statements, please see clauses 4.5.3 (vi) and 4.5.3 (vii).

(iii) Convening the General Meeting on request of a minority/amendment to the agenda on request of a minority

Pursuant to Section 122 of the German Stock Corporation Act, the Stockholders' Meeting of a stock corporation shall be convened if shareholders whose shares together represent one twentieth (i.e. 5%) of the share capital, request in writing that a meeting be convened, stating the purpose and reasons. The request shall be addressed to the Management Board. However, the Articles of Association may require a different form and a lower

participation in the share capital for the right to request that a meeting be convened (Section 122 para. 1 sentence 2 of the German Stock Corporation Act). The shareholders shall prove that they have held the shares for at least three months before the date of the General Meeting and that they will hold the shares until the date on which the meeting is convened by the Management Board or until the court has decided on the request (Section 122 para. 1 sentence 3 in conjunction with Section 142 para. 2 sentence 2 of the German Stock Corporation Act).

Pursuant to Section 122 para. 2 of the German Stock Corporation Act, shareholders whose shares together represent 5% of the share capital or the proportional amount in the share capital of EUR 500,000 may equally request that items to be resolved in a General Meeting be announced.

If the Management Board does not comply with this request, the court may authorise the shareholders making the request to convene the General Meeting or announce the item to be resolved (Section 122 para. 3 sentence 1 of the German Stock Corporation Act).

In case of an SE with seat in Germany, one or more shareholders holding at least 5% of the share capital of an SE may request the SE to convene a General Meeting and draw up the agenda therefor (Art. 55 para. 1 of the SE Regulation in conjunction with Section 50 para. 1 of the German SE Implementation Act). The request that a General Meeting be convened must state the items to be put on the agenda (Art. 55 para. 2 of the SE Regulation). The court may on request authorise the shareholders to convene the General Meeting unless the General Meeting was held at least two months after the request that a meeting be convened (Art. 55 para. 3 of the SE Regulation). Contrary to the provisions of Section 122 para. 1 sentence 3 in conjunction with Section 142 para. 2 sentence 2 of the German Stock Corporation Act, a minimum holding period of three months before making the request is not a condition for making the request in case of an SE.

One or more shareholders holding together at least 5% of the share capital of an SE, representing a proportionate amount of EUR 500,000, may request that one or more additional items be put on the agenda of the Stockholders' Meeting (Art. 56 of the SE Regulation in conjunction with Section 50 para. 2 of the German SE Implementation Act). The procedures and time limits are subject to the national law of the state in which the registered office of the SE is situated, which means German law in case of Klöckner & Co SE.

In terms of contents, Klöckner & Co SE is essentially subject to the same provisions as Klöckner & Co AG.

(iv) Shareholders' rights to obtain information, speak and raise questions in the General Meeting

Each shareholder of a German stock corporation shall, on request, generally be informed of matters of the Company by the Management Board in the General Meeting if required to properly assess the respective item on the agenda (Section 131 para. 1 of the German Stock Corporation Act). A certain minimum participation in the share capital is not required for such

purpose. The Articles of Association may authorise the chairman of the meeting to timely limit (in a reasonable way) the shareholder's right to raise questions and speak and make detailed provisions as to such right (Section 131 para. 2 of the German Stock Corporation Act). Further details on the shareholder's right to obtain information in the General Meeting are set out in Section 131 of the German Stock Corporation Act.

The SE Regulation and the German SE Implementation Act do not contain any special provisions for the SE with respect to the right of shareholders to obtain information, speak and raise questions. Therefore, the SE with seat in Germany is subject to the same provisions as the German stock corporation.

Regarding the reasonable limitation of the right to raise questions and speak in accordance with Section 131 para. 2 of the German Stock Corporation Act, the Articles of Association of Klöckner & Co SE provide the same in Section 17 para. (2) as the Articles of Association of Klöckner & Co AG in Section 16 para. (2). Therefore, the conversion of Klöckner & Co AG into Klöckner & Co SE will not lead to changes in this respect.

(v) Rules of procedure of the General Meeting

Pursuant to Section 129 para. 1 of the German Stock Corporation Act, the General Meeting of a German stock corporation may issue rules of procedure for itself, including rules for the preparation of the General Meeting; such rules of procedure must be approved by a majority of at least three quarters of the share capital represented when passing the resolution.

The General Meeting of the SE with seat in Germany shall also have this power. However, in the SE the resolution shall be adopted with a majority of three quarters of the votes cast and not, as in case of the German stock corporation, with a majority of three quarters of the share capital represented. This is due to the fact that the SE Regulation always uses the majority of votes as a basis for majorities in resolutions and not the capital majority (Art. 57, 58, 59 of the SE Regulation). If and to the extent corresponding rules provide for resolutions with capital majorities for the SE with seat in Germany, such rules shall, according to the (presumably) prevailing view in literature, be interpreted to the effect that a corresponding majority of votes is relevant instead of the capital majority in case of the SE in accordance with the SE Regulation (please see clauses 4.5.3(vi) and 4.5.3 (vii)).

In the result, this does not lead to changes in the present case as there are no multiple voting rights with Klöckner & Co AG and thus the capital majority always corresponds to the majority of votes, and vice versa.

(vi) Simple resolutions of the General Meeting (not changing the Articles of Association)

Resolutions of the General Meeting of a German stock corporation generally require the majority of the votes cast (simple majority of votes), unless a larger majority or further requirements are provided for by law or in the Ar-

ticles of Association (Section 133 para. 1 of the German Stock Corporation Act).

The resolutions of the General Meeting of an SE shall be adopted with the majority of the votes cast, unless a larger majority is provided for in the SE Regulation or stock corporation law (Art. 57 of the SE Regulation). The principle of the simple majority of votes for resolutions of the General Meeting will thus not be changed by the conversion (regarding resolutions changing the Articles of Association, please see clause 4.5.3(vii)).

(vii) Resolutions changing the Articles of Association of the General Meeting

Resolutions changing the Articles of Association of a German stock corporation must be adopted with the simple majority of the votes cast (Section 133 para. 1 of the German Stock Corporation Act) and a majority of at least three quarters of the share capital represented when passing the resolution (Section 179 para. 2 sentence 1 of the German Stock Corporation Act). The Articles of Association may provide for a different capital majority, but for changing the object of the company only a larger capital majority may be provided (Section 179 para. 2 sentence 2 of the German Stock Corporation Act).

Section 18 para. (2) of the Articles of Association of Klöckner & Co AG provides that resolutions of the General Meeting shall be adopted with the simple majority of votes and – to the extent that the law provides for a capital majority in addition to the majority of votes – with the simple majority of the share capital represented when passing the resolution, unless otherwise provided for by mandatory law. Thereby, the majority required to pass resolutions at Klöckner & Co AG is reduced to the simple majority of votes with respect to resolutions changing the Articles of Association as well as other resolutions, where this is admissible under applicable law.

Art. 59 para. 1 of the SE Regulation provides that resolutions changing the Articles of Association of the General Meeting of the SE shall be adopted with a majority of no less than two thirds of the votes cast, unless the national laws applicable to stock corporations in the state in which the SE has its seat provide a larger majority for or permit. Pursuant to Art. 59 para. 2 of the SE Regulation in conjunction with Section 51 of the SE Implementation Act, the Articles of Association of the SE with seat in Germany may provide in deviation therefrom that the simple majority of votes shall be sufficient for resolutions changing the Articles of Association if at least 50% of the share capital is represented. Pursuant to Section 51 sentence 2 of the German SE Implementation Act, this shall not apply to changes of the object of business of the SE, resolutions on the cross-border relocation of the seat of the SE pursuant to Art. 8 para. 6 of the SE Regulation and to cases for which a higher capital majority is required by mandatory law. Therefore, in cases where the law applicable to a German stock corporation compulsorily provides for a majority of three quarters, the requirement of a majority of three quarters will remain applicable to the SE with seat in Germany, the reference figure being – however – no longer the share capital represented but the votes cast in accordance with the SE Regulation which always uses

majorities of votes and not capital majorities as the basis (Art. 57, 58, 59 of the SE Regulation, additionally clause 4.5.3(v) of this Conversion Report).

Correspondingly, Section 19 para. (2) sentence 2 of the Articles of Association of Klöckner & Co SE provides that the simple majority of the votes cast shall be sufficient for resolutions changing the Articles of Association, if at least 50% of the share capital is represented and unless a larger capital majority is provided for by law. In case of items to be resolved for which a capital majority of three quarters is compulsory under the laws applicable to German stock corporations, a majority of at least three quarters of the votes cast is required for Klöckner & Co SE – based on the understanding that, in the case of an SE, reference is always made to majorities of votes and not capital majorities (cf. preceding paragraph). Insofar, there is a difference from the legal situation with Klöckner & Co AG where the relevant reference figure for the majority of three quarters is the share capital represented when passing the resolution. Another difference between the legal situation with Klöckner & Co AG and Klöckner & Co SE is that the simple majority of the votes and the share capital represented when adopting the resolution shall only be sufficient for resolutions changing the Articles of Association of Klöckner & Co SE if at least 50% of the share capital is represented when passing the resolution. Otherwise, such resolutions require the majority of two thirds of the votes cast, unless a larger majority (i.e. a majority of three quarters) is required by law anyway.

(viii) Preference shares/special resolution

The SE Regulation and the German SE Implementation Act do not provide for special rules with respect to preference shares so that preference shares in the SE with seat in Germany are generally subject to the same rules as the German stock corporation.

However, Art. 60 of the SE Regulation sets out independent provisions for the SE with different share classes: Pursuant thereto, any resolution of the General Meeting of an SE with different share classes requires a special voting by each group of shareholders affected by the resolution. If the resolution of the General Meeting requires a majority equal to that changing the Articles of Association, this majority shall also be required for the separate voting of the group of shareholders whose specific rights are affected by the resolution.

However, since Klöckner & Co SE equal to Klöckner & Co AG has only one class of shares (ordinary shares) the conversion of Klöckner & Co AG into Klöckner & Co SE will not lead to changes.

(ix) Special audit

The provisions applicable to a German stock corporation with respect to the special audit (Sections 142 et seq. and 258 et seq. of the German Stock Corporation Act) shall also apply to the SE with seat in Germany for lack of corresponding special provisions for the SE.

Thus, the conversion of Klöckner & Co AG into Klöckner & Co SE will not lead to changes in this respect.

(x) Compensation claims/shareholder's actions pursuant to Sections 147 et seq. of the German Stock Corporation Act

Also with respect to the enforcement of compensation claims and related shareholder's actions pursuant to Sections 147 et seq. of the German Stock Corporation Act, the SE Regulation and the German SE Implementation Act do not contain any own rules so that to this extent as well, the rules applicable to German stock corporations will also apply to the SE with seat in Germany.

Thus, the conversion of Klöckner & Co AG into Klöckner & Co SE will not lead to changes in this respect either.

4.6 Annual financial statements/consolidated statements

As regards the preparation of its annual financial statements and consolidated financial statements, including the accompanying annual report, and the auditing and publication of such documentation, the SE shall be governed by the rules applicable to a stock corporation governed by the laws of the state in which the SE has its seat.

In this respect, Klöckner & Co SE will thus be governed by the same rules which had already been applicable to Klöckner & Co AG so that the conversion will not lead to changes in this respect.

4.7 Measures of capital procurement and capital reduction

Generally, capital measures of the SE with seat in Germany are subject to the same rules as a German stock corporation. However, resolutions on capital measures which, in case of a stock corporation, are to be approved by the simple majority of votes and a majority of three quarters of the share capital represented when passing the resolution, must be approved by a majority of three quarters of the votes cast in case of the SE (please see clause 4.5.3(vii) of this Conversion Report). Besides, the conversion of Klöckner & Co AG into Klöckner & Co SE will not lead to changes in this respect.

4.8 Change of the mutual relationship of several classes of shares

In the stock corporation, a change of the mutual relationship of several classes of shares adversely affecting one class requires the consent of the disadvantaged shareholders in the form of a special resolution to be adopted with the same majority as a resolution on the change of the Articles of Association (Section 179 para. 3 sentence 2 of the German Stock Corporation Act).

In the SE with several share classes, any resolution of the General Meeting addition-ally requires a separate voting of the group of shareholders whose specific rights are affected by the resolution (Art. 60 para. 1 of the SE Regulation). If the resolution of the General Meeting requires a majority equal to that required for changing the Articles of Association, this shall also apply to the separate voting (Art. 60 para. 2 of the SE Regulation).

However – contrary to the stock corporation – no special meeting will be required for passing the special resolution, a separate voting in the General Meeting is sufficient. Therefore, the conversion of Klöckner & Co AG into Klöckner & Co SE will not lead to any material changes in this respect, in particular since neither Klöckner & Co AG nor Klöckner & Co SE have different share classes.

4.9 Invalidity of and challenge to resolutions passed in General Meetings and the approved annual financial statements/special audit for inadmissible understating

4.9.1 Invalidity of resolutions passed in General Meetings

Due to a lack of separate rules of the SE Regulation and the German SE Implementation Act with respect to the invalidity of resolutions of the General Meeting and the challenge to resolutions and material control of resolutions, the rules applicable to a German stock corporation (in particular Sections 241 et seq. of the German Stock Corporation Act) shall also be applicable to the SE with seat in Germany.

Thus, the conversion of Klöckner & Co AG into Klöckner & Co SE will not lead to changes in this respect.

4.9.2 Invalidity of and challenge to the appointment of Supervisory Board members

Sections 250 et seq. of the German Stock Corporation Act providing for the invalidity of the appointment of Supervisory Board members shall generally apply accordingly to the SE with seat in Germany.

4.9.3 Invalidity of the approved annual financial statements

Since the SE Regulation and the German SE Implementation Act do not contain any special rules as to the invalidity of the approved annual financial statements, an SE with seat in Germany is subject to Sections 256 et seq. of the German Stock Corporation Act.

The conversion of Klöckner & Co AG into Klöckner & Co SE will thus not lead to changes in this respect.

4.9.4 Special audit for inadmissible understating

The provisions on special audits for inadmissible understating (Sections 258 et seq. of the German Stock Corporation Act) shall apply accordingly to the SE with seat in Germany so that the conversion of Klöckner & Co AG into Klöckner & Co SE will not lead to changes in this respect.

4.10 Dissolution and declaration of nullity of the Company

Pursuant to Art. 63 of the SE Regulation, the SE is subject to the legal provisions which would be applicable to a stock corporation incorporated under the laws of the state in which the SE has its seat with respect to the dissolution, liquidation, insolvency and cessation of payments and similar measures; this shall also apply to the provisions on resolutions by the General Meeting.

Therefore, an SE with seat in Germany is initially governed by the same rules as a German stock corporation. The provisions on the judicial dissolution (Sections 396 to 398 of the German Stock Corporation Act) also apply accordingly to the SE with seat in Germany.

In this context, however, the following special features apply to the SE:

Contrary to the stock corporation (according to the law applicable upon the signature of this Conversion Report), a resolution on the relocation of the seat to another Member State pursuant to Art. 8 of the SE Regulation is not deemed a resolution to dissolve the SE since

Art. 8 of the SE Regulation allows the relocation of the seat of an SE to another Member State (regarding the cross-border relocation of the SE's seat, see also clause 4.2.2).

However, if the statutory seat and the head office of the SE are in different Member States, the SE will be obliged to resolve this situation either by relocating its head office back to the Member State where its statutory seat is located or by relocating its statutory seat pursuant to the procedure described in Art. 8 of the SE Regulation to the Member State where its head office is located (Art. 64 of the SE Regulation). If an SE with (statutory) seat in Germany fails to observe the time limit fixed by the competent commercial register court, the commercial register court shall establish a defect in the Articles of Association (Section 52 of the German SE Implementation Act). Pursuant to Art. 63 of the SE Regulation in conjunction with Section 262 para. 1 no. 5 of the German Stock Corporation Act, this will lead to the dissolution of the Company.

Apart from these particular features, the conversion of Klöckner & Co AG into Klöckner & Co SE will not lead to changes in this respect.

4.11 Affiliated companies/group law

Pursuant to the prevailing view, the group law applicable to German stock corporations shall also be applicable to the SE with seat in Germany. This applies, in particular, to the controlled SE. Therefore, minority shareholders will have the right to receive adequate compensation and severance payments, as applicable to the shareholders of a stock corporation, if a control and/or profit and loss transfer agreement has been concluded. This shall also apply if minority shareholders are excluded against an adequate cash compensation (Sections 327a et seq. of the German Stock Corporation Act).

This means – on the basis of the prevailing view – that there will not be any changes due to the conversion of Klöckner & Co AG into Klöckner & Co SE in this respect.

4.12 Penalties

Finally, the SE with seat in Germany is subject to the same rules on penalties as the stock corporation (Sections 399 ff. German Stock Corporation Act). This is set out in Section 53 of the German SE Implementation Act.

In this respect as well, the conversion of Klöckner & Co AG to Klöckner & Co SE does not lead to changes.

5 Process of converting Klöckner & Co AG into Klöckner & Co SE

In the following, the most important aspects with respect to the process of converting Klöckner & Co AG into Klöckner & Co SE are set out. The conversion is subject to the consent of the General Meeting of Klöckner & Co AG to the Terms of Conversion of 5 May 2008 prepared by the Management Board of Klöckner & Co AG and to the Articles of Association of Klöckner & Co SE. Furthermore, the process governing the employee involvement in Klöckner & Co SE, which has already been commenced, shall be carried out and completed. The conversion will become effective upon registration in the commercial register of Klöckner & Co AG.

5.1 Preparation of the Terms of Conversion

The Management Board of Klöckner & Co AG initially had to set up the Terms of Conversion pursuant to Art. 37 para. 4 of the SE Regulation.

The contents and form of the Terms of Conversion are neither specified in the SE Regulation nor in the German SE Implementation Act; the explanations on the legal and commercial aspects of the conversion required pursuant to Art. 37 para. 4 of the SE Regulation relate to the Conversion Report and not to the Terms of Conversion.

The Management Board of Klöckner & Co AG initially proceeded in line with the provisions of Art. 20 para. 1 sentence 2 of the SE Regulation when setting up the Terms of Conversion which provide for the minimum contents of the Terms of Merger when forming the SE by way of a merger. Therefore, the Terms of Conversion contain the data listed there to the extent they are not specifically tailored to the merger and are also suitable for a conversion. Additionally, the Management Board used the statements to be included in a conversion resolution (resolution on the change of legal form) pursuant to Section 194 para. 1 of the German Corporate Transformation Act as a guideline for the contents of the Terms of Conversion.

Therefore, the Terms of Conversion of the Management Board of Klöckner & Co AG dated 5 May 2008 contain inter alia, according to Art. 20 para. 1 sentence 2 of the SE Regulation and Section 194 para. 1 of the German Corporate Transformation Act, statements on the legal form, name and seat of the Company, the shareholder quotas, shares and share capital of the Company, on the Articles of Association of Klöckner & Co SE, on holders of special rights and holders of other securities, on special benefits and on the procedure governing the employee involvement in Klöckner & Co SE as well as any other consequences of the conversion for the employees. Further explanations on the individual provisions of the Terms of Conversion are set out in clause 6.1 of this Conversion Report.

The Management Board of Klöckner & Co AG approved the final version of the Terms of Conversion (including the Articles of Association of Klöckner & Co SE attached to it as annex) in its meeting on 5 May 2008. The Supervisory Board resolved in its meeting on 5 May 2008 that the Terms of Conversion as approved by the Management Board and the Articles of Association of Klöckner & Co SE attached to these Terms of Conversion as annex be presented to the General Meeting 2008 of Klöckner & Co AG for resolution. Following the adoption of the resolution by the Supervisory Board, the Terms of Conversion, including the Articles of Association of Klöckner & Co SE attached to it as annex, as approved by the Management Board and Supervisory Board, were notarised (notarial deed no. 934/2008 of the notary Dr Detlef Klocke with his office in Duisburg).

The Terms of Conversion and the Articles of Association of Klöckner & Co SE attached to it as annex, apart from this Conversion Report and the valuation certificate of the judicially appointed expert (for the latter see clause 5.2of this Conversion Report), will be available for inspection at the business premises of Klöckner & Co AG, Am Silberpalais 1, 47057 Duisburg, Germany, as from the date of convening the General Meeting 2008 of Klöckner & Co AG. Furthermore, the aforementioned documents are available at www.kloeckner.de/HV2008 and will, on request, be delivered to each shareholder free of charge.

5.2 Preparation of a valuation certificate

Art. 37 para. 6 of the SE Regulation provides that prior to the General Meeting resolving on the conversion, one or several judicially appointed independent experts must certify that the converting stock Company has net assets at least equivalent to its capital plus those reserves which must not be distributed under the law or the Articles of Association.

On request of Klöckner & Co AG, the Regional Court (*Landgericht*) of Düsseldorf appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Moskauer Straße 19, 40041 Düsseldorf, Germany, as expert (hereinafter "**Expert**") by court order of 6 March 2008 (ref: 33 O 24/08 [AktE]). The Expert issued the certificate pursuant to Art. 37 para. 6 of the SE Regulation ("**Valuation Certificate**") on 29 April 2008. The expert's valuation certificate comes to the following conclusion:

> "According to the final results of our proper examination pursuant to Article 37 para. 6 SE Reg., we confirm on the basis of the documents, books and records presented to us as well as on the basis of the statements and evidence provided to us that Klöckner & Co AG has net assets at least in the amount of its share capital plus the reserves which are non-distributable by force of law or statutes."

What is not required apart from the preparation of the Valuation Certificate is the delivery of a formation report under stock corporation law (Art. 15 para. 1 of the SE Regulation in conjunction with Section 32 of the German Stock Corporation Act) and the performance of formation audits under stock corporation law and the delivery of corresponding formation audit reports (Art. 15 para. 1 of the SE Regulation in conjunction with Sections 33 et seq. of the German Stock Corporation Act). Art. 37 para. 6 of the SE Regulation is insofar exclusive. In view of the Valuation Certificate to be issued by the independent Expert pursuant to art 37 para. 6 of the SE Regulation, there is also no substantive need for a formation report, formation audit or formation audit report.

5.3 Disclosure and delivery to the competent works council

Pursuant to Art. 37 para. 5 of the SE Regulation, the Terms of Conversion shall be publicly disclosed at least one month before the General Meeting resolving on the approval of the Terms of Conversion and the Articles of Association of Klöckner & Co SE.

The Terms of Conversion will be delivered to the competent works council one month prior to the General Meeting resolving on the conversion at the latest in accordance with Section 194 para. 2 of the German Corporate Transformation Act.

The Management Board of Klöckner & Co AG shall deliver the Terms of Conversion and – for precautionary reasons – this Conversion Report to the Commercial Register of the Local Court of Duisburg within due time for disclosure purposes and deliver the Terms of Conversion to the competent works council.

5.4 General Meeting of Klöckner & Co AG

Pursuant to Art. 37 para. 7 of the SE Regulation, the Terms of Conversion are subject to the consent of the General Meeting of Klöckner & Co AG and the Articles of Association of Klöckner & Co SE are subject to the approval of the General Meeting of Klöckner & Co AG. The resolution shall be adopted with a majority of at least three quarters of the share capital represented in the resolution procedure (Art. 37 para. 7 sentence 2 of the SE Regulation in conjunction with Section 65 of the German Corporate Transformation Act).

Under the Terms of Conversion, as the first auditor of Klöckner & Co SE after the conversion has become effective, KPMG Hartkopf + Rentrop Treuhand KG Wirtschaftsprüfungsgesellschaft, Cologne, shall be appointed. Furthermore, the members of the first Supervisory Board of Klöckner & Co SE after the conversion has become effective shall be appointed under the Articles of Association of Klöckner & Co SE.

5.5 Negotiation procedure to regulate the employee involvement in Klöckner & Co SE

The national laws on the participation of employees in the Supervisory Board shall not apply to an SE (cf. Section 47 para. 1 no. 1 of the German SE Employee Involvement Act). Generally, the provisions of the German European Works Councils Act are not applicable either (cf. Section 47 para. 1 no. 2 of the German SE Employee Involvement Act). To ensure the acquired rights of the employees of Klöckner & Co AG regarding their involvement in decisions of the company, a negotiation procedure to regulate the involvement of employees in the future Klöckner & Co SE shall be carried out in connection with the conversion of Klöckner & Co AG into Klöckner & Co SE. The completion of the procedure to regulate the employee involvement in the SE is a condition precedent for the registration of the conversion or Klöckner & Co SE in the commercial register (cf. Art. 12 para. 2 of the SE Regulation).

The negotiating parties shall include the Management Board of Klöckner & Co AG and the SNB, which is composed of employee representatives of the different Member States where Klöckner & Co Group has employees.

The aim of the negotiation procedure is to enter into an agreement on the employee involvement in the SE, in particular on a possible employee participation on the Supervisory Board of Klöckner & Co SE and the procedure to inform and hear the employees (the latter either by creating an SE works council or otherwise as provided for in the agreement). Since the SE is founded by way of conversion, at least the same degree of employees' rights as in Klöckner & Co AG shall be ensured with respect to all components of the employee involvement (Section 21 para. 6 of the German SE Employee Involvement Act).

If the parties fail to reach an agreement, the standard rules on employee involvement shall apply (Sections 22 et seq. of the German SE Employee Involvement Act). These provisions require the formation of an SE works council with respect to the information and consultation of employees. The creation and legal situation of the SE works council are set out in detail in Sections 22 to 33 of the German SE Employee Involvement Act.

The SNB and the Management Board of Klöckner & Co AG concluded on the involvement agreement on 29 April 2008. For further information, please refer to clause 11.4 of the Terms of Conversion as well as clause 7 of this Report.

5.6 Constitution of the first Supervisory Board and appointment of the first Management Board of Klöckner & Co SE

As of the conversion becoming effective, the office terms of the current members of the Management Board and Supervisory Board of Klöckner & Co AG will end. The members of the Management Board of Klöckner & Co SE shall be appointed by the Supervisory Board of Klöckner & Co SE (cf. Art. 39 para. 2 sentence 1 of the SE Regulation) already before the conversion becomes effective.

The Supervisory Board of Klöckner & Co SE shall have six members, as provided for in the Articles of Association of Klöckner & Co SE (Section 9 para. (1) of the Articles of Association of Klöckner & Co SE). The six members of the first Supervisory Board of Klöckner & Co SE after the effective date of the conversion shall be appointed by the Articles of Association of Klöckner & Co SE (Section 9 para. 3 of the Articles of Association of Klöckner & Co SE in conjunction with Art. 40 para. 2 sentence 2 of the SE Regulation).

The first Supervisory Board of Klöckner & Co SE shall be constituted after the General Meeting of Klöckner & Co AG with the members appointed in connection with the approval

of the Articles of Association of Klöckner & Co SE before filing for the conversion, elect the Chairman of the Supervisory Board and appoint the members of the first Management Board of Klöckner & Co SE. The members of the Management Board shall be filed for registration with the commercial register together with the conversion (Art. 15 para. 1 of the SE Regulation in conjunction with Section 246 para. 2 of the German Corporate Transformation Act). It is intended – notwithstanding the responsibilities of the Supervisory Board pursuant to Art. 39 para. 2 sentence 1 of the SE Regulation – to appoint the current members of the Management Board of Klöckner & Co AG as members of the first Management Board of Klöckner & Co SE. These are Dr Thomas Ludwig (Chairman), Mr Ulrich Becker and Mr Gisbert Rühl.

5.7 Registration and effectiveness of the conversion

The conversion of Klöckner & Co AG into Klöckner & Co SE will become effective upon its registration with the Commercial Register of the Local Court of Duisburg.

When filing for registration of the conversion in the commercial register, the Management Board of Klöckner & Co AG shall state that an action against the validity of the conversion resolution was not or not within due time raised or that such action was dismissed or withdrawn in a legally binding way (so-called negative pledge, cf. Art. 15 para. 1 of the SE Regulation in conjunction with Sections 198 para. 3, 16 para. 2 of the German Corporate Transformation Act). If no such pledge has been made, the conversion may not be registered (so-called ban on registration (*Registersperre*)).

Actions against the validity of the conversion resolution may be raised by shareholders of Klöckner & Co AG within one month after the General Meeting has passed the resolution. If such action is raised, it will, as a general rule, prevent the registration of the conversion in the commercial register. Klöckner & Co AG, however, may in this case request a court order (clearance order) establishing that the raising of the action is not opposed to the registration of the conversion (Art. 15 para. 1 of the SE Regulation in conjunction with Sections 198 para. 3, 16 para. 3 of the German Corporate Transformation Act). A clearance order shall be granted if the action is inadmissible or apparently unfounded or if in the court's free opinion, taking into account the degree of the violations asserted by the action, it seems most important that the conversion becomes effective soon to avert material disadvantages for the converting company (here: Klöckner & Co AG) and its shareholders stated by the applicant (here: Klöckner & Co AG). As soon as such judicial clearance order becomes effective, the ban on registration disappears and, as a result thereof, the action does not constitute an obstacle to the registration of the conversion.

Furthermore, the conversion may only be registered by the commercial register if the procedure regulating the involvement of employees in the SE has been completed (Art. 12 para. 2 of the SE Regulation). If an SE is formed by converting a stock corporation, this is the case if either an agreement on the involvement of employees in the SE has been entered into or the negotiation period has expired without achieving an agreement. The Employee Involvement Agreement was concluded on 29 April 2008, see clauses 6.1.1 and 7.

Another condition precedent for the registration is that the Articles of Association of Klöckner & Co SE are not opposed to a negotiated agreement on the involvement of employees (Art. 12 para. 4 of the SE Regulation). In case of such contradiction, the Articles of Association shall be adjusted by resolution of the General Meeting of Klöckner & Co AG. Such contradiction between the Employee Involvement Agreement and the Articles of Association does not exist at present.

If all requirements for the registration have been met, the conversion shall be registered with the commercial register at the seat of Klöckner & Co AG, i.e. with the commercial register kept by the Local Court of Duisburg. Upon registration, the SE shall acquire its legal personality (cf. Art. 16 para. 1 of the SE Regulation).

6 Explanation of the Terms of Conversion and the Articles of Association of Klöckner & Co SE and the consequences for shareholders and employees

6.1 Explanation of the Terms of Conversion

6.1.1 Conversion of Klöckner & Co AG into Klöckner & Co SE (clause 1 of the Terms of Conversion)

Clause 1 of the Terms of Conversion provides that Klöckner & Co AG shall be converted into a European Company (*Societas Europaea* – SE) pursuant to Art. 2 para. 4 in conjunction with Art. 37 of the SE Regulation.

Klöckner & Co AG is a stock corporation incorporated under German law with registered seat and head office in Duisburg, Germany. For more than two years now, it holds several indirect participations in companies which are governed by the national laws of other Member States. This includes for example:

- Klöckner S.à.r.l., Luxemburg/Luxemburg, incorporated under the law of the Grand Duchy of Luxemburg, with business seat in Luxemburg/Luxemburg and registered with the *Registre de Commerce et des Sociétés Luxemburg* under no. B 107394;
- Klöckner Netherlands Holding B.V., Amsterdam/Netherlands, incorporated under the law of the Netherlands, with business seat in Barendrecht/Netherlands and registered with the commercial register *van de Kamer van Koophandel en Fabrieken voor Rotterdam* under no. 33098390;
- Klöckner Participaciones SA, Madrid/Spain, incorporated under the law of Spain, with business seat in Madrid/Spain and registered in *Registradores Mercantiles de Madrid* under no. Hoja M-363933, Tomo 20558, Folio 185 as well as
- Klöckner UK France Holding Ltd., London/Great Britain, incorporated under the law of England and Wales, with business seat in Leeds and registered in the Companies House register under no. 05310738,

with the Company indirectly holding the respective participations by 100% for more than two years now. Thus, Klöckner & Co AG meets the conditions required by Art. 2 para. 4 of the SE Regulation for the conversion into an SE.

The conversion will neither lead to the dissolution of the Company nor the formation of a new legal entity. The participation of the shareholders in the Company shall remain unchanged after the effective date of the conversion since the legal entity is still the same.

6.1.2 Effectiveness of the conversion (clause 2 of the Terms of Conversion)

The conversion shall become effective upon entry in the commercial register of the Company.

It may only be registered after completion of the procedure re. provisions on employee involvement. The procedure regarding the regulation of employee involvement has already been concluded with the conclusion of the Employee Involvement Agreement on 29 April 2008 (cf. clause 11 of the Terms of Conversion and the explanations in clause 6.1.11and clause 7 of this Conversion Report with respect to the provisions on employee involvement).

6.1.3 Legal form, name and registered office of Klöckner & Co AG and Klöckner & Co SE (clause 3 of the Terms of Conversion)

Clause 3 of the Terms of Conversion contains provisions on the legal form, name and seat of the Company before and after the conversion.

After the conversion, the Company will have the legal form of a European Company (SE – *Societas Europaea*) instead of the present legal form of a German stock corporation.

The name of the Company shall be "Klöckner & Co SE" instead of "Klöckner & Co Aktiengesellschaft" upon the conversion becoming effective. The change of the name will become necessary due to the conversion as the name of an SE shall be preceded or followed by the abbreviation "SE" (Art. 11 para. 1 of the SE Regulation).

The Company's statutory seat and head office shall remain in Duisburg, Germany, also after the conversion.

6.1.4 Shareholding, shares and share capital of Klöckner & Co SE (clause 4 of the Terms of Conversion)

Clause 4 of the Terms of Conversion contains provisions on the shareholder quotas, shares and share capital of the Company.

Clause 4.1 of the Terms of Conversion stipulates that the participation of the shareholders in the Company will continue unchanged after the conversion. The shareholders being shareholders of Klöckner & Co AG at the time the conversion becomes effective will then become shareholders of Klöckner & Co SE at the time the conversion becomes effective. They will participate in the share capital of Klöckner & Co SE to the same extent and with the same type and number of shares as they participate in Klöckner & Co AG directly before the conversion becomes effective. Equal to the shares of Klöckner & Co AG, all shares of Klöckner & Co SE will be ordinary registered shares.

Clause 4.2 of the Terms of Conversion contains provisions on the share capital of the Company. Due to the identity-preserving character of the conversion, the share capital of Klöckner & Co AG will become the share capital of Klöckner & Co SE in the same amount as at the time the conversion becomes effective; the same shall apply to the amount of the share capital arithmetically attributable to the individual no-par value share on a pro-rata basis. The share capital of Klöckner & Co AG currently (information valid as per 30 April 2008) amounts to EUR 116,250,000.00and is divided into 46,500,000 no-par value shares with a proportionate share in the share capital of EUR 2.50. Changes in the share capital of Klöckner & Co AG may occur between the signature of this Conversion Report and the registration of the conversion into the commercial register, e.g. due to capital increases taking place

in the meantime. In this case, the share capital of Klöckner & Co SE would be increased by the corresponding amount.

Lastly, clause 4.3 contains provisions on the share certificates of the Company. Due to the conversion of Klöckner & Co AG into Klöckner & Co SE, the contents of the global certificates representing the Company's shares will become incorrect, as the global certificates bear the name of Klöckner & Co AG. These global certificates will thus be replaced by global certificates bearing the name of Klöckner & Co SE after the conversion has taken effect.

6.1.5 Articles of Association of Klöckner & Co SE and Capital (clause 5 of the Terms of Conversion)

Clause 5.1 of the Terms of Conversion provides that Klöckner & Co SE shall receive the Articles of Association attached as Annex 1 to the Terms of Conversion and which are part of the Terms of Conversion. Clause 6.2 of this Conversion Report contains more detailed explanations on the individual provisions of the Articles of Association.

Clause 5.2. of the Terms of Conversion clarifies that the capital of Klöckner & Co AG will, with effectiveness of the conversion, continue to exist in Klöckner & Co SE in full in the same amount and with the same conditions existing at the point in time of the conversion into Klöckner & Co SE taking effect.

Clause 5.2.1 of the Terms of Conversion clarifies that the share capital of Klöckner & Co AG, in the amount and in the division into shares existing at the point in time of the conversion taking effect, will continue to exist as the share capital of Klöckner & Co SE in the same amount and the same division into shares. The share capital of the Company is shown in Section 4 para (1) of the Articles of Association of Klöckner & Co AG, and currently (information valid as per 30 April 2008) amounts to EUR 116,250,000.00 and is divided into 46,500,000 no-par value registered shares. Therefore, also the share capital of Klöckner & Co SE shown in Section 4 para. (1) of the Articles of Association of Klöckner & Co SE, which are attached as an Annex to the Terms of Conversion, is EUR 116,250,000.00 and is divided into 46,500,000 no-par value registered shares. These figures may change between the signing of this Conversion Report and the registration of the conversion in the commercial register, e.g. due to capital increases effected in the meantime. In this case, it is the share capital of Klöckner & Co AG actually existing at the time of the registration of the conversion in the commercial register which will become the share capital of Klöckner & Co SE, irrespective of the figures stipulated in the version of the Articles of Association of Klöckner & Co SE that is attached to the Terms of Conversion.

Clause 5.2.2 of the Terms of Conversion clarifies that upon the conversion becoming effective, the authorised capital of Klöckner & Co AG will continue to exist as authorised capital in Klöckner & Co SE in the same amount existing and subject to the same conditions valid at the time the conversion takes effect.

Klöckner & Co AG presently has (information valid as per 30 April 2008) authorised capital at its disposal as shown in Section 4 para. (2) of the Articles of Association of Klöckner & Co AG (Authorised Capital). The Authorised Capital is divided into three tranches. Therefore, a corresponding amount of Authorised Capital is shown in the Articles of Association of Klöckner & Co SE which is attached to this Conver-

sion Report as Annex 1. To the extent that the actual amounts or the other conditions regarding such Authorised Capital of Klöckner & Co AG change prior to the conversion into Klöckner & Co SE taking effect, the Authorised Capital will continue to exist in Klöckner & Co SE in the same amounts and with the same conditions applicable with respect to Klöckner & Co AG at the time of the conversion taking effect.

Clause 5.2.3 of the Terms of Conversion clarifies that the conditional capital of Klöckner & Co AG in the amounts existing at the time the conversion takes effect and including any conditions applicable to it at that time, will continue to exist as conditional capital of Klöckner & Co SE in the same amounts and subject to the same conditions upon the conversion taking effect. Klöckner & Co AG currently (information valid as per 30 April 2008) has conditional capital at its disposal as set out in Section 4 para. (3) of the Articles of Association of Klöckner & Co AG (Conditional Capital 2007). Consequently, a respective Conditional Capital 2007 is shown in Section 4 para (3) of the Articles of Association of Klöckner & Co SE, which are attached to the Terms of Conversion. To the extent changes occur in the actual amounts or the other conditions applicable to the Conditional Capital 2007 of Klöckner & Co AG prior to the conversion into Klöckner & Co SE taking effect, the Conditional Capital 2007 will continue to exist in Klöckner & Co SE in the amounts and with the conditions applicable to Klöckner & Co AG at the time of the conversion taking effect.

Clause 5.2.4 of the Terms of Conversion points out that the General Meeting 2008 of Klöckner & Co AG will propose the procurement of new additional conditional capital (Conditional Capital 2008) which shall be in addition to Conditional Capital 2007, which continues to exist. The contents of the conditions applicable to Conditional Capital 2008 shall be similar to Conditional Capital 2007 and the same as Conditional Capital 2007, shall serve the purpose of satisfying the share subscription rights of the holders of convertible and/or option bonds. The authorisation for the issue of the convertible and/or option bonds, which shall be covered by Conditional Capital 2008, shall also be proposed for resolution in the General Meeting 2008. This new further authorisation for the issue of convertible and/or option bonds shall largely correspond with the authorisation already in existence which was resolved by the General Meeting of Klöckner & Co AG on 20 June 2007 and which for the most part has been used up by the issue of the convertible bonds in the year 2007 (cf. the comments under clause 6.1.7 of this Conversion Report concerning Convertible Bond 2007).

The same as Conditional Capital 2007, a conditional increase of the share capital by up to EUR 11,625,000.00 by way of the issue of up to 4,650.000 new no-par value registered shares with dividend rights as of the beginning of the business year of their issue shall be provided for Conditional Capital 2008. The new shares shall be issued at an issue price equal to the conversion and/or option price of the conversion and/or option bonds according to the authorisation which has been proposed to the General Meeting 2008.

The conditional capital increase shall only be executed to the extent that the holders and/or creditors of subscription or conversion rights make use of these rights or the holders with a conversion obligation fulfil this obligation and to the extent that no cash settlement is granted and none of the Company's own shares or shares

created from authorised capital are used to satisfy this requirement. The Management Board shall be authorised to determine the further details of the execution of a conditional capital increase.

To the extent that the resolution of the General Meeting 2008 on Conditional Capital 2008 is already registered in the commercial register at the time of the conversion taking effect, Conditional Capital 2008 will continue to exist in Klöckner & Co SE in the same amount and with the same conditions applicable with respect to Klöckner & Co AG at the time of the conversion taking effect. As the Articles of Association of Klöckner & Co SE that will be submitted to the General Meeting 2008 of Klöckner & Co AG for approval do not show Conditional Capital 2008 yet, the Supervisory Board of Klöckner & Co SE may, after the conversion has taken effect, in this case on the basis of its authorisation to amend the wording of the Articles of Association (pursuant to Section 21 of Klöckner & Co SE's Articles of Association), make an accordant correction of the Articles of Association of Klöckner & Co SE.

6.1.6 Cash compensation offer (clause 6 of the Terms of Conversion)

Shareholders objecting to the conversion shall not be offered a cash compensation as such cash compensation offer is not provided for by law if a stock corporation is converted into an SE. This is clarified in clause 6 of the Terms of Conversion.

6.1.7 Holders of special rights and holders of other securities (clause 7 of the Terms of Conversion)

In accordance with the provisions on the Terms of Merger for the case that the SE is formed by way of a merger (cf. Art. 20 para. 1 sentence 2 lit. f) of the SE Regulation), clause 7 of the Terms of Conversion contains statements on the rights granted by the SE to privileged shareholders of Klöckner & Co AG and holders of securities other than shares and, respectively, the measures proposed with respect to such persons. In the case of Klöckner & Co AG, this presently concerns the convertible bond issued by the Luxemburg subsidiary of Klöckner & Co AG, Klöckner & Co Finance International S.A., Luxemburg/Luxemburg.

The rights which the holders of these convertible bonds have against Klöckner & Co AG shall continue as rights vis-à-vis Klöckner & Co SE after the conversion has taken effect.

On 27 June 2007, Klöckner & Co Finance International S.A. issued a convertible bond in a total amount of EUR 325 million ("**Convertible Bond 2007**"). Convertible Bond 2007 has a term of five years and a nominal interest rate of 1.5% p.a. The conversion price was set at EUR 80.75. Based on the resolution of the General Meeting of 20 June 2007, Klöckner & Co AG provided the guarantee for Convertible Bond 2007 by granting the holders of Convertible Bond 2007 conversion rights to new shares in Klöckner & Co AG. Convertible Bond 2007 grants its holders a subscription right for a maximum total of 4,024,767 shares in Klöckner & Co AG.

Upon the conversion taking effect, the entitlement to subscribe for the shares will relate to shares which bear the name of Klöckner & Co SE instead of shares which bear the name of Klöckner & Co AG.

The conditional capital created as collateral for the subscription rights of Convertible Bond 2007 (Conditional Capital 2007) will continue to exist in the respective amount at Klöckner & Co SE (cf. also clause 6.2.9 of this Conversion Report).

6.1.8 Management Board (Section 8 of the Terms of Conversion)

Section 8 of the Terms of Conversion contains information on the Management Board of Klöckner & Co SE. It is made clear in this Section that the offices of all the members of the Management Board and the Supervisory Board of Klöckner & Co AG will end upon registration of the conversion in the commercial register of the Company.

As a precautionary measure, it is pointed out in this respect in Section 8 of the Terms of Conversion that notwithstanding the corporate-law competence of the future Supervisory Board of Klöckner & Co SE pursuant to Art. 39 para. 2 sentence 1 of the SE Regulation to make decisions, presumably the present members of the Management Board of Klöckner & Co AG will be appointed as members of the Management Board of Klöckner & Co SE after the conversion takes effect. These are Dr Thomas Ludwig, Mr Ulrich Becker und Mr Gisbert Rühl.

6.1.9 Supervisory Board (Section 9 of the Terms of Conversion)

Section 9 of the Terms of Conversion contains information on the Supervisory Board of Klöckner & Co SE.

Firstly, Section 9.1 of the Terms of Conversion determines that at Klöckner & Co SE – the same as already at Klöckner & Co AG - , a Supervisory Board shall be established pursuant to Section 9 para. 1 of the Articles of Association of Klöckner & Co SE which shall comprise six members. Furthermore, it is stated that all the members of the Supervisory Board shall be appointed by the General Meeting. In order to clarify that the possibility set forth in Art. 40 para. 2 sentence 2 of the SE Regulation will be applied concerning the appointment of the first Supervisory Board, it is stated that the first Supervisory Board of Klöckner & Co SE upon the conversion taking effect will not be appointed by the General Meeting but by the Articles of Association instead.

Furthermore, Section 9.2 of the Terms of Conversion clarifies that the offices of all the members of the Supervisory Board of Klöckner & Co AG shall end upon the conversion taking effect and sets forth that pursuant to Section 9 of the Articles of Association of Klöckner & Co SE, the persons listed in Section 9.3 of the Articles of Association of Klöckner & Co SE will be appointed as members of the first Supervisory Board of Klöckner & Co SE after the conversion has taken effect (cf. the comments on Section 9 of the Articles of Association of Klöckner & Co SE under clause 6.2.9 of this Conversion Report). Pursuant to clause 9.3 of the Terms of Conversion, these persons are (cf. in this respect also Section 9 of the Articles of Association of Klöckner & Co SE):

- Prof Dr Dieter H. Vogel, Meerbusch, Managing Partner of Lindsay Goldberg Vogel GmbH, Düsseldorf;
- Dr Michael Rogowski, Heidenheim, Chairman of the Supervisory Board and the Partners' Committee of Voith AG, Heidenheim;
- Robert J. Koehler, Wiesbaden, Chairman of the Management Board of SGL CARBON Aktiengesellschaft, Wiesbaden;
- Frank H. Lakerveld, Hattingen, member of the Management Board of Sonepar S.A., Paris (France);

- Dr. Jochen Melchior, Essen, former Chairman of the Management Board of the former STEAG AG, Essen;
- Dr Hans Georg Vater, Ratingen, former member of the Management Board of HOCHTIEF Aktiengesellschaft, Essen.

Only for information purposes and for reasons of legal precaution, it is stated in clause 9.3 of the Terms of Conversion that Prof. Dr Dieter H. Vogel will presumably be appointed as the Chairman of the Supervisory Board. It is explicitly pointed out in this respect that only the Supervisory Board itself is responsible for the election of the Supervisory Board Chairman and that no legally binding statements can be and shall be made in this respect in the Terms of Conversion.

6.1.10 Special benefits (clause 10 of the Terms of Conversion)

In accordance with the provisions on the Terms of Merger for the case that an SE is formed by way of a merger (Art. 20 para. 1 lit. g) of the SE Regulation), a provision on special benefits has been incorporated in clause 10 of the Terms of Conversion.

The term special benefits as used herein shall mean benefits within the scope of the conversion which will be granted in the course of the conversion to the conversion auditor issuing the certificate pursuant to Art. 37 para. 6 of the SE Regulation or to the members of the administrative, management, supervisory or controlling bodies of the converting company – i.e. in the present case the Management Board or Supervisory Board of Klöckner & Co AG.

For reasons of precaution, clause 10 of the Terms of Conversion points out in this respect that, notwithstanding the responsibility of the Supervisory Board of Klöckner & Co SE to make decisions, it is to be assumed that the current members of the Management Board of Klöckner & Co AG will be appointed as members of the Management Board of Klöckner & Co SE (cf. in this respect also the statements on clause 8 of the Terms of Conversion in clause 6.1.8 of this Conversion Report).

Therefore, also for reasons of legal precaution, it is pointed out in clause 10 of the Terms of Conversion that in addition to this, also the present members of the Supervisory Board of Klöckner & Co AG will – pursuant to Art. 40 para. 2 sentence 2 of the SE Regulation – be appointed as members of the first Supervisory Board of Klöckner & Co SE by Section 9 para. (3) of the Articles of Association of Klöckner & Co SE after the conversion has taken effect.

The Supervisory Board member Robert J. Koehler is presently appointed by the Local Court of Duisburg as a member of the Supervisory Board until the conclusion of the General Meeting 2008. He will be proposed by the Supervisory Board to the General Meeting 2008 for election as a member of the Supervisory Board of Klöckner & Co AG

6.1.11 Information on the procedure for regulation of the involvement of the employees in Klöckner & Co SE (clause 11 of the Terms of Conversion)

Clause 11 of the Terms of Conversion contains information on the procedure according to which the involvement of the employees in Klöckner & Co SE was regulated.

The involvement of the employees in an SE is primarily based on an agreement between the corporate management and the employees who are represented in

this respect by the SNB which is elected by them or their representatives. In the event that no agreement is reached, the standard rules set forth in the German Act on the Involvement of Employees in a European Company (German SE Employee Involvement Act (*SE-Beteiligungsgesetz – SEBG*)) applies to the involvement of the employees of an SE with registered seat in Germany.

The Management Board of Klöckner & Co AG and the SNB have concluded the "**Employee Involvement Agreement**" on 29 April 2008 (cf. clause 7.2 of this Conversion Report concerning the contents of the agreement). Pursuant to Section 1 para. 2 of the German SE Employee Involvement Act, the agreement on the involvement of the employees takes priority over the standard rules. Therefore, the involvement of the employees in Klöckner & Co SE is governed exclusively by the Employee Involvement Agreement.

(i) Basic principles on the involvement of the employees in Klöckner & Co SE

Clause 11.1 of the Terms of Conversion firstly explains the basic features of the procedure on the involvement of the employees which was conducted prior to the conclusion of the Employee Involvement Agreement and also explains the essential terminology related thereto.

(ii) Information to the employee representatives and request for establishment of the SNB (clause 11.2 of the Terms of Conversion)

Clause 11.2 of the Terms of Conversion explains the opening of the procedure to regulate the employee representation under the German SE Employee Involvement Act. For this purpose, it is necessary to inform the employees and the employee representative bodies affected, as provided for by law, and require them to establish an SNB. The information to be provided in this respect are listed in clause 11.2 of the Terms of Conversion.

Pursuant to Section 4 of the German SE Employee Involvement Act, the procedure in case of the formation of an SE by conversion shall start by the management of the converting company – in this case the Management Board of Klöckner & Co AG – informing the competent employee representative bodies and spokesman committees (*Sprecherausschuss*) of the converting company, its subsidiaries and branches in the Member States of the EU and/or EEA about the planned conversion and, at the same time, requiring them in writing to establish the SNB. If and to the extent there are no employee representative bodies, the information and instruction shall be provided to the employees pursuant to Section 4 para. 2 sentence 2 of the German SE Employee Involvement Act.

Pursuant to Section 4 of the German SE Employee Involvement Act, the information must, in particular, extend to (i) the identity and structure of the company participating in the conversion – in this case Klöckner & Co AG – as well as the subsidiaries and branches affected by the conversion and their distribution in the Member States, (ii) the employee representative bodies in these companies and branches; (iii) the number of employees employed in each of these companies and branches at the time of the provision of the information as well as the total number of employees employed in a Member State to be calculated from this; and (iv) the number of

employees entitled to participation rights in the bodies of these companies at the time the information is provided.

Already with letter of 24 September 2007, Klöckner & Co AG informed the employee representative bodies and/or the employees of the Klöckner & Co Group in Germany as well as in the Member States in which the Klöckner & Co Group employs employees (these are: Belgium, France, Ireland, Lithuania, The Netherlands, Austria, Poland, Rumania, Spain, Czech Republic, Hungary, the United Kingdom of Great Britain and Northern Ireland) about the planned conversion of Klöckner & Co AG into the legal form of the SE and has requested the establishment of the SNB. Following the acquisition of the Bulgarian subsidiaries in January 2008, the Management Board of Klöckner & Co AG immediately also informed the employee representative bodies and/or the employees at that location about the intended conversion into the legal form of the SE and requested the election and/or appointment of the SNB member.

(iii) Establishment and composition of the SNB (clause 11.3 of the Terms of Conversion)

Clause 11.3 of the Terms of Conversion describes the establishment and composition of the SNB in line with the legal provisions of the presently applicable German SE Employee Involvement Act.

The establishment and composition of the SNB shall be according to Section 5 para. 1 of the German SE Employee Involvement Act. Accordingly, members of the SNB shall be elected or appointed for the employees employed in every Member State at the participating companies (here: Klöckner & Co AG), affected subsidiaries and affected branches. For every percentage of the employees employed in a Member State amounting to 10% of the total number of the employees employed in all Member States at the participating companies and the affected subsidiaries or affected branches or a fractional amount thereof, one member from this Member State shall be elected or appointed to the SNB.

On 5 December 2007, the Management Board of Klöckner & Co AG sent out invitations to the constituent meeting to be held on 10 and 11 January 2008. The constituent meeting took place on 10/11 January 2008. The bodies and/or employees competent for the appointment and/or election of the SNB members in Lithuania, Poland and the Czech Republic did not elect and/or appoint a representative for their country to the SNB.

Austria die not delegate a member to the SNB due to contrary national regulations.

Based on the number of employees of the companies of the Klöckner & Co Group in the Member States of the EU (including Germany), the following allocation of seats on the SNB has resulted

Country	Number of employees	Percentage of total number of employees (rounded)	Seats on the SNB
Belgium	96	1.3%	1
Bulgaria	253	3.43%	1
Germany	1767	23.95%	3
France	2462	33.37%	4
Ireland	6	0.08%	1
Lithuania*	2	0.03%	-
The Netherlands	549	7.44%	1
Austria**	107	1.45%	-
Poland*	44	0.6%	-
Rumania	9	0.12%	1
Spain	867	11.75%	2
Czech Republic*	28	0.38%	-
Hungary	31	0.42%	1
United Kingdom of Great Britain and Northern Ireland	1156	15.67%	2
Total (14 countries)	**7377**	**100%**	**17**

*Poland, Lithuania and the Czech Republic did not delegate any representatives to the SNB

** Austria did not delegate a representative to the SNB due to the provisions of Austrian law.

The members of the SNB attributable to the German companies were elected according to the provisions of Sections 8 et seq. German SE Employee Involvement Act; the determination of the representatives attributable to each of the other Member States was accomplished according to the respective regulations of the Member State concerned which are applicable in this respect.

(iv) Negotiation procedure and provisions on the employee involvement in Klöckner & Co SE (clause 11.4 of the Terms of Conversion) and cost of the procedure (clause 11.5 of the Terms of Conversion).

Clause 11.4 of the Terms of Conversion refers, *inter alia*, to the negotiation procedure between the Management Board of Klöckner & Co AG and the SNB.

If all the members of the SNB have been determined or if ten weeks have passed since the employees were informed and requested to establish the SNB during which not all members of the SNB were named due to a failure on the part of the employees, the corporate management shall convene the constituent meeting of the SNB, which in this case was convened for 10/11 January 2008 and also was conducted at this date. At the date stipulated by this invitation the negotiation period provided by Section 20 para (1) of the German SE Employee Involvement Act began. After the constitution of the SNB, the SNB and the Management Board of Klöckner & Co AG commenced negotiations on the involvement of the employees in Klöckner & Co SE.

The objective of the negotiations was the conclusion of an agreement with the content of Section 21 of the German SE Employee Involvement Act (see clause 7.1 of this Conversion Report for details). The agreement may not reduce existing participation rights of the employees (Section 21 para. 6 German SE Employee Involvement Act).

The Management Board of Klöckner & Co AG and the SNB concluded the Employee Involvement Agreement, which is explained below under clause 7.2 of this Conversion Report, on 29 April 2008.

Clause 11.5 of the Terms of Conversion sets out who bears the cost of the procedure on the employee involvement. Accordingly, the costs which have been incurred by the establishment and the activities of the SNB shall be borne by the Company. The obligation to bear the costs includes the non-personal economic costs and personal costs in connection with the activities of the SNB including the negotiations, in particular for offices and non-personal economic resources (e.g., telephone, facsimile, literature), translators and office personnel in connection with the negotiations as well as necessary travel and accommodation costs of the members of the SNB.

6.1.12 Other effects of the conversion on the employees and their representatives (clause 12 of the Terms of Conversion)

Clause 12 of the Terms of Conversion explains the other effects of the conversion of Klöckner & Co AG into an SE on the employees and their representations.

The existing employment agreements shall remain valid without change also after the conversion. Shop agreements and collective bargaining agreements and other regulations under collective employment law applicable to the employees of Klöckner & Co AG shall continue to apply to the employees of Klöckner & Co SE according to the provisions of the respective agreements without change. There will be no changes due to the conversion for the existing employee representative bodies and spokesman committees in the subsidiaries and branches in the respective countries of the Klöckner & Co Group, these shall remain in existence.

Finally, there are no measures intended or planned on the basis of the conversion which would affect the employees' situation.

6.1.13 Auditor of the annual financial statements (clause 13 of the Terms of Conversion)

According to clause 13 of the Terms of Conversion, KPMG Hartkopf + Rentrop Treuhand KG Wirtschaftsprüfungsgesellschaft, Cologne, shall be appointed as the auditor of the annual financial statements of the Company and the Group as well as to conduct a review of the shortened financial statements and the interim management report pursuant to Sections 37w para. 5, 37y no. 2 of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*) of Klöckner & Co SE for its first financial year after the conversion takes effect.

6.2 Explanation of the Articles of Association of Klöckner & Co SE

Upon the conversion taking effect, the current Articles of Association of Klöckner & Co AG shall be replaced by the Articles of Association of Klöckner & Co SE. The draft of the Articles of Association of Klöckner & Co SE forms part of the Terms of Conversion to which they are attached as an Annex. Pursuant to Art. 37 para. 7 of the SE Regulation, the Articles of Association of Klöckner & Co SE are subject to the consent of the General Meeting of Klöckner & Co AG which resolves on the conversion.

The draft Articles of Association of Klöckner & Co SE attached as an Annex to the Terms of Conversion are based on the Articles of Association of Klöckner & Co AG as amended on 20 June 2007. The provisions of the Articles of Association of Klöckner & Co AG have for the most part been adopted in the draft Articles of Association of Klöckner & Co SE. Amendments have been made to the extent that they were required or expedient based on the law specifically relating to the SE. Further amendments of the Articles of Association of Klöckner & Co SE as compared to the Articles of Association of Klöckner & Co AG result from editorial or clarifying adjustments and corrections which - independent from the conversion - appear to be expedient.

Hereinafter, the draft Articles of Association for Klöckner & Co SE are explained, mainly commenting on changes compared to the Articles of Association of Klöckner & Co AG as amended on 20 June 2007. The term “Articles of Association of Klöckner & Co AG“ as used herein shall mean the Articles of Association as amended on 20 June 2007.

6.2.1 Company name, seat and business year (Section 1)

The name of the Company will be “Klöckner & Co SE”. Except for the change of the addition of “Aktiengesellschaft“ into “SE“ to identify the legal form, the name will not change after the conversion. The change of this addition is compulsory pursuant to Art. 11 para. 1 of the SE Regulation.

The same as Klöckner & Co AG, Klöckner & Co SE will have its registered seat in Duisburg, Germany. Also the business year will continue to be the calendar year.

6.2.2 Purpose of the Company (Section 2)

The corporate purpose of Klöckner & Co SE, as set out in Section 2 of the Articles of Association, shall be equal to the corporate purpose of Klöckner & Co AG pursuant to Section 2 of the Articles of Association of Klöckner & Co AG; (see also clause 2.1 of this Conversion Report).

6.2.3 Announcements and transmission of information (Section 3)

The same as for Klöckner & Co AG, the announcements of the Company shall also be published in the electronic Federal Gazette (*elektronische Bundesanzeiger*) for Klöckner & Co SE pursuant to Section 3 para. 1 of the Articles of Association, insofar as mandatory law does not prescribe otherwise.

Also without change as compared with the provision set forth in Section 3 para. (2) of the Articles of Association of Klöckner & Co AG, also Klöckner & Co SE is entitled pursuant to Section 3 para. (2) of its Articles of Association to transmit information to the shareholders, with their consent, by way of electronic data transmission.

6.2.4 Share capital and shares (Section 4)

Section 4 of the Articles of Association of Klöckner & Co SE contains provisions on the share capital and shares as well as concerning the authorised capital and the conditional capital of the Company.

The provisions of Section 4 of the Articles of Association of Klöckner & Co AG were incorporated into the version of the Articles of Association of Klöckner & Co SE which is attached to the Terms of Conversion as an Annex and which will be submitted to the General Meeting 2008 for approval. In particular, the figures regarding capital and the number of shares were adopted from the Articles of Association of Klöckner & Co AG. As clarified in clause 5.2 of the Terms of Conversion, the different types of capital of Klöckner & Co AG will continue to exist in Klöckner & Co SE in the amount existing and subject to all the conditions attached to them in Klöckner & Co AG at the time the conversion is registered in the commercial register, irrespective of the capital detailed in the version of the Articles of Association of Klöckner & Co SE that is attached as an Annex to the Terms of Conversion. To the extent changes occur with respect to the capital between the date of signature of this Conversion Report and the registration of the conversion (e.g. due to the fact that conditional or authorised capital has been used in the meantime or due to the registration of additional authorised capital), the respectively changed capital at Klöckner & Co AG will continue to exist at Klöckner & Co SE.

(i) Share capital amounts and division (Section 4 para. (1) and para. (4))

Section 4 para. (1) of the Articles of Association of Klöckner & Co SE contains provisions on the share capital of the Company. The share capital of Klöckner & Co AG is assumed without change as the share capital of Klöckner & Co SE; irrespective of the share capital amount set out in the Articles of Association of Klöckner & Co SE, the share capital of Klöckner & Co SE will, however, at the time of the conversion taking effect exist in the amount corresponding to the share capital of Klöckner & Co AG at the time the conversion takes effect. In Section 4 para. (1) of the Articles of Association of Klöckner & Co SE, it is further set out in accordance with the formation requirements under stock Company law that the share capital of Klöckner & Co AG has been provided by the identity-preserving conversion of Multi Metal Holding GmbH into Klöckner & Co AG and is now provided by the identity-preserving conversion of Klöckner & Co AG into Klöckner & Co SE.

Section 4 para. (1) and para. (4) of the Articles of Association of Klöckner & Co SE contain provisions on the shares of the Company. The same as Klöckner & Co AG, all the shares of Klöckner & Co SE are no-par value registered shares. According to the provisions contained in both Section 4 para. (4) of the Articles of Association of Klöckner & Co SE and also in Section 4 para. (4) of the Articles of Association of Klöckner & Co AG, this also applies to a capital increase unless the resolution on the capital increase provides for a deviating regulation.

The only difference between the Articles of Association of Klöckner & Co SE and the Articles of Association of Klöckner & Co AG is that in Section 4 para. (1) of the Articles of Association of Klöckner & Co SE, it is explicitly specified that the shares are "no-par value registered shares" whereas Section 4 para. (1) of the Articles of Association of Klöckner & Co AG only states "no-par value shares". However, this only constitutes a mere editorial difference because both Section 4 para. (4) of the Articles of Association of Klöckner & Co SE and Section 4 para. (4) of the Articles of Association of Klöckner & Co AG specify that the shares of the Company are registered by name.

The number of shares set out in Section 4 para. (1) of the Articles of Association of Klöckner & Co AG are adopted in Section 4 para. (1) of the Articles of Association of Klöckner & Co SE. In any event, the number of no-par value shares into which the share capital of the Company is divided at the time the conversion takes effect is equal to the number of no-par value shares in which the share capital of Klöckner & Co AG is divided at the time the conversion takes effect. Therefore, should the number of shares change prior to the conversion taking effect, the number of shares relevant for Klöckner & Co SE will be the number into which the share capital of Klöckner & Co AG is divided at the time the conversion takes effect, irrespective of the number of shares set forth in the Articles of Association of Klöckner & Co SE.

(ii) Authorised capital (Section 4 para. (2))

Section 4 para. (2) of the Articles of Association of Klöckner & Co SE adopts the same wording of the provisions on the authorised capital of the Company from Section 4 para. (2) of the Articles of Association of Klöckner & Co AG. In comparison to the Articles of Association of Klöckner & Co AG, a clarification was newly included that the Authorised Capital in Klöckner & Co SE only exists in the amount remaining at the time of the conversion taking effect, i.e. to the extent it has not yet been used at that time.

Therefore, the Management Board of the Company is authorised, with the consent of the Supervisory Board, to increase the share capital of the Company in the period up to 20 June 2011, once or several times, by up to a total of EUR 50,000,000.00 by issuing new no-par value registered shares against cash contributions and/or contributions in kind, however, only up to the maximum amount and number of shares in which amount the Authorised Capital pursuant to Section 4 para. (2) of the Articles of Association of Klöckner & Co Aktiengesellschaft still exists at the point in time of the conversion of Klöckner & Co AG into a European Company (SE) pursuant

to the Terms of Conversion of 5 May 2008 taking effect (Authorised Capital).

The Authorised Capital is divided into three tranches (**Tranches I to III**). Within the framework of the Authorised Capital, each of the Tranches I to III may only be utilized up to the maximum limit set forth therein. The sum of all the capital measures from Tranches I to III may, however, not exceed the total amount of Authorised Capital (Section 4 para. (2) lit. (e) of the Articles of Association of Klöckner & Co SE).

(a) Tranche I

Pursuant to Section 4 para. (2) lit. (b) of the Articles of Association of Klöckner & Co SE, the Authorised Capital may be used once or several times up to a total amount of EUR 50,000,000.00 by issuing new no-par value registered shares against cash contributions, however, only up to the maximum amount and number of shares in which amount Authorised Capital pursuant to Section 4 para. (2) of the Articles of Association of Klöckner & Co Aktiengesellschaft still exists at the point in time of the conversion of Klöckner & Co Aktiengesellschaft into a European Company (SE) pursuant to the Terms of Conversion of 5 May 2008 taking effect (**Tranche I**). In this case, the shareholders shall be granted a preemptive right.

However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the shareholders' preemptive right in order to avoid fractional amounts. Moreover, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the shareholders' preemptive right to the extent this is necessary in order to grant the holders of conversion or other option rights, which are issued by the Company or its affiliated companies, a subscription right to new shares in the Company in the volume to which they would be entitled after exercising their conversion or other option rights. Finally, the Management Board is also authorised, with the consent of the Supervisory Board, to exclude the shareholders' preemptive right to the extent the share in the total share capital accruing to the shares issued with the exclusion of the preemptive right pursuant to Section 186 para. 3 sentence 4 of the German Stock Corporation Act (*Aktiengesetz – AktG*) does not exceed 10% of the share capital and the issue price does not fall significantly below the market price of the Company's shares which are already listed.

(b) Tranche II

Pursuant to Section 4 para. (2) lit. (c) of the Articles of Association of Klöckner & Co SE, the Authorised Capital may be utilised once or several times up to the total amount of EUR 50,000,000.00 by issuing new no-par value registered shares against non-cash contributions for the purpose of the (also indirect) acquisition of companies, parts of companies or participations in companies, however, only up to a maximum amount and number of shares in which amount Authorised Capital pursuant to Section 4 para. (2) of the Articles of

Association of Klöckner & Co AG still exists at the point in time of the conversion of Klöckner & Co Aktiengesellschaft into a European Company (SE) pursuant to the Terms of Conversion of 5 May 2008 taking effect (**Tranche II**). In this case, the shareholders' preemptive right is excluded.

(c) Tranche III

Pursuant to Section 4 para. (2) lit. (d) of the Articles of Association of Klöckner & Co SE, the Authorised Capital may be utilized once or several times up to the total amount of EUR 50,000,000.00 by issuing new no-par value registered shares against cash contributions for the purpose of issuing shares to employees of the Company or its affiliated companies, however, only up to a maximum amount and number of shares in which amount Authorised Capital pursuant to Section 4 para. (2) of the Articles of Association of Klöckner & Co Aktiengesellschaft still exists at the point in time of the conversion of Klöckner & Co Aktiengesellschaft into a European Company (SE) pursuant to the Terms of Conversion of 5 May 2008 taking effect (**Tranche III**). In this case, the shareholders' preemptive right is excluded.

Pursuant to Section 4, para. (2) lit. (f) of the Articles of Association of Klöckner & Co SE, the Management Board is authorised, with the consent of the Supervisory Board, to determine the additional conditions of the rights embodied in the shares and the further details of the capital increase, its execution, and the conditions for issuing the shares. The Supervisory Board is authorised to adjust the wording of the Articles of Association following a partial or complete execution of the share capital increase out of the Authorised Capital or after expiration of the period of authorisation, in accordance with the amount of the capital increase out of the Authorised Capital

(iii) Conditional capital (Section 4 para. (3))

Section 4 para. (3) of the Articles of Association of Klöckner & Co SE adopts the Conditional Capital 2007 pursuant to Section 4 para. (3) of the Articles of Association of Klöckner & Co AG and in addition makes it clear that the Conditional Capital 2007 only exists in the amount remaining at the time of the conversion taking effect, i.e. to the extent that the capital increases pursuant to Section 4 para. (3) of the Articles of Association of Klöckner & Co AG have not yet been executed. This shall only apply insofar as the conditional capital increase has not been executed at the time the Conversion becomes effective.

The share capital of Klöckner & Co AG is therefore conditionally increased by up to EUR 11,625,000.00 by issuing up to 4,650,000 new no-par value registered shares with dividend rights from the beginning of the business year of their issue.

The Conditional Capital 2007 shall serve to grant shares to satisfy subscription and/or conversion rights of the holders of option bonds and/or convertible bonds that are issued by the Company or a group company in ac-

cordance with the authority granted by the General Meeting of the Company on 20 June 2007. New shares shall be issued in accordance with the option price or conversion price resolved as Item 9 of the agenda of the General Meeting of the Company held on 20 June 2007.

The conditional capital increase shall 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 fulfil this obligation and to the extent that no cash settlement is granted and none of the Company's own shares or shares created from Authorised Capital are used to satisfy this requirement. The Management Board is authorised to determine the further details of the execution of a conditional capital increase (Conditional Capital 2007).

(iv) Securitisation of shares (Section 4 para. (5))

Pursuant to Section 4 para. (5) of the Articles of Association of Klöckner & Co SE, the Management Board, with the consent of the Supervisory Board, shall decide on the form of the share certificates, the dividend warrants and the talons. The Company is entitled to issue share certificates which embody individual (individual share) or multiple shares (global certificates). The shareholders' claim for securitisation of their individual share is excluded insofar as this is permissible by law and a securitisation is not required according to the rules of the stock exchange where the share has been admitted for trading. These provisions fully correspond to Section 4 para. (5) of the Articles of Association of Klöckner & Co AG.

(v) Profit participation (Section 4 para. (6))

Section 4 para. (6) of the Articles of Association of Klöckner & Co SE provides that in the event of a capital increase, the regulation of the profit participation of the new shares may deviate from Section 60 of the German Stock Corporation Act, which shall apply to the SE with registered seat in Germany in the same way as to a German stock Company. This provision fully corresponds to Section 4 para. (6) of the Articles of Association of Klöckner & Co AG.

6.2.5 Constitution of the organisation (Section 5)

The provision regarding the constitution of the organisation has been added in Section 5 of Klöckner & Co SE's Articles of Association, as compared to Klöckner & Co AG's Articles of Association. The provision stipulates that the constitution of the organisation of Klöckner & Co SE is based on the so-called dualistic (two-tier) system and that therefore, the Company's executive bodies are the managing body (named "Management Board" at Klöckner & Co SE), the supervisory body (named "Supervisory Board" at Klöckner & Co SE) and the General Meeting (see also clause 4.5 of this Conversion Report). Thus there are no changes in substance when compared with Klöckner & Co AG's constitution of the organisation.

The inclusion of this provision in the Articles of Association of Klöckner & Co SE was necessary since Art. 38 lit. b) of the SE Regulation gives the drafters of Articles of Association of the SE the choice between the two-tier system (with management and supervisory bodies) and the one-tier system (with one administrative body)

and at the same time states that one of those two systems must be chosen in the SE's Articles of Association.

6.2.6 Composition and rules of procedure of the Management Board (Section 6)

Section 6 of Klöckner & Co SE's Articles of Association firstly provides – corresponding with Section 5 of Klöckner & Co AG's Articles of Association – that Klöckner & Co SE's Management Board shall consist of one or several members, the exact number of which shall be determined by the Supervisory Board; the Supervisory Board may appoint one of the Management Board members as Chairman and one as Deputy Chairman. According to Section 6 para. (3) of the Articles of Association of Klöckner & Co SE, the Supervisory Board shall issue Rules of Procedure to the Management Board in which also the allocation of responsibilities is regulated. This regulation was previously incorporated with the same wording in the Articles of Association of Klöckner & Co AG under Section 5 para. (3).

The provision regarding the Management Board's term of office is new in Klöckner & Co SE's Articles of Association (Section 6 para. (4)). Under this provision, members of Klöckner & Co SE's Management Board are appointed for a maximum term of five years; reappointments are permitted once or several times. Members of Klöckner & Co AG's Management Board may also be appointed for a maximum of five years under German stock corporation law (Section 84 para. 1 sentence 1 of the German Stock Corporation Act (*Aktiengesetz – AktG*)). In contrast, the maximum term for appointments to an SE's executive bodies is six years (Art. 46 para. 1 of the SE Regulation); the maximum term shall be determined in Klöckner & Co SE's Articles of Association within these limits. Thus, the provision currently proposed for Klöckner & Co SE is in accordance with the provisions set forth in Section 84 para. 1 sentence 1 of the German Stock Corporation Act. A provision on the Management Board's term of office was necessary in Klöckner & Co SE's Articles of Association, because Art. 46 para. 1 of the SE Regulation stipulates that the members of an SE's executive bodies shall be appointed for a term "to be determined in the statutes".

6.2.7 Representation of the Company (Section 7)

Section 7 of Klöckner & Co SE's Articles of Association provides for the representation of the Company and is equivalent in substance to Section 6 of Klöckner & Co AG's Articles of Association in this regard. According to this provision, the Company is legally represented by one Management Board member if the Management Board consists of one person only. If the Management Board consists of more than one person, the Company shall be represented by two Management Board members jointly or one Management Board member together with a holder of a statutory power of attorney (*Prokurist*). The Supervisory Board may grant individual Management Board members the authority to represent the Company alone and/or exemption from the prohibition of multiple representation set forth in Section 181 2nd Alternative of the German Civil Code.

6.2.8 Management (Section 8)

According to Section 8 para. (1) of the Articles of Association of Klöckner & Co SE, which has the same content as Section 7 of the Articles of Association of Klöckner & Co AG, the Management Board shall manage the business, observing the provi-

sions of law, the Articles of Association, its Rules of Procedure and the plan for the allocation of responsibilities.

Section 8 para. (2) of the Articles of Association of Klöckner & Co SE stipulates specific transactions which require the approval of the Supervisory Board. This provision was necessary because Art. 48 of the SE Regulation requires that a - non-exhaustive - list be included in the Articles of Association of the SE stipulating the transactions which require approval. Amendments to this provision require a resolution of the General Meeting of Klöckner & Co SE on the amendment to the Articles of Association. The transactions listed in Section 8 para. (2) of the Articles of Association of Klöckner & Co SE also require approval of the Supervisory Board at Klöckner & Co AG, however not all are based on a specific provision in the Articles of Association – which may be amended only with the approval of the General Meeting – but are based on the Rules of Procedure of the Management Board of Klöckner & Co AG enacted by the Supervisory Board.

The Supervisory Board of the SE is free to determine further transactions requiring approval. As is already stipulated in Section 10 sentence 3 of the Articles of Association of Klöckner & Co AG, also pursuant to Section 8 para. (2) of the Articles of Association of Klöckner & Co SE, revocable approval can be granted in advance for a specific group of transactions in general or on the condition that an individual transaction satisfies specific requirements.

6.2.9 Composition, term of office, resignation from office of the Supervisory Board (Section 9)

Section 9 of Klöckner & Co SE's Articles of Association contains provisions on the composition, election and term of office of the Supervisory Board as well as on resignation from office and appointment of substitute members. Due to special provisions set forth for the SE, in some points, there are small deviations from the corresponding provisions set forth in Section 8 of the Articles of Association of Klöckner & Co AG. On the one hand, it is provided that the term of office of the members of the Supervisory Board ends after six years at the latest. On the other hand, the appointment of the members of the first Supervisory Board of Klöckner & Co SE after the conversion is set forth under Section 9 para. 3.

According to Section 9 para. (1) of Klöckner & Co SE's Articles of Association, Klöckner & Co SE's Supervisory Board consists of a total of six members who are elected by the General Meeting, This provision has the same wording as the provision set forth under Section 8 para. (1) of the Articles of Association of Klöckner & Co AG..

Pursuant to Section 9 para. (2) sentence 1 of Klöckner & Co SE's Articles of Association, appointments of Klöckner & Co SE Supervisory Board members remain valid until the end of the General Meeting that formally approves the actions of the Supervisory Board members for the fourth business year after their respective taking of office, however for a maximum of six years. The business year in which the term of office begins is not included in the calculation of the term of office. This provision corresponds in substance to provision set forth for the Supervisory Board's term of office at Klöckner & Co AG (Section 8 para. (2) of Klöckner & Co AG's Articles of Association and Section 102 para. 1 of the German Stock Corporation Act). The maximum term of six years in Klöckner & Co SE's Articles of Associa-

tion is new. As the end of term is conditional on the formal approval for a certain business year, without such a limit, the term of office could be extended to a total of more than six years – and thus beyond the maximum term of office stipulated for members of an SE's executive bodies in Art. 46 para. 1 of the SE Regulation – if a resolution formally approving the corresponding business year were not passed. Therefore, this provision shall ensure that the maximum term of office of six years permitted by Art. 46 para. 1 of the SE Regulation cannot be exceeded, even if no resolution on the formal approval is passed. As is already stipulated in Section 8 para. (2) of the Articles of Association of Klöckner & Co AG, according to Section 9 para. (2) of the Articles of Association of Klöckner & Co SE, the General Meeting may determine a shorter term of office for the election. In comparison to the Articles of Association of Klöckner & Co AG, it was made clear in Section 9 para. (2) sentence 2 of the Articles of Association of Klöckner & Co SE that the General Meeting may also set a shorter term for appointments of individual members of the Supervisory Board. This provision is in accordance with the suggestion in clause 5.4.6 of the German Corporate Governance Code (as amended on 14 June 2007).

The provision set forth in Section 8 para. (2) of the Articles of Association of Klöckner & Co AG has been adopted with the same contents in Section 9 para. (2) of the Articles of Association of Klöckner & Co SE, whereby reappointment is permissible once or several times. The change of the wording from "one reappointment" set forth in Section 8 para. (2) of the Articles of Association of Klöckner & Co AG to a "reappointment once of several times" in Section 9 para. (2) of the Articles of Association of Klöckner & Co SE is only an editorial change and does not constitute a change of the contents of the provision. As Art. 46 para. 2 of the SE Regulation states that a reappointment is possible "once or several times", in order to clarify that the situation up to now set forth in the Articles of Association of Klöckner & Co AG, whereby a reappointment was possible both once and several times, was to be adopted with the same contents in the Articles of Association of Klöckner & Co SE, the wording was adjusted accordingly in order to prevent an erroneous interpretation.

Upon the conversion taking effect, the offices of the Supervisory Board members of Klöckner & Co AG terminate. Therefore, the members on Klöckner & Co SE's first Supervisory Board are appointed by the Articles of Association of Klöckner & Co SE for their first term of office. This appointment is made in deviation from the basic rule under Section 9 para. (1) of Klöckner & Co SE's Articles of Association, by Klöckner & Co SE's Articles of Association directly (Section 9 para. (3) of Klöckner & Co SE's Articles of Association). This appointment by the Articles of Association is permitted under Art. 40 para. 2 sentence 2 of the SE Regulation. The appointment of Prof. Dr. Dieter Vogel, Dr. Michael Rogowski and Mr. Frank H. Lakerveld shall be for a period until the conclusion of the General Meeting that formally approves the actions of the Supervisory Board for second business year after the commencement of the term of office. The appointment of Dr. Jochen Melchior and Dr. Hans Georg Vater shall be for the period until the conclusion of the General Meeting that formally approves the actions of the Supervisory Board for the third business year after the commencement of the term of office. The appointment of Mr. Robert J. Koehler shall be for the period up to the conclusion of the General Meeting which approves the actions of the Supervisory Board for the fourth business year after commencement of the term of office. These appointments shall also

be for a maximum of six years. If the SE is registered in the year 2008, the business year in which the term of office begins shall not be counted for the aforementioned appointments respectively. On the other hand, if the SE is registered in the year 2009 or later, the business year in which the term of office begins shall be counted for the aforementioned appointments.

Section 9 para. (4) of Klöckner & Co SE's Articles of Association also stipulates with the same contents as set forth in Section 8 para. (3) of Klöckner & Co AG's Articles of Association that a substitute member may also be appointed at the same time as the appointment of a Supervisory Board member.

Pursuant to Section 9 para. (5) of Klöckner & Co SE's Articles of Association, a member of the Supervisory Board or a substitute member may resign from office by way of a written declaration to be addressed to the Chairman of the Supervisory Board or the Management Board whereby a notice period of four weeks shall be observed. However, the right to resign from office for good cause remains unaffected thereby. The provision corresponds with Section 8 para. (4) of the Articles of Association of Klöckner & Co AG.

The provision set forth under Section 8 para. (5) of Klöckner & Co AG's Articles of Association was adopted with the same wording in Section 9 para. (6) of Klöckner & Co SE's Articles of Association whereby the General Meeting may recall members of the Supervisory Board before expiration of their term of office without providing any reasons.

6.2.10 Chairman and Deputy Chairman of the Supervisory Board (Section 10)

Section 10 of Klöckner & Co SE's Articles of Association contains provisions on the Chairman and Deputy Chairman of the Supervisory Board. The provisions set forth under Section 10 of Klöckner & Co SE's Articles of Association have the same wording as the provisions set forth under Section 9 of Klöckner & Co AG's Articles of Association. There are no changes here due to the conversion into an SE.

Therefore, according to Section 10 para. (1) of Klöckner & Co SE's Articles of Association, the Supervisory Board shall elect a Chairman and a Deputy Chairman from its midst by a simple majority of the votes whereby in the event of a voting tie, the decision shall be made by lot. Furthermore, this provision stipulates that should the Chairman or his Deputy resign from the Supervisory Board before the term of office has expired, the Supervisory Board shall conduct an election of a substitute. According to Section 10 para. (2) of Klöckner & Co SE' Articles of Association, if the Supervisory Board Chairman and the Deputy Supervisory Board Chairman are prevented from carrying out their activities, then the eldest Supervisory Board member in terms of age shall take the chair of the Supervisory Board for the duration of the prevention.

According to Section 10 para. (3) of Klöckner & Co SE's Articles of Association, the Chairman of the Supervisory Board or in his absence, his Deputy, is authorised to submit and receive declarations of intent in the name of the Supervisory Board which are required to implement the Supervisory Board's resolutions.

6.2.11 Rules of Procedure (Section 11)

Section 11 of Klöckner & Co SE's Articles of Association regards the Rules of Procedure of the Supervisory Board; the regulation corresponds with Section 10 sen-

tence 1 of the Klöckner & Co AG's Articles of Association. According to these regulations, the Supervisory Board shall issue Rules of Procedure for itself which corresponds with the compulsory statutory requirements and the requirements set forth in the Articles of Association. The Articles of Association of Klöckner & Co SE do not contain any regulation on the submission of written votes by authorised couriers (*Stimmboten*) as was contained in Section 9 para. (3) of the Articles of Association of Klöckner & Co AG, as the admissibility of voting in writing by voting messenger is already set out in Section 108 para (3) of the German Stock Corporation Act.

6.2.12 Committees (Section 12)

Section 12 of Klöckner & Co SE's Articles of Association adopts the provisions set forth in Section 11 of Klöckner & Co AG's Articles of Association without change. There it stipulates that the Supervisory Board may form committees from its midst and, to the extent legally permissible, allocate decision-making authority to them.

6.2.13 Confidentiality (Section 13)

According to Section 13 of Klöckner & Co SE's Articles of Association, the members of the Supervisory Board shall, also after resigning from office, maintain secrecy with respect to the trade and business secrets, which become known to them through their activities on the Supervisory Board. This provision corresponds entirely with Section 12 of the Articles of Association of Klöckner & Co AG and is also in line with Art. 49 of the SE Regulation.

6.2.14 Remuneration of the Supervisory Board (Section 14)

Section 14 of Klöckner & Co SE's Articles of Association provides for the Supervisory Board's remuneration as of the conversion taking effect. The provisions mainly correspond with the provisions set forth in Section 13 of Klöckner & Co AG's Articles of Association.

According to this provision, each member of the Supervisory Board shall receive, in addition to the reimbursement of appropriate cash outlays and the VAT accruing on their remuneration and expenditures, a fixed annual remuneration in the amount of EUR 17,000.00. In addition, each member of the Supervisory Board shall receive a profit-related remuneration in the amount of EUR 150.00 for each EUR 1,000,000.00 by which the group surplus in the respective business year for which the remuneration is being paid exceeds the sum of EUR 50,000,000.00.

The Supervisory Board Chairman shall receive three times and his Deputy twice the amount of remuneration. However, the profit-related remuneration shall not exceed the fixed annual remuneration by more than 100% for any member whereby this shall have no effect on the provisions of Section 113 para. 3 sentence 1 of the German Stock Corporation Act. Further, every Supervisory Board member shall receive an attendance fee of EUR 2,000.00 for each meeting of the Supervisory Board and its Committees which the member attends. The Supervisory Board Chairman and the Chairman of a Supervisory Board Committee shall receive three times and the Deputy Supervisory Board Chairman and the Deputy Chairman of a Supervisory Board Committee shall receive twice the amount. The provisions set forth above are contained in Section 14 para. (1) to (3) of the Articles of Association of Klöckner & Co SE which has the same contents as Section 13 para. (1) to (3) of the Articles of Association of Klöckner & Co. AG.

Furthermore, Section 14 para. (4) of Klöckner & Co SE's Articles of Association provides that the remuneration will be paid on a *pro rata temporis* basis for Supervisory Board members who resign from office or are elected to the Supervisory Board in the course of a business year whereby this also applies to the respectively increased remuneration of the Supervisory Board and Committee Chairmen and their Deputies. This mainly corresponds to the provisions set forth in Section 13 para. (4) of the Klöckner & Co AG's Articles of Association. However, the last half of the sentence stating that the provision also applied to the increase of the attendance fee according to Section 13 para. (3) of Klöckner & Co AG's Articles of Association was not included in the Articles of Association of Klöckner & Co SE. According to Section 14 para. (5) of the Articles of Association of Klöckner & Co SE, the remuneration and the attendance fee shall be due for payment after conclusion of the General Meeting which takes receipt of the consolidated financial statements for the respective business year or decides on their approval; this provision corresponds with the provision set forth in Section 13 para. (5) of Klöckner & Co AG's Articles of Association.

Pursuant to Section 14 para. (6) of the Articles of Association of Klöckner & Co SE, the basis for the calculation of the remuneration pursuant to Section 14 para. 1 of Klöckner & Co SE's Articles of Association is the group surplus for the relevant business year, as shown in the approved consolidated annual financial statements pursuant to IFRS, which have been furnished with an unlimited audit certificate, whereby no planned amortizations of the value of the business or goodwill within the meaning of IFRS will be carried out. This mainly corresponds with the provisions set forth in Section 13 para. (6) of Klöckner & Co AG's Articles of Association. Only the provision stating that also the group turnover shall be the basis for the calculation was not included in the Articles of Association of Klöckner & Co. SE.

On the other hand, Section 14 para. (7) of Klöckner & Co SE was adjusted to the particularities of the conversion into the SE which was contained in a slightly changed version in Section 13 para. (7) of Klöckner & Co AG's Articles of Association. According to this provision, payment of the fixed and profit-related remuneration shall be paid for the first time for the business year which follows the business year in which the Company is registered as an SE in the commercial register.

Pursuant to Section 14 para. (8) of Klöckner & Co SE's Articles of Association, the Company may maintain D&O insurance for its corporate bodies in its own interest and at its own expense. If the Company takes out this insurance, the Supervisory Board members must be included. The provision of the Articles of Association corresponds with Section 13 para. (8) of Klöckner & Co AG's Articles of Association.

6.2.15 Location and convening of the General Meeting (Section 15)

Section 15 of Klöckner & Co SE's Articles of Association provides that the General Meeting shall take place at the registered seat of the Company or in cities within the Federal Republic of Germany which have a stock exchange or a population of more than 100,000. The convening of the General Meeting must be published in the electronic Federal Gazette at least 30 days before the day by the end of which the shareholders must have notified their attendance at the General Meeting, not counting the day of the announcement and the last day on which the shareholders must submit their notification of attendance at the General Meeting. The provision is identical with Section 14 of the Articles of Association of Klöckner & Co AG.

6.2.16 Right to attend and voting right (Section 16)

Section 16 of the Articles of Association of Klöckner & Co SE contains provisions on the attendance right and the voting right in the General Meeting. The provision largely corresponds with Section 15 of Klöckner & Co AG's Articles of Association. Pursuant to Section 16 para. (1) of Klöckner & Co SE's Articles of Association, shareholders are entitled to attend the General Meeting and to exercise their voting right if they have properly notified their attendance. The voting right may only be exercised to the extent which exists according to the entry in the share register on the date of the General Meeting.

Under Section 16 para. (1) of Klöckner & Co SE's Articles of Association, shareholders who wish to attend the meeting or exercise their voting rights must provide notification of their attendance before the meeting. The notification can be forwarded in writing, by facsimile or, if the Management Board so resolves, electronically by a method to be determined in detail by the Company to the Management Board at the registered seat of the Company. The delivery of the notification and the date of the General Meeting must be at least six days apart. The Management Board may determine a shorter time limit.

Pursuant to Section 16 para. (2) of Klöckner & Co SE's Articles of Association, an exercise of the voting right by an authorised representative is possible whereby if neither a credit institute nor a shareholders' association is so authorised, then the power of attorney shall be granted in writing, by facsimile or electronically by a method to be determined in detail by the Company.

6.2.17 Chairman of the General Meeting (Section 17)

Section 17 of Klöckner & Co SE's Articles of Association contains provisions regarding the chairmanship in the General Meeting and the powers of the Chairman. These provisions have the same wording as those in Section 16 of Klöckner & Co AG's Articles of Association.

According to Section 17 para. (1) of Klöckner & Co SE's Articles of Association, the Chairman of the Supervisory Board shall preside over the General Meeting. If this person is prevented from attending the meeting, the Supervisory Board shall determine another Supervisory Board member as Chairman of the General Meeting. Section 17 para. (2) of Klöckner & Co SE's Articles of Association authorises the Chairman to preside over the meeting. He has the right to determine a sequence of the items for discussion which is different from the communicated agenda, as well as to determine the manner, form and order of voting.

Furthermore, he may impose a reasonable time limit on the shareholders' right to ask questions and speak; in particular, he may set a reasonable timeframe for the course of the meeting, the discussion of the agenda items as well as the individual speeches or questions.

6.2.18 Image and sound transmission (Section 18)

Section 18 of the Articles of Association of Klöckner & Co SE has largely the same contents as Section 17 of Klöckner & Co AG's Articles of Association. According to this provision, the entire General Meeting may be transmitted by the Company in the form of a sound and image transmission if the Management Board and the Supervisory Board so resolve and announce this upon convening the meeting. The

words ”in part“ were only included in Section 18 of Klöckner & Co SE’s Articles of Association as a clarification that also only a partial transmission on the stated terms and conditions is permissible.

6.2.19 Adoption of resolutions and elections (Section 19)

Section 19 of Klöckner & Co SE’s Articles of Association contains provisions regarding the adoption of resolutions and elections by the General Meeting. The provision largely corresponds to Section 18 of Klöckner & Co AG’s Articles of Association.

According to Section 19 para. (1) of Klöckner & Co SE’s Articles of Association, each no-par value share grants one vote at the General Meeting. Section 19 para. (2) sentence 1 of Klöckner & Co SE’s Articles of Association provides that General Meeting resolutions be passed by a simple majority of votes and, to the extent that a majority of capital is required by statute in addition to the majority of votes, by a simple majority of the share capital represented at the adoption of the resolution, unless mandatory law prescribes otherwise. This provision corresponds to Section 18 para. (2) of Klöckner & Co AG’s Articles of Association.

However, a special provision for amendments to the Articles of Association specifically relating to the SE was included in Section 19 para. (2) sentence 2 of Klöckner & Co SE’s Articles of Association. It stipulates that a simple majority of votes cast is sufficient for a resolution to amend the Articles of Association, as long as at least half of the share capital is represented and no greater majority is prescribed by mandatory law. This provision is new compared to Klöckner & Co AG’s Articles of Association. It is based on Art. 59 of the SE Regulation and Section 51 of the German SE Implementation Act. These latter provisions stipulate that no less than a two-third majority of the votes cast is required for amendments to an SE’s Articles of Association; however, if half of the share capital is represented at the adoption of the resolution, then a simple majority of the votes cast is sufficient. Under Section 51 sentence 2 of the German SE Implementation Act, exceptions to this rule are resolutions on a change to the purpose of the business, resolutions on a cross-border move of the Company’s registered seat pursuant to Art. 8 para. 6 of the SE Regulation as well as resolutions for which a greater majority of capital is prescribed by mandatory law.

6.2.20 Annual financial statements and appropriation of profits (Section 20)

Section 20 of Klöckner & Co SE’s Articles of Association contains provisions regarding the annual financial statements of the Company as well as the appropriation of profits. The provision largely corresponds with Section 19 of Klöckner & Co AG’s Articles of Association, however, contains a change specifically relating to the SE. Additionally, the heading was adjusted as an editorial correction and instead of “Annual Financial Statements and General Meeting” (the same as Section 19 of the Articles of Association of Klöckner & Co AG) now reads “Annual Financial Statements and Appropriation of Profits”.

Section 20 para. (1) of Klöckner & Co SE’s Articles of Association corresponds largely unchanged with Section 19 para. (1) of Klöckner & Co AG’s Articles of Association. It stipulates that in the first three months of the business year, the Management Board must submit the annual financial statements and management report as well as the consolidated financial statements and group management report

for the business year ended to the Supervisory Board without undue delay after preparation. At the same time, the Management Board shall submit its proposal for the appropriation of the net retained profits to the Supervisory Board whereby the provisions set forth in Section 298 para. 3 and Section 315 para. 3 of the German Commercial Code shall remain unaffected.

However, Section 20 para. (2) of Klöckner & Co SE's Articles of Association contains a deviation from Klöckner & Co AG's Articles of Association. Firstly, the Management Board, the same as set forth in Section 19 para. 2 of the Articles of Association of Klöckner & Co AG, must convene the annual General Meeting without undue delay after receipt of the report of the Supervisory Board. However, the provision that Klöckner & Co SE's annual General Meeting must be held within the first six months of each business year is new. Klöckner & Co AG's Articles of Association, on the other hand, provided that the annual General Meeting be held within the first eight months of each business year. The change is based on Art. 54 para. 1 of the SE Regulation, which stipulates that the General Meeting of an SE must be convened at least once per calendar year within six months of the end of the business year.

Sentence 2 of Section 20 para. (2) of Klöckner & Co SE's Articles of Association is again identical to Section 19 para. (2) sentence 2 of Klöckner & Co AG's Articles of Association and contains a non-exhaustive list of topics for resolution by the annual General Meeting. The annual General Meeting thus resolves, in particular, on the appropriation of the balance sheet profits, the choice of auditors as well as the formal approval of the actions of the Management Board and Supervisory Board.

Section 20 para. (3) of the Articles of Association of Klöckner & Co SE corresponds entirely with Section 19 para. (3) of the Articles of Association of Klöckner & Co AG. According to this, in conjunction with the approval of the annual financial statements, the Management Board and the Supervisory Board are authorised to allocate all or parts of the annual surplus remaining after the deduction of the amounts to be allocated to the statutory reserves and the loss carry-forward, to other reserves.

Section 20 para. (4) of the Articles of Association of Klöckner & Co SE provides that the balance sheet profits shall be distributed to the shareholders to the extent that the General Meeting does not resolve a different use. This corresponds with Section 19 para. (4) of the Articles of Association of Klöckner & Co AG.

Also Section 19 para. (5) of Klöckner & Co AG's Articles of Association was also adopted with the same content in Section 20 para. (5) of Klöckner & Co SE's Articles of Association; this provision envisages that the General Meeting may also resolve distributions in kind if the items to be distributed can be traded on a market within the meaning of Section 3 para. 2 of the German Stock Corporation Act.

6.2.21 Amendments to the Articles of Association (Section 21)

The wording of Section 21 of the Articles of Association of Klöckner & Co SE is largely the same as Section 20 of the Articles of Association of Klöckner & Co AG. According to this provision, the Supervisory Board is authorised to resolve on amendments to the Articles of Association which only concern the wording. Furthermore, it may adjust the Articles of Association to new statutory provisions which become binding for the Company without a resolution of the General Meeting being

required. However, the clarification that only the German text of the Articles of Association shall prevail and the English text is only for information purposes was not adopted in Klöckner & Co SE's Articles of Association because the English translation of the Articles of Association of Klöckner & Co SE will be in a separate document which is only for information purposes in which it will be made clear separately that only the German version shall be decisive.

6.2.22 Formation expenses (Section 22)

Compared with Section 21 of Klöckner & Co AG's Articles of Association, the content of Section 22 of Klöckner & Co SE's Articles of Association was supplemented. Firstly, the provisions concerning the assumption of costs for the formation of the company in the legal form of the limited liability company (GmbH) (Multi Metal Holding GmbH) were adopted in Section 22 para. (1) and the provisions on the assumption of costs of the change of legal form of Multi Metal Holding GmbH into Klöckner & Co AG were adopted in Section 22 para. (2). These provisions were only changed editorially for purposes of clarity in that each action was listed in a separate paragraph.

The provision concerning who shall bear the costs of the conversion of Klöckner & Co AG into Klöckner & Co SE has been newly introduced into the Articles of Association of Klöckner & Co SE. According to the basic principles of stock corporation law, it is provided there that the costs of the conversion, meaning in particular the costs of the negotiation procedure on the involvement of the employees, notarial and court costs, publications costs, legal and tax consultation costs and costs of preparation of the valuation certificate pursuant to Art. 37 para. 6 of the SE Regulation) up to the amount of EUR 1 million shall be borne by the Company.

7 Explanation of the Employee Involvement Agreement and the standard rules

The Management Board and the SNB entered into the Employee Involvement Agreement on 29 April 2008, which is explained below after a short description of the contents required by law for an agreement on the involvement of employees in an SE. .

7.1 Contents of an agreement on the involvement of employees as provided for by law

Pursuant to Section 21 of the German SE Employee Involvement Act, the agreement shall contain provisions on the following items:

- area of applicability of the agreement (including the enterprises and branches located outside the territory of the Member States to the extent such enterprises and branches shall be included in the are if applicability of the agreement);
- if an SE works council shall be established:
  - composition of the SE works council, number of its members, allocation of seats, including the effects of significant changes in the number of employees of the SE;
  - functions and procedure for the information and consultation of the SE works council;
  - frequency of the meetings of the SE works council;
  - financial and material resources to be allocated to the SE works council;

- if no SE works council shall be established: arrangements for the implementation of the procedure and/or procedures for the information and consultation of employees;
- if an agreement is made on participation:
  - number of members of the supervisory organ of the SE which may be elected and/or appointed by the employees or where their appointment can be recommended or opposed by the employees;
  - procedure according to which the employees may elect and/or appoint these members or may recommend or oppose their appointment;
  - rights of these members;
- point in time of the agreement taking effect and its term; cases where the agreement shall be newly negotiated and the procedure to be used for this.

7.2 Contents of the Employee Involvement Agreement dated 29 April 2008

The Management Board of Klöckner & Co AG and the SNB entered into the Employee Involvement Agreement on 29 April 2008. The involvement of employees in Klöckner & Co SE is thus subject to the provisions made in the Employee Involvement Agreement and not to the standard rules. Legal rules may apply to the extent expressly referred to in the Employee Involvement Agreement, cf. Section 21 para. 5 of the German SE Employee Involvement Act.

The material contents of the Employee Involvement Agreement entered into between the Management Board of Klöckner & Co AG and the SNB on 29 April 2008 is set out below.

7.2.1 Scope of application (clause 1)

The scope of application of the Employee Involvement Agreement shall comprise Klöckner & Co SE, the subsidiaries of Klöckner & Co SE having their seat in a Member State, and the establishments of Klöckner & Co SE or its subsidiaries located in a Member State. It shall not apply to subsidiaries of Klöckner & Co SE not having their seat in a Member State and not to branches located in non-Member States.

Thus, the Employee Involvement Agreement shall apply to any company of Klöckner & Co Group if its seat or establishments are located in a Member State.

7.2.2 Establishment and composition of the SE works council (clauses 2 and 3)

As also provided for in Section 23 of the German SE Employee Involvement Act, an SE works council with a Managing Committee shall be established pursuant to clause 2. The SE works council, the Managing Committee and the Management Board of Klöckner & Co SE shall cooperate faithfully for the welfare of employees and the Klöckner & Co Group.

The allocation of seats in the SE works council is set out in clause 3. Pursuant to clause 3.2, members shall be elected or appointed to the SE works council for the employees of the SE, its subsidiaries and establishments in each Member State, to the effect that for each Member State where the Klöckner & Co Group has employees, generally at least one member shall be elected or appointed to the SE works council. For each portion of employees in a Member State corresponding to 10% of

the total number of employees in all Member States of the companies and establishments covered by the Employee Involvement Agreement or a fraction thereof, one member from such Member State shall be elected or appointed to the SE works council.

Clause 3.3 of the Employee Involvement Agreement refers to its annex 1 which provides a survey of the allocation of seats in the first SE works council. According thereto, the first SE works council shall be composed as follows:

Country	**Number of employees**	**Proportion of the total number of employees (rounded)**	**Seats in the SE works council**
Belgium	84	1,14%	1
Bulgaria	247	3,35%	1
Germany	1788	24,25%	3
France	2397	32,51%	4
Ireland	6	0,08%	1
Lithuania	2	0,03%	1
Netherlands	553	7,50%	1
Austria	99	1,34%	1
Poland	68	0,92%	1
Romania	12	0,16%	1
Spain	840	11,39%	2
Czech Republic	28	0,38%	1
Hungary	27	0,37%	1
United Kingdom of Great Britain and Northern Ireland	1223	16,59%	2
Total (14 countries)	**7374**	**100%**	**21**

7.2.3 Election or appointment of the members of the SE works council (clause 4)

The election or appointment of the country representatives and their deputy members in the SE works council shall be subject to the respective provisions of the Member States pursuant to clause 4.1 of the agreement.

In accordance with clause 4.2 of the Employee Involvement Agreement, one deputy member shall be elected or appointed for each member of the SE works council at the time of electing or appointing a member. Such deputy member shall par-

ticipate in the meetings of the SE works council if the respective member is temporarily prevented from attending. The deputy member shall succeed to the office of such member in the SE works council if the term of office of the respective member expires. If the term of office of a member or deputy member expires, a new deputy member may be elected or appointed for such office. If both the term of office of a member and of a deputy member expire, a new member and a new deputy member may be elected or appointed for such offices. This provision shall ensure that the committee constitutes a quorum even if individual members are prevented from attending. Furthermore, the Employee Involvement Agreement provides that a new member and substitute member of the SE works council may be elected if the original member/deputy member has left.

Clause 4.3 of the Employee Involvement Agreement provides that only employees of Klöckner & Co SE and of the subsidiaries and establishments covered by theEmployee Involvement Agreement may be members of the SE works council. Besides, the requirements as to the person of the members of the SE works council shall be subject to the respective provisions of the Member States where they are elected or appointed.

7.2.4 Time of the election or appointment of the SE works council; term of office of the SE works council (clause 5)

Clause 5.1 provides that the election or appointment to the first SE works council shall commence without undue delay after the effective date of the Employee Involvement Agreement. Future elections to the works council shall be held every four years in the period from 1 January to 30 June, starting in 2012.

Pursuant to clause 5.2, the regular term of office of the SE works council shall be four years starting with the constituent meeting of the SE works council. The term of office shall expire not before the first constituent meeting of the newly elected SE works council.

Outside the general elections to the SE works council pursuant to clause 5.1 of the Employee Involvement Agreement, members of the works council shall, in particular, only be elected if a deputy member is to be newly elected (cf. clause 4.2 of the Employee Involvement Agreement) or a review pursuant to clause 9 makes a new election necessary. If Klöckner & Co SE acquires or establishes a subsidiary or if Klöckner & Co SE or a subsidiary acquires or founds an branch in a Member State which has so far not been represented in the SE works council, a representative of such Member State may participate as a guest in the meetings of the SE works council until the next review or rotational election or appointment. Clause 4.1 shall apply correspondingly..

7.2.5 Constituent meeting and representation of the SE works council (clause 6)

Pursuant to clause 6.1, the management board of Klöckner & Co SE shall be informed without undue delay of the names of the members of the SE works council and the deputy members, their addresses (including business email addresses, if any) and lengths of service in the company or branch. The Management Board shall disclose these data to the local establishment and company managements and their employee representations. The Management Board of Klöckner & Co SE shall announce the results of the elections or appointments and shall invite to the constituent meeting of the first SE works council without undue delay after nomina-

tion of the members. The constituent meetings of future SE works councils shall be held, if possible, immediately before the annual consultation and information (clause 12).

Clause 6.2 describes the election of the chairperson of the SE works council and the deputy chairmpersons. According thereto, the SE works council shall elect a chairperson and two deputy chairpersons from among its members in the constituent meeting. As further requirements, clause 6.2 provides that the chairpersons shall come from different member states and at least the chairperson shall have a good command of the German or English language.

Pursuant to clause 6.3, the chairperson shall represent the SE works council in the resolutions of the SE works council. The chairperson will also be entitled to accept declarations to be made to the SE works council. The deputy chairpersons shall each individually represent the chairperson if the latter is prevented from attending, such as to ensure the efficiency of the committee also in case the chairperson is absent.

7.2.6 The Managing Committee (clause 7)

Clause 7 contains details as to the Managing Committee of the SE works council. The chairpersons of the SE works council and two other members shall form the Managing Committee of the SE works council ("**Managing Committee**"). The Managing Committee shall manage the activities of the SE works council. These include, in particular, preparing and following up on meetings of the SE works council, receiving and forwarding information in connection with the information and consultation and fulfilling other tasks transferred to it. Furthermore, the Managing Committee shall fulfil the tasks attributed to it in the Employee Involvement Agreement.

Clause 7 makes clear that the Managing Committee is not a separate representative body of the company but an organ of the SE works council whose legal tasks are set out in the Employee Involvement Agreement. This shall ensure the efficiency of the committee.

7.2.7 Meetings and resolutions (clause 8)

Clause 8 describes details on the number of meetings of the SE works council, the quorum of the committee and the place of meetings.

Pursuant to clause 8.1, the SE works council shall meet directly before the meeting with the management as provided for in clause 12 of the Employee Involvement Agreement; the notice of the meeting shall be the Managing Committee's responsibility. Furthermore, there shall be another ordinary shareholders' meeting, generally at annual intervals. Extraordinary meetings of the SE works council may be convened by the Managing Committee upon agreement with the Management Board of Klöckner & Co SE if this becomes necessary due to cross-border matters of extraordinary significance for the Klöckner & Co Group with considerable effects on the situation of employees. The total number of meetings – ordinary and extraordinary – shall not exceed four meetings per calendar year. The existence of extraordinary circumstances (clause 13) alone does not justify any extraordinary meetings of the SE works council.

Clause 8.2 contains provisions on the preconditions for meetings of the Managing Committee. According thereto, meetings of the Managing Committee shall be held directly before meetings of the SE works council, besides if required, in particular after being informed of extraordinary circumstances pursuant to clause 13.

Clause 8.3 provides that both the meetings of the SE works council and those of the Managing Committee shall not be public.

Clause 8.4 contains provisions on the quorum of the SE works council. According thereto, the SE works council shall constitute a quorum if at least half of its members is present and such members represent at least half of the employees represented. The resolutions shall be adopted with a majority of the members present, unless the rules of procedure (clause 8.5) provide differently. Sentence 1, 1st half sentence, and sentence 2 shall apply accordingly to the Managing Committee which provide that the latter shall also constitute a quorum if at least 50% of its members are present; its resolutions shall be adopted with the majority of the members present, unless otherwise provided for in the rules of procedure of the Managing Committee.

Clause 8.5 contains provisions on the authority to issue rules of procedure and on the majorities required for such purpose. According thereto, the SE works council and the Managing Committee may issue written rules of procedure for themselves which shall be adopted with the majority of members. Under the rules of procedure of the SE works council, the votes may be weighted according to the number of employees represented by the respective member; the rules of procedure may also provide for issues of proxy.

Clause 8.6 provides for the place of meetings of the SE works council and the Managing Committee. For both committees, the place of meetings shall generally be the seat of Klöckner & Co SE. The Managing Committee, however, may upon agreement with the Management Board of Klöckner & Co SE determine every other year that the ordinary meeting of the SE works council not concerning the annual consultation provided for in clause 12.1 and the meeting of the Managing Committee directly preceding such meeting shall be held at another site of the Klöckner & Co Group within the area of applicability of the Employee Involvement Agreement.

7.2.8 Review of the composition of the SE works council (clause 9)

Clause 9 of the Employee Involvement Agreement governs the procedure to review the composition of the SE works council. This is to ensure that actual changes in the Klöckner & Co Group are reflected in the composition of the SE works council. According thereto, the Management Board of Klöckner & Co SE shall review in the middle of the term of office of the SE works council whether there have been changes of the SE or its subsidiaries and branches, in particular the number of employees in the individual Member States. It shall communicate the result to the SE works council. If, according thereto, a different composition of the SE works council is required, the works council shall procure that the competent bodies in the relevant Member States newly elect or appoint the members of the SE works council in such Member States for the remaining term of the SE works council. As of the new election or appointment, the membership of the current members of the SE works council from such Member States shall end.

If Klöckner & Co SE acquires or establishes a subsidiary or if Klöckner & Co SE or a subsidiary acquires or establishes an establishment in a Member State which has so far not been represented in the SE works council, a representative from such Member State may participate as a guest in the meetings of the SE works council until the next review or rotational election or appointment. Clause 4.1 of the Employee Involvement Agreement shall apply accordingly, so that the election or appointment of the representative shall be subject to the provisions of the Member State whose employees are represented by such representative.

7.2.9 End of membership in the SE works council (clause 10)

Clause 10 contains a description of the cases where the membership in the SE works council ends. According thereto, the membership in the SE works council shall end upon:

- expiry of the term of office (clause 5.2, sentence 2);
- resignation from the office as member of the SE works council;
- termination of the employment relationship, unless a new employment relationship is entered into with another company included in the scope of the Employee Involvement Agreement with an habitual place of work in the country represented by the relevant member of the SE works council;
- the employing company leaves the group of companies covered by the Employee Involvement Agreement;
- loss of eligibility for election;
- exclusion from the works council based on judicial decision for gross violation of duties by a member or due to a challenge of the election for breach of material provisions on the voting right, electability or voting procedure (Sec. 10.2 and 10.3);
- removal from office by the dispatching body, unless the law of the respective Member State conflicts with such removal;
- other reasons for termination of office listed in the Employee Involvement Agreement or provided for by law.

Clause 10.2 entitles both the SE works council and the Managing Committee of Klöckner & Co SE to initiate judicial exclusion proceedings against a member of the SE works council. According thereto, the SE works council or the Management Board of Klöckner & Co SE may refer to the Labour Court (*Arbeitsgericht*) of Duisburg and request the exclusion of a member from the SE works council for gross breach of legal obligations. The membership in the SE works council shall end upon the decision becoming effective.

Clause 10.3 specifies rules for challenging the election or appointment of a member or deputy member of the SE works council. According thereto, the election or appointment of a member or deputy member of the SE works council may be challenged if material provisions on the voting right, electability or voting procedure have been violated and such violation has not been rectified, unless the election outcome could not be changed or influenced by the breach. Those entitled to challenge the election outcome include the Management Board of Klöckner & Co SE,

the SE works council, the employees' bodies of representation constituting the relevant national election body and, in case of an election by direct vote, at least three employees entitled to vote. The challenge shall be possible within one month after announcement of the election outcome; the period shall not apply to actions for the declaration of nullity. The court of competent jurisdiction shall be the court of the Member State where the respective member was elected or appointed.

7.2.10 Competences of the SE works council and the Managing Committee (clause 11)

Clause 11 governs the competences in terms of contents of the SE works council and the Managing Committee. The SE works council and the Managing Committee shall be competent for the cross-border matters of Klöckner & Co SE and the other companies and establishments covered by the Employee Involvement Agreement. Cross-border matters shall mean matters considerably affecting the employees of the companies and establishments covered by the Employee Involvement Agreement in at least two establishments in two Member States. The SE works council and the Managing Committee are further responsible for extraordinary measures within the meaning of clause 13 taken upon instruction by Klöckner & Co SE, even if they do not have cross-national effect.

Furthermore, clause 11 provides that the SE works council and the management may jointly take initiatives within the area of applicability of the Employee Involvement Agreement to set up guidelines applicable on a group-wide scale, e.g. in terms of equality of opportunities, equal treatment, discrimination, safety at work and health protection as well as education and training policies.

7.2.11 Annual information and consultation (clause 12)

Clause 12 of the Employee Involvement Agreement sets out details on the involvement of the SE works council and the Managing Committee. Clause 12.1 provides that the Management Board of Klöckner & Co SE shall inform the SE works council at least once per calendar year in a joint meeting about the development of the business situation and the perspectives of Klöckner & Co SE by presenting the required documents in time, and shall hear the SE works council. The documents required shall include in particular the annual reports, the agendas of all meetings of the Supervisory Board and copies of all documents presented to the stockholders' meeting. The documents presented to the stockholders' meeting shall generally be presented in English and German. Whether and in which languages individual documents will be translated or relevant parts thereof summarised and translated shall be determined in the individual case by the Managing Committee upon Employee Involvement Agreement with the management.

The development of the business situation and perspectives within the meaning of clause 12.1 shall include in particular cross-border matters concerning

- the structure of Klöckner & Co SE and the economic and financial situation;
- the likely development of the business, financial and sales situation of the Klöckner & Co Group and the strategic planning of the company;
- the employment situation and its likely development in the Klöckner & Co Group;

- capital expenditure (investment programmes) in the Klöckner & Co Group with material effects;
- fundamental changes of the organisation;
- the introduction of new working methods;
- the relocation of companies, establishments or essential parts thereof;
- mergers or divisions of companies or establishments;
- the reduction or closure of companies, establishments or material parts thereof;
- collective redundancies (within the meaning of Article 1 para. 1 (a) (i) of Directive 98/59/EC) in at least two Member States;
- material changes to the shareholder structure of Klöckner & Co SE.

Pursuant to clause 12.3, the Management Board of Klöckner & Co SE shall inform the subsidiaries covered by the Employee Involvement Agreement about the place and date of the meeting.

7.2.12 Information and consultation about extraordinary circumstances (clause 13)

Clause 13 provides for further involvement rights, in particular information and consultation, of the Managing Committee in the event of extraordinary circumstances.

Extraordinary circumstances within the meaning of the Employee Involvement Agreement shall in particular include:

- a cross-border relocation of companies, establishments or essential parts thereof;
- a material reduction of operations or closure of companies, establishments or essential parts of establishhments having effect in at least two Member States;
- collective redundancies (within the meaning of Article 1 para. 1 (a) (i) of Directive 98/59/EC) in at least two Member States.

Clause 13.2 structures the procedure after informing the Managing Committee about extraordinary circumstances. According thereto, the Managing Committee is entitled to meet the Management Board of Klöckner & Co SE upon request to be heard about the extraordinary circumstances. The meeting shall take place within two weeks after the consultation. The Managing Committee shall ask a member of the SE works council representing employees directly affected by the extraordinary circumstances to join the meeting. The Managing Committee shall inform the Management Board of Klöckner & Co SE in due time of the persons invited.

Pursuant to clause 13.3, the Managing Committee is entitled to comment on the planned measures. Furthermore, clause 13 provides that the Managing Committee may request another meeting with the Management Board of Klöckner & Co SE. This is subject to the precondition that the comment of the Managing Committee is made within three weeks and the Management Board of Klöckner & Co SE decides not to act in accordance with the Managing Committee's statement and that the request for another meeting is made by the Managing Committee within one week af-

ter notification by the Management Board of Klöckner & Co SE of its resolution in order to reach an Employee Involvement Agreement . The meeting shall take place within two weeks of the Managing Committee's request. Clause 13.2 sentences 3 and 4 shall apply accordingly so that in this meeting as well a member of the SE works council representing the employees directly affected by the extraordinary circumstances shall be involved. The Managing Committee shall inform the Management Board of Klöckner & Co SE in due time of the persons invited.

Clause 13.4 contains a provision for cases where the measure requires the consent of the Supervisory Board of Klöckner & Co SE. In such cases, the Managing Committee will be entitled to make a written statement to the Supervisory Board of Klöckner & Co SE. After that, the Chairman of the Supervisory Board of Klöckner & Co SE may decide to hold a hearing of the Managing Committee on this matter within two weeks.

7.2.13 Information of employee representatives (clause 14)

In accordance with clause 14, the Managing Committee or the SE works council shall inform the employee representatives of the SE and of the subsidiaries and establishments covered by the Employee Involvement Agreement about the contents and results of the information and consultation procedures.

7.2.14 Training (clause 15)

Clause 15 sets out details for the participation of the members of the SE works council in training and education courses. According thereto, the members of the SE works council have a right to participate in training and education courses if they provide know-how required for the work of the SE works council and the course seems appropriate to meet those requirements. The member of the SE works council shall notify the Management Board of Klöckner & Co SE (by way of notifying the chairperson of the SE works council) and the management of the concerned employing company in due time of the participation, the costs and timing of the course. When determining the timing, the business requirements shall be taken into account.

7.2.15 Experts/trade union representatives (clause 16)

Clause 16 specifies details on the consultation of experts by the SE works council. According thereto, the SE works council or the Managing Committee may request up to two representatives of European trade unions represented in the Group and, if required for the due fulfilment of their tasks, up to two experts of their choice to assist them with their work. The number of the persons so consulted shall not exceed three in each meeting.

7.2.16 Costs and Material Expenses(clause 17)

Clause 17 contains provisions on the assumption of expenses. According thereto, Klöckner & Co SE shall bear the expenses arising from the creation and activities of the SE works council and the Managing Committee, such as e.g. the travelling and accommodation expenses of the committee members, training expenses (clause 15), experts (clause 16), rooms, conference equipment, interpreters, translation of the internal meeting documents (notice of the meeting, minutes). Furthermore, clause 17 provides that travelling expenses and charges in connection with

the participation in meetings shall be settled through the employing companies in accordance with the local provisions.

7.2.17 Secrecy; confidentiality (clause 18)

Clause 18 sets out details on the obligation to observe secrecy and confidentiality.

Clause 18.1 makes clear that the members and deputy members of the SE works council are in particular obliged not to disclose or exploit any trade and business secrets of which they have got knowledge due to their membership in the SE works council and which have expressly been classified as confidential by the Management Board of Klöckner & Co SE. This shall also apply after their withdrawal from the SE works council. The SE works council and the Management Board of the SE shall jointly seek to ensure that interpreters, experts and trade union representatives according to clause 16 and other guests (clause 9) submit themselves to a corresponding obligation towards Klöckner & Co SE.

Clause 18.2 governs exceptions from the obligation to observe secrecy. According thereto, the obligation of the SE works council to observe secrecy shall not apply in relation to:

- members of the SE works council (cf. clause 18.2.1);
- employee representatives of Klöckner & Co SE, its subsidiaries and establishments if they are to be informed of the contents of the information and the results of the consultation under the Employee Involvement Agreement (cf. clause 18.2.2);
- interpreters, experts and trade union representatives consulted for support and other guests (clause 9) (cf. clause 18.2.3).

Pursuant to clause 18.3, the obligation to observe secrecy pursuant to clause 18.1 shall extend to persons fulfilling the functions set out therein. According thereto, the obligation to observe secrecy shall apply accordingly to:

- the employee representatives of the SE, its subsidiaries and establishments (cf. clause 18.3.1);
- the interpreters, experts and trade union representatives consulted for support and other guests (clause 9) (cf. clause 18.3.2);

Clause 18.4 provides that the exception from the obligation to observe secrecy according to clause 18.2.1 shall apply accordingly to the circle of persons pursuant to clauses 18.3.1 and 18.3.2.

Besides, section 18.5 additionally determines that the standard rules of Section 41 of the German SE Employee Involvement Act on secrecy and confidentiality shall apply.

7.2.18 Protection of employee representatives (clause 19)

Clause 19.1 contains provisions on the protection of employee representatives. According thereto, the members of the SE works council shall enjoy the same protection and guarantees as provided for employee representatives by the national legislation and/or practice in force in the Member State where they are employed. The same shall apply in particular to the protection against dismissal, the attendance in

the meetings of the bodies in which they are members and the continued payment of remuneration.

Pursuant to clause 19.2, the members of the SE works council shall be released from their other activities insofar as this is required for fulfilling their tasks.

Clause 19.3 provides that, in their capacity as members of the SE works council, the employee representatives are entitled to visit all branches of the Klöckner & Co Group in the Member State represented by them.

Besides, the provisions of the standard rules of Sections 42 (protection of employee representatives) and 44 of the German SE Employee Involvement Act (creation and activity protection) shall apply.

According to clause 19.5, Klöckner & Co SE ensures that the management of the companies which are part of the Klöckner & Co Group knows and adheres to the information and involvement rights of the employees resulting from the Employee Involvement Agreement.

7.2.19 Participation (clause 20)

Clause 20.1 makes clear that there shall be no participation in supervisory or administrative organs of Klöckner & Co. SE. In addition, clause 20.2 ascertains that in case a company having a co-determined supervisory board will be merged onto Klöckner & Co SE, it will be necessary to renegotiate the matter of participation.

7.2.20 Other bodies representing employees (clause 21)

Clause 21 describes the relationship of the SE works council to other employee representations.

Clause 21.1 provides that apart from the SE works council – applying the standard rules – no other employee representations shall be maintained or established on a European level. With regard to the European Works Council, it is set out accordingly that the agreement on the establishment of a European Works Council of 1996 shall end upon the entry into effect of the Employee Involvement Agreement. Clause 21.2 makes clear that in other respects, the Employee Involvement Agreement shall not affect or prejudice the rights to involvement of employees provided for by national laws and regulations.

7.2.21 Duration of the Employee Involvement Agreement (clause 22)

Clause 22.1 specifies the duration of the Employee Involvement Agreement. According thereto, the Employee Involvement Agreement shall become effective upon registration of the transformation of Klöckner & Co AG into an SE. It shall be entered into for an indefinite term and may be terminated by the Management Board of Klöckner & Co SE and the SE works council giving twelve months' notice effective at the end of a month, for the first time with effect at the end of 30 June 2016.

Clause 22.2 adds that the Employee Involvement Agreement shall remain effective until it is replaced by a new agreement on the involvement of employees in Klöckner & Co SE.

7.2.22 New negotiations (clause 23)

Regarding the requirement of restarting negotiations, clause 23 refers to the standard rules of Section 18 para. 3 of the German SE Employee Involvement Act. Section 18 para. 3 of the German SE Employee Involvement Act provides that at the instigation of the management – i.e. in this case the Management Board of Klöckner & Co SE – there shall be negotiations on the involvement of employees if structural changes of the SE are planned which are suitable to reduce the employees' rights to involvement. Accordingly, clause 23 provides that in case of restarting the negotiations pursuant to Section 18 para. 3 of the German SE Employee Involvement Act, the negotiations shall be held by the Management Board of Klöckner & Co SE and the SE works council together with representatives of the employees affected by the planned structural change who have so far not been represented by the SE works council.

7.2.23 Governing law and language, place of jurisdiction, arbitration body (clause 24)

Clause 24 contains a choice of law which provides that the Employee Involvement Agreement shall be governed by German law and, in particular, the German SE Employee Involvement Act shall apply. The German version of the Employee Involvement Agreement shall prevail.

Clause 24.2 provides that the court of local and subject matter jurisdiction for any disputes arising from the Employee Involvement Agreement shall be the Employment Court (*Arbeitsgericht*) of Duisburg.

Clause 24.3 specifies details for the case of disagreements between the company management and the SE works council on the contents, interpretation and application of the Employee Involvement Agreement. If such disagreements cannot be settled within the meaning of a faithful cooperation, the parties may take recourse to an arbitration body at the seat of Klöckner & Co SE. This shall not apply to issues concerning the validity of elections or appointments in accordance with clause 10.3 and not to the consultation process in accordance with clause 13. The three members of the arbitration body shall be nominated by the Managing Committee and the company management. Either party shall propose one associate judge each. The chairperson shall be nominated jointly by the Managing Committee and the management; if an agreement on the person of the chairperson cannot be achieved, the employment court of jurisdiction for the seat of the company shall appoint the chairperson. Decisions by the arbitration body shall not exclude a subsequent recourse to the employment court.

7.2.24 Miscellaneous (clause 25)

Clause 25.1 makes clear that the Management Board of Klöckner & Co SE and the SE works council may unanimously amend or adjust the Employee Involvement Agreement.

Clause 25.2 contains a clarification for the SE works council with regard to a contact on the part of the company and the relevant contact details.

7.3 Survey of the standard rules

The standard rules on the involvement of employees shall not apply to Klöckner & Co SE as the Management Board of Klöckner & Co AG and the SNB entered into the Employee Involvement Agreement on 29 April 2008 with the contents set out in clause 7.2 of this Transformation Report.

Therefore, only the essential features of the standard rules of the German SE Employee Involvement Act are set out in a short survey:

7.3.1 Sections 22 et seq. of the German SE Employee Involvement Act (SE works council)

The standard rules provide for the creation of a works council in Sections 22 et seq. of the German SE Employee Involvement Act. According thereto, it is the task of the SE works council to ensure that the employees of Klöckner & Co SE are informed and heard. It shall be responsible for all matters concerning Klöckner & Co SE itself or one of its subsidiaries or branches in another Member State or exceeding the powers of the competent bodies on the level of the individual Member State. The SE works council shall be informed and heard about the development of the business and the perspectives of the SE at annual intervals. It shall also be informed and heard about any extraordinary circumstances. The SE works council, in turn, shall inform the employee representatives or – for lack of employee representations – the employees of the SE, its subsidiaries and branches about the contents and results of the information and consultation. The costs arising from the creation and activities of the SE works council shall be borne by the SE.

The composition of the SE works council and the nomination of its members shall basically be in accordance with the regulations on the nomination of members of the SNB; therefore, it shall also be comprised of employee representatives of the Member States where the Klöckner & Co Group employs employees whereby the allocation of seats shall be based on the proportion of the number of employees attributable to the respective Member State.

If the SE works council is established pursuant to Section 22 para. 1 no. 2 of the German SE Employee Involvement Act as an agreement has not been achieved by the end of the negotiation period, the end of the negotiation period shall be decisive for determining the number of employees employed, cf. Section 23 para. 1 sentence 4 of the German SE Employee Involvement Act. The procedure of nominating the individual members shall be governed by the laws of the Member State for which they are to be nominated. Therefore, the respective regulations of the German SE Employee Involvement Act shall apply in Germany.

During the existence of the SE, the management of the SE – in this case the Management Board of Klöckner & Co SE – shall in the event of application of the standard rules review at two years' intervals whether changes in the SE, its subsidiaries and branches, in particular the number of employees, require a change in the composition of the SE works council. Pursuant to Section 26 para. 1 of the German SE Employee Involvement Act, the SE works council shall decide with the majority of its members four years after being established whether to start negotiations on an agreement on the involvement of employees in the SE or remain with the current provisions. If the SE works council decides to start negotiations, the SE works council shall replace the SNB for such negotiations.

7.3.2 Sections 34 et seq. of the German SE Employee Involvement Act (employee participation)

The standard rules further provide for the case of an SE established by way of transformation, if provisions on the participation of employees in the supervisory or administrative organ applied in the company prior to the transformation, that the provisions on participation as applicable in the company prior to the transformation shall be maintained (cf. Section 34 para. 1 of the German SE Employee Involvement Act).

Klöckner & Co SE shall not be subject to employee participation since the relevant legal requirements are neither fulfilled pursuant to the German Employee Participation Act of 1976 nor pursuant to the German One-third Participation Act. Therefore, the application of the German standard rules would have had the effect that Klöckner & Co SE is not subject to participation in the Supervisory Board. The supervisory board of Klöckner Stahl- und Metallhandel GmbH, Duisburg, a subsidiary of Klöckner & Co AG, which was established in accordance with the German One-third Participation Act, is not taken into consideration. Only the provisions on participation of employees as applied in the company that is to be transformed, i.e. in the present case Klöckner & Co AG, shall be maintained according to Sections 34 et seqq. of the German SE Employee Involvement Act.

8 Balance sheet and tax effects of the conversion

The conversion of Klöckner & Co AG into Klöckner & Co SE does not result in either the winding up of the Company or the formation of a new legal entity (Art. 37 para. 2 of the SE Regulation). The Company's legal and commercial identity remains the same. The provisions on drawing up the annual financial statements and other provisions that affect the annual financial statements and the management report as well as the consolidated financial statements and management report, follow the rules applicable to a German stock corporation. The conversion thus has no effects on the balance sheets.

Klöckner & Co AG assumes that the conversion of Klöckner & Co AG into Klöckner & Co SE with registered office in Germany, under preservation of legal identity, will be tax neutral under German law. Any future distribution of dividends by the Company or divestitures of Company shares will have fundamentally the same fiscal effects with regard to German income tax for the Company shareholders as did distributions of dividends and divestitures before the conversion, unless the correspondingly applicable law or the factual basis changes. No substantial German capital transfer tax, turnover tax or stamp tax will accrue on the conversion of Klöckner & Co AG into Klöckner & Co SE.

Company shareholders are recommended to consult their tax advisor with regard to any potentially existing circumstances, particular to them, that may be fiscally relevant.

The Company itself will be subject to the same tax provisions, after conversion into an SE, as a German stock corporation.

9 Securities and exchange trading

The conversion of Klöckner & Co AG into Klöckner & Co SE has no substantial effects on the Company's shares or on its stock exchange listing.

Once the conversion takes effect, shareholders of Klöckner & Co AG become shareholders in Klöckner & Co SE with the same participation quota. As was the case at Klöckner & Co AG before conversion, Klöckner & Co SE's shares are also no-par value registered shares. Share certificates in the name of Klöckner & Co AG will be exchanged for share certificates in the name of Klöckner & Co SE after the conversion takes effect. Shares in Klöckner & Co SE will, like those of Klöckner & Co AG, be securitised in a global certificate.

Since June 2006, the shares of Klöckner & Co AG have been admitted for trading on the Frankfurt Stock Exchange in the official market with further admission follow-up obligations (Prime Standard). The shares of Klöckner & Co AG are traded on the Xetra trading platform as well as also on the stock exchanges in Stuttgart, Düsseldorf, Berlin, Munich, Hamburg and Hanover. As of the end of January 2007, the Klöckner & Co share has been listed in the MDAX Index of the German stock exchange.

The conversion has no effects on the exchange trading of the shares. Shareholders of the Company may therefore, after the conversion of Klöckner & Co AG into Klöckner & Co SE, continue to trade their (afterwards) Klöckner & Co SE shares on any exchange on which Klöckner & Co AG shares are listed. The conversion also has no effect on the inclusion of the Company's shares in the stock indices. In particular, no new official listing is required for shares in Klöckner & Co SE, since the Company is neither dissolved nor newly formed by the conversion (see Art. 37 para. 2 of the SE Regulation). The listing must however be adjusted due to the Company's new name. The changes associated with the conversion, particularly those to the Articles of Association, will be communicated by the Company to the German Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin*) and the appropriate admission boards in accordance with Section 30c of the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*).

Duisburg, 5 May 2008

Klöckner & Co Aktiengesellschaft

The Management Board

Dr. Thomas Ludwig Ulrich Becker Gisbert Rühl

PART E
Report on the Audit pursuant to Article 37 para. 6 of the SE Regulation

PRICEWATERHOUSECOOPERS

Convenience Translation
German Version legally binding

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Report

Klöckner & Co Aktiengesellschaft,
Duisburg

Examination of capital coverage in the context of a transformation of corporate form pursuant to Article 37 para. 6 SE Reg.

Engagement: 0.0515300.001

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Due to technical reasons, there can be rounding differences in the tables amounting to ± one unit (€, % etc.).

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Appendix 2:	Balance sheet of Klöckner & Co AG dated 31 December 2007
Appendix 3:	General Engagement Terms for German Public Auditors and Public Audit Firms as of January 1, 2002

List of Abbreviations

AG	German Stock Corporation [*Aktiengesellschaft*]
CAPM	Capital Asset Pricing Model
ECC	European Economic Community
GmbH	German Company with Limited Liability [*Gesellschaft mit beschränkter Haftung*]
HGB	German Commercial Code [*Handelsgesetzbuch*]
IDW	Institute of Accountants in Germany [*Institut der Wirtschaftsprüfer in Deutschland e.V.*], Düsseldorf
IDW ES 1	Draft of the IDW Standard 1 Principles on Conducting Valuations of Enterprises in the version dated 5 September 2007
IFAC	International Federation of Accountants, Geneva
IFRS	International Financial Reporting Standard
ISAE	International Standard on Assurance Engagement
ISIN	International Securities Identification Number
Klöckner & Co AG	Klöckner & Co Aktiengesellschaft, Duisburg, previously until 7 June 2006: Multi Metal Holding GmbH, Duisburg
KPMG	KPMG Hartkopf + Rentrop Treuhand KG Wirtschaftsprüfungsgesellschaft, Cologne
M-DAX	Mid-Cap-DAX
PS	Auditing Standard of the IDW
Directive 77/91/EEC	Second (Corporate Law) Directive 77/91/EEC of the Council dated 13 December 1976
SE	Societas Europaea (European Corporation)
SE Reg.	Regulation (EC) no. 2157/2001 of the Council dated 8 October 2001 on the statutes for the European Corporation (SE)
UmwG	German Act on Transformation of Corporate Form [*Umwandlungsgesetz*]

A. Nature and performance of the assignment

1. Upon the request of the Executive Board of

   Klöckner & Co Aktiengesellschaft, Duisburg
   (hereinafter referred to as "Klöckner & Co AG" or the "Company"),

   the District Court Düsseldorf appointed us as expert in accordance with Article 37 para. 6 SE Reg. in an order dated 6 March 2008 (File no.: 33 O 24/08 [AktE]) (see Appendix 1).

2. The occasion for this was the intended transformation of corporate form of Klöckner & Co AG into

   Klöckner & Co SE, Duisburg,

   pursuant to Article 2 para. 4 SE Reg. The Executive Board and the Supervisory Board of Klöckner & Co AG plan to propose the transformation to an SE to the regular general shareholders meeting of the Company on 20 June 2008 for purposes of a resolution.

3. Pursuant to Article 37 para. 6 of the SE Reg., an expert must confirm, under corresponding application of the Second Directive 77/91/EEC of the Council dated 13 December 1976, that the Company has net assets at least in the amount of its capital plus the reserves required by law or statutes which are non-distributable.

4. Our responsibility to examine the capital coverage is determined under Article 37 para. 6 SE Reg. in conjunction with § 60 in conjunction with § 11 para. 2 UmwG, in conjunction with § 323 HGB. To the extent applicable, this engagement and the concomitant responsibilities, including responsibilities in relation to third parties, are governed by the “General Engagement Terms“ for Wirtschaftsprüfer (Public Accountants and Auditors) and Wirtschaftsprüfungsgesellschaften (Firms of Public Accountants and Auditors) dated January 1, 2002 which are attached to this report.

5. This report is only for purposes of providing information to the corporate bodies of Klöckner & Co AG, being provided to the shareholders in advance and in the context of the general shareholders meeting on 20 June 2008 in conjunction with the resolution on transforming the Company into an SE and for presentation to the register court.

6. We conducted our examination in the months of March and April 2008 in the business premises of the Company and in our own offices.

7. For purposes of this examination, we primarily used the following documents:

   - Business plans of the Klöckner & Co AG corporate group for the years 2008 through 2010,
   - Annual financial statements of Klöckner & Co AG as of 31 December 2005, 2006 and 2007 and corresponding audit reports of KPMG,
   - Consolidated financial reports of Klöckner & Co AG as of 31 December 2007 and corresponding audit report by KPMG,
   - Articles of association of Klöckner & Co AG in the version dated 20 June 2007,
   - Excerpt from the commercial register for Klöckner & Co AG dated 2 April 2008,
   - Draft of the transformation plan of Klöckner & Co AG for transformation to an SE in the version dated 18 April 2008,
   - Draft of the transformation report of Klöckner & Co AG on the transformation to an SE in the version dated 19 April 2008,
   - Interim financial statements of Klöckner & Co AG as of 31 March 2008 (not audited).

8. All requested declarations and evidence were willingly provided by the Executive Board of Klöckner & Co AG and the employees instructed by the Executive Board. The Executive Board has issued the standard written declaration of completeness.

9. We have conducted our examination in accordance with the International Standard on Assurance Engagement 3000 (ISAE 3000) of IFAC. According to this standard, the examination must be planned and conducted in such a manner that it can be determined with sufficient certainty whether the company being transformed has net assets at least in the amount of its capital plus the reserves non-distributable which are to be established by force of law or under statutes (Article 37 para. 6 SE Reg.). Audit procedures performed by ourselves within the meaning of §§ 316 et seq. HGB were not the subject of our mandate.

10. We are of the opinion that our examination provides an adequately certain basis for our evaluation.

B. Legal and economic circumstances

11. The Company is active under the name Klöckner & Co Aktiengesellschaft, Duisburg.

12. The Company is an operationally active holding company in the Klöckner & Co AG group. This group is represented in Europe and North America with 260 branches.

13. The registered office of Klöckner & Co AG is in Duisburg. The Company is registered in the commercial register at the Local Court [*Amtsgericht*] Duisburg, Section B, under no. 18561.

14. The articles of association of Klöckner & Co AG in the currently valid version are dated as of 20 June 2007 (registration on 4 July 2007).

15. The purpose of the business is the distribution and trading in products made of steel, metal and plastics as well as manufacturing and processing such products and the acquisition and administration of participations of all kinds, especially in businesses where the corporate purpose extends to the above described activities.

    The Company can establish subsidiaries, branches and acquire participations in other businesses in Germany and in foreign countries to the extent that these subsidiaries, branches and other businesses are active in the field of the Company or the acquisition promotes the purpose of the business, also for the purpose of developing and subsequently selling such enterprises. The Company can represent enterprises in which it holds participations, combine them under unified management and conclude corporate group agreements for this purpose. The Company can completely or partially spin off its operations to affiliated enterprises or transfer them to affiliated enterprises.

16. The fiscal year of the Company is the calendar year.

17. The Company has been listed since 28 June 2006 in the Prime Standard of the official market at the Frankfurt Securities Exchange (ISIN: DE000KC01000). The shares were included as of 29 January 2007 in the M-DAX of the German Stock Exchange.

18. The audited balance sheet of Klöckner & Co AG as of 31 December 2007 can be represented as follows:

	31 December 2006	31 December 2007
	T€	T€
Fixed assets	**251,019**	**258,787**
in % of Total assets	*63.8%*	*30.6%*
Intangible assets	149	168
Property, plant and equipment	198	317
Financial assets	250,672	258,303
Current assets	**142,206**	**530,417**
in % of Total assets	*36.2%*	*62.6%*
Receivables and other assets	142,196	530,391
Cash and cash equivalents	10	26
Prepaid expenses	**109**	**57,703**
Total assets	**393,334**	**846,907**
Equity	**366,437**	**440,538**
in % of Total equity and liabilities	*93.2%*	*52.0%*
Subscribed Capital	116,250	116,250
Capital reserves	197,699	260,496
Other revenue reserves	15,288	26,592
Retained profits	37,200	37,200
Provisions	**13,740**	**14,562**
in % of Total equity and liabilities	*3.5%*	*1.7%*
Liabilities	**13,157**	**391,806**
in % of Total equity and liabilities	*3.3%*	*46.3%*
Total equity and liabilities	**393,334**	**846,907**

Source: Audit reports KPMG

C. Capital within the meaning of Article 37 para. 6 SE Reg.

19. The subject matter and scope of the examination of capital coverage follows from Article 37 para. 6 SE Reg. According to this provision, a confirmation is required that the stock corporation changing its corporate form has net assets at least in the amount of the share capital set forth in the articles of association of the SE (subscribed capital) and the reserves which are non-distributable under the law or the articles. The reserves which are non-distributable include primarily the statutory reserves (§ 150 para. 1 and para. 2 AktG) and the capital reserves pursuant to § 272 para. 2 nos. 1 through 3 HGB (§ 150 para. 3 and para. 4 AktG).[1]

20. The equity capital of Klöckner & Co AG consists of the following as of 31 December 2007:

	31 December 2007	Distributable	Non-distributable capital and capital reserves
	T€	T€	T€
Equity			
Subscribed Capital	116,250	0	116,250
Capital reserves	260,496	109,949	150,547
acc. to § 272 para. 2 no. 1 HGB	87,750	0	87,750
acc. to § 272 para. 2 no. 2 HGB	62,797	0	62,797
acc. to § 272 para. 2 no. 4 HGB	109,949	109,949	0
Other revenue reserves	26,592	26,592	0
Retained profits	37,200	37,200	0
	440,538	**173,741**	**266,797**

[1] See, Seibt in Lutter/Hommelhoff (publisher), SE Commentary, 2008, Article 37 no. 25.

21. The subscribed capital of the Company under § 4 para. 1 of the articles of association of Klöckner & Co AG as of 31 December 2007 is T€ 116,250 and has been completely paid in.

22. The general shareholders meeting on 21 June 2006 decided on authorized capital of T€ 50,000. This was registered in the commercial register on 26 June 2006 and is available, among other purposes, for the purpose of financing acquisition. Pursuant to § 4 para. 2 of the articles of association, the Executive Board is authorized with the consent of the Supervisory Board to increase the share capital by issuing new bearer shares at one time or on multiple occasions up to a total of T€ 50,000 until June 20 2011. The capital increase can occur either in exchange for cash contributions or in exchange for contributions in kind for the purpose of acquiring companies, participations in companies or divisions. The Executive Board has not made use of this authorization up to the present time. Furthermore, according to representations received from the Executive Board there is no intention to use the authorized capital prior to the general shareholders meeting on 20 June 2008. In this regard, there is no change in the subscribed capital.

    The regulation under § 4 clause 2 will be taken into the new articles of association of Klöckner & Co SE, but in a maximum up to the amount and number of shares in which and in which amount the authorized capital under § 4 para. 2 of the articles of association of Klöckner & Co AG still exists in accordance with the transformation plan at the time the transformation of Klöckner & Co AG into a European Company (SE) takes effect. In accordance with the above discussion, it can continue to be assumed that there is authorized capital amounting to T€ 50,000.

23. In addition, conditional capital in the amount of T€ 11,625 was created in accordance with a resolution of the general shareholders meeting dated 20 June 2007. Pursuant to § 3 para. 3 of the articles of association, this conditional capital serves to carry out conversions of convertible bonds. The issuance of the new shares will be at a conversion price of € 80.75. The conversion period runs until 18 July 2012. The conditional capital increase is to be carried out pursuant to § 3 para. 3 of the articles of association only to the extent that holders or creditors of subscription rights and conversion rights make use of these rights or to the extent that holders required to convert fulfill their duty to convert and to the extent that no cash compensation is granted or no treasury shares or shares created under authorized capital are used to service the conversion. At the present time, there have been no conversions. No exercise of conversion rights is anticipated prior to the general shareholders meeting on 20 June 2008. Accordingly, there is no change in the subscribed capital.

    As is apparent from § 4 clause 3, the regulation will be incorporated into the new articles of association of Klöckner & Co SE, but only up to a maximum amount and number of shares for which the conditional capital increase has not yet been carried out at the time the conversion of Klöckner & Co AG into a European Company (SE) in accordance with the conversion plan takes

effect. According to the above discussion, conditional capital in the amount of T€ 11,625 can be assumed in this regard.

24. The premium realized in the context of the initial public offering on 28 June 2006 as a result of issuing the shares in the amount of T€ 87,750 was placed in the capital reserves which are non-distributable in accordance with § 272 para. 2 no. 1 HGB.

25. The option premium in the amount of T€ 62,797 resulting from the conversion right in connection with the issued bonds was placed in the capital reserve which is non-distributable in accordance with § 272 para. 2 no. 2 HGB.

26. The other amount in the capital reserves in the amount of T€ 109,949 results, among other reasons, from additional payments by the shareholders (§ 272 para. 2 no. 4 HGB) and, as well as the free revenue reserves, is subject to distribution in the amount of T€ 26,592 together with the retained profits amounting to T€ 37,200.

27. The articles of association of Klöckner & Co AG dated 20 June 2007 do not provide for the creation of any reserves with restrictions on distribution.

28. It can be determined as an interim result that the equity capital within the meaning of Article 37 para. 6 SE Reg. for the Company subject to the examination on covering capital plus the reserves which are non-distributable under force of law amounted to T€ 266,797 as of 31 December 2007.

29. On the basis of the interim financial statements of Klöckner & Co AG as of 31 March 2008 (not audited) presented to us as well as the information provided, there has been no change in the capital and the reserves which are non-distributable by force of law up to the present time.

30. Accordingly, the issue was to be examined whether Klöckner & Co AG, which is changing its corporate form, has net assets at least in the amount of its subscribed capital of T€ 116,250 plus the reserves which are non-distributable by force of law in the amount of T€ 150,547, thus, in a total amount of T€ 266,797.

D. Examination of capital coverage

I. Methodology and approach for valuation

31. The transformation into an SE requires pursuant to Article 37 para. 6 SE Reg. that the company has net assets at least in the amount of its capital plus the reserves which cannot be distributed by force of law or the articles. Pursuant to Article 37 para. 2 SE Reg., the transformation of a German stock corporation into an SE represents a transformation of corporate form which preserves the identity of the company. Accordingly, no transfer of assets takes place. The provisions in the AktG and the UmwG on raising capital and on determining net assets are applied on the basis of Article 5 SE Reg., 10 SE Reg., as well as 15 SE Reg. Pursuant to Article 13 of the Directive 77/91/EEC, the same provisions as for establishing a company basically apply for a transformation.

32. In the case of contributing a business as a whole, under the current predominant opinion in case law and in legal writings, the value of the contribution in kind is determined in accordance with the discounted earnings method as a total value of the enterprise.[1] In addition to the discounted earnings method which is considered to be determinative for the maximum value, it is recognized in the legal writing on "transformation law" that proof of capital can also be provided using the net book assets under commercial law.[2] As a result of this, we have examined in the first step the capital coverage using the net book assets under commercial law and have subsequently supported this by an estimate determination of value under the discounted earnings method. The determination under the discounted earnings method was conducted on the basis of the information provided to us, especially the planned accounts of the Klöckner & Co AG group for the years 2008 through 2010. The basis for our evaluation is a draft of the IDW Standard 1 Principles on Conducting Valuations of Enterprises in the version dated 5 September 2007 ("IDW ES 1").

[1] See, German Supreme Civil Court [*Bundesgerichtshof*, "BGH"], judgment dated 9 November 1989, II ZR-190/97.

[2] In this line, expressly Dirksen, in Kallmeyer, UmwG, 3rd edition, § 220 no. 11; also Stratz, in Schmitt/Hörtnagl/Stratz, UmwG, 4th edition, § 220 no. 7.

II. Net book assets under commercial law

33. In order to examine the capital coverage using the net book assets under commercial law (equivalent to equity capital within the meaning of § 266 para. 3 A. HGB), we have used the balance sheet in the annual financial statements as of 31 December 2007 which were audited by KPMG and given full certification.

34. Accordingly, the net book assets under commercial law are as follows:

Klöckner & Co AG	**31 December 2007**
	T€
Fixed assets	**258,787**
Intangible assets	168
Property, plant and equipment	317
Financial assets	258,303
Current assets	**530,417**
Receivables and other assets	530,391
Cash and cash equivalents	26
Prepaid expenses	**57,703**
Total assets	**846,907**
Provisions	**14,562**
Liabilities	**391,806**
Total liabilities	**406,369**
Net book assets under commercial law	**440,538**

35. The valuation of the assets and liabilites in the annual financial statements of Klöckner & Co AG as of 31 December 2007 occurred specifically as follows according to the information contained in the notes to the annual financial statements.

- Acquired intangible assets as well as assets constituting property, plant and equipment were, as a general rule, valued at the cost of acquisition or manufacturing costs, taking into account depreciation under commercial law. Moveable fixed assets which are subject to wear and tear are depreciated in a regular linear manner. Minor assets are fully depreciated in the year of procurement. In cases where fixed assets subject to wear and tear have a lower value on the balance sheet date, extraordinary depreciation was charged. Other operating and business equipment is depreciated over periods between three and 13 years.

- The financial assets were assessed at acquisition costs and at a lower assessable value in the case of likely long-term reductions in value.

- Receivables and other assets are generally valued at the cost of acquisition. Apparent risks are taken into account generally by individual adjustments of value. The receivables in foreign currency are valued at the costs of acquisition or at the lower exchange rate as of the effective date.

- The provisions for pensions were determined on the basis of the interest rate of 6 % required under tax law. The provisions cover the present value of all pension commitments. The provisions for long service awards were also determined using actuarial principles and the application of an interest rate of 5.5 %.

- The other provisions all take into account recognizable obligations and impending risks.

- Liabilities are as a general rule assessed at the amount of repayment.

36. On the basis of our own critical analysis of the audited annual financial statements of Klöckner & Co AG as of 31 December 2007, we did not find any indications for any entry into the balance sheet at variance with the above described method of valuation.

37. Since the balance sheet date, the net book assets under commercial law, according to information, have been further strengthened by positive earnings, taking into account the contributions to earnings from companies which are associated to Klöckner & Co AG by way of an uninterrupted chain of profit and loss transfer agreements.

38. The conclusion is that the net book assets (equity capital) under commercial law in the amount of at least T€ 440,538 cover and even clearly exceed the non-distributable equity capital within the meaning of Article 37 para. 6 SE Reg. in the amount of T€ 266,797.

III. Value of the enterprise

1. Discounted earnings value

39. Pursuant to IDW ES 1 in the version 2007, the value of an enterprise is determined on the basis of the benefits which the enterprise can generate in the future on the basis of the factors for success existing at the time of the valuation, including its innovative power, products and position in the market, internal organization, employees and management. Subject to the prerequisite that exclusively financial goals are pursued, the value of an enterprise is derived from its characteristics by the combination of all of the factors influencing the earnings power to generate financial surpluses for the owners of the enterprise.

40. The value of the enterprise can be determined either using the discounted earnings method or the discounted cash flow procedure. Both methods of valuation are basically equivalent and lead to identical results in the case of the same financial assumptions and, thus, to identical net income for the owners of the enterprise because these methods are based on the same theoretical basis for investment (calculation of value of capital).

41. In the case of both valuation methods, initially the present value of the financial earnings of the assets required for the business is determined. Assets (including debt) which can be individually transferred without affecting the actual purpose of the enterprise are to be taken into account as assets which are not required for the business. The total of the present values of the financial surpluses of the assets required for operations and the assets which are not required for operations yield the enterprise value.

42. The forecast for the future financial earnings represents the core problem in any enterprise valuation. The earnings power demonstrated in the past generally serves as a starting point for considerations of plausibility. For purposes of valuation, only those surpluses are to be taken into account which result from measures which have already been initiated or from a documented and adequately specified concept for the business. If the prospects for earnings are different in the future as a result of reasons relating to the business or changes in the market conditions or the competition, the recognizable differences must be taken into account.

43. When determining enterprise values, the general rule is to assume the distribution of the financial surpluses, taking into account the legal restrictions, which are available on the basis of a documented concept for the enterprise as of the valuation date. When determining the net income for the owners of the business, retained earnings as well as their use must be taken into account.

44. The future financial surpluses must be discounted to the date of the valuation using an appropriate interest rate in order to value an enterprise. This interest rate for purposes of capitalization serves the purpose of measuring the resulting series of figures against an alternative decision.

45. Due to the relevance of personal income taxes for the value, a determination of the typical tax situation of the shareholders in relation to the occasion of the valuation is required in order to objectively determine the enterprise value. In the case of enterprise valuations in the context of sales of enterprises and other business initiatives, an indirect determination of the typical tax situation for personal income taxes is appropriate. It can be assumed in this context that the personal income tax burden on the net payments from the enterprise being valued corresponds to the personal income tax burden of an alternative investment in a stock portfolio. In accordance with this assumption, the net payments to the shareholders which are not reduced by personal income taxes are discounted with a return on investment in the shares which is not adjusted for the influences of income taxes but which is influenced by them. Thus, the personal taxes of the shareholder are taken indirectly into account on the basis of the tax circumstances of a large number of participants in the capital market (shareholders).

46. These general principles and methods are considered today to be firmly established in the theory and practice of enterprise valuations.

47. On the basis of the described general principles and methods of valuation, we have conducted an estimated total valuation of Klöckner & Co AG according to the discounted earnings method.

48. The subject of the determination of the discounted earnings value is initially the forecast of the future financial surpluses. The so-called phase method is an appropriate method for this purpose which assumes a permanent continuation of the business operations. This method is characterized by the circumstance that in the first phase (detailed planning period, Phase I), financial surpluses are planned in detail with individual bases. A level of future financial surpluses which is considered long-term and at an average level is taken into account for the second phase (so-called terminal value, Phase II).

49. The forecast used for the indicative determination of value is based on the consolidated planned accounts of the Company from November 2007 for the fiscal years 2008 through 2010 (Phase I). The second phase corresponds to the further future commencing with the fiscal year 2011. We have discussed the planned accounts of the Company with the persons responsible for the planning and have posed questions with regard to the plausibility of the planned accounts. During the course of the check for plausibility, the anticipated market development was used by us to analyze the planning for sales and costs. We have analyzed the individual line items in the planning for the earnings with regard to their consistency and their completeness.

50. The future surpluses which can be taken out of the business are derived on the basis of these planned accounts. In a first step, the earnings before income taxes (EBT) are determined. The forecast EBT are translated into earnings after corporate taxes and are discounted to the valuation date using the indirect standardization of personal income taxes made in the case to be valued. We have taken into account an average consolidated tax rate for the individual plan years in agreement with the Company.

51. The future financial surpluses must be discounted with an appropriate interest rate to the valuation date in order to value an enterprise. This capitalization interest rate is based on the (anticipated) return on investment of an appropriate alternative use of capital compared to the subject of the valuation. This determines the minimum interest which must be realized with the subject of the valuation in order not to have a worse position than investing in the next best alternative. When determining objective enterprise values, the determination of the alternative return on investment is as a general rule based on typically realizable returns on investment from a bundle of corporate shares listed in the capital market (stock portfolio), and an adjustment to the risk structure of the subject of the valuation must be made. In the case of indirect standardization of personal income taxes, the financial surpluses to be discounted are not reduced by personal income taxes, and the capitalization interest rate is also applied without any reduction for personal taxes.

52. In the case of returns on investment for shares in enterprises, there is normally a differentiation between the components of the base interest rate and the risk premium. For the technical purposes of the valuation, the possibility for growth in the financial surpluses after the end of the planning period must be considered and must be taken into account in the capitalization interest rate by means of a discount for growth.

53. In order to derive the base interest rate, we have used an interest structure curve in accordance with the recommendation of the IDW which we have determined by taking into account the current interest level and the interest structure data published by the German Federal Bank. On this basis, and taking into account the structure of the financial surpluses to be valued, we consider a uniform base interest rate of 4.75 % to be reasonable.

54. Entrepreneurial involvement is always connected to risks and opportunities. In order to measure the risk premium for the enterprise being valued, models to establish prices in capital markets can be used in accordance with the definition on alternative investments which permit an estimate of the enterprise specific risk premium on the basis of the market risk premium existing for a market portfolio. In accordance with the professional notifications, we have used the so-called Capital Asset Pricing Model ("CAPM") in order to assess the risk premium.

55. The basis of the CAPM provides the enterprise specific risk premium by multiplying the so-called beta factor of the enterprise with the market risk premium before personal taxes. The

beta factor is a measurement for the entrepreneurial risk compared to the market risk. A beta factor larger than one means that the value of the equity capital in the observed enterprise reacts on average disproportionately to fluctuations in the market, and a beta factor smaller than one means that the value changes less than proportionately on average.

56. In order to determine the beta factor for Klöckner & Co AG, we have relied in addition to the original beta factor for the company on the beta factors of exchange listed comparable companies for purposes of checking plausibility. Taking into account the capital structure of the comparable enterprises at the respective last balance sheet date, we consider the use of an unlevered beta factor (beta factor for a debt free enterprise) of between 1.0 and 1.2 appropriate for Klöckner & Co AG.

57. The future anticipated market risk premium before personal taxes can be estimated on the basis of the historic difference between the return on investment from risk bearing securities, for example, on the basis of a stock index, and the return on investment from (quasi) risk free investments in the capital market. Empirical examinations for the German capital market show that investments in stocks have generated returns on investment in the past which, depending on the period of time observed, are on average four to seven percent higher than investments in (quasi) risk free investments in the capital market. Taking into account the currently applicable tax legislation and the typical tax situation which has been determined, we are applying a market risk premium before personal taxes of 5.0 % for the valuation.

58. We have assumed a long-term growth in the net distributions of between 0.5 % and 1.0 % capable of being realized for the period after the express planning phase. Future growth in the financial surpluses results from retained earnings and reinvesting them as well as organically from price effects, volume effects and structural effects. This growth potential is reflected in the detailed planning period in the business planning and, thus, in the financial surpluses. During the phase for terminal value, the growth resulting from retained earnings in the so-called contribution to value from retained earnings also applies in the financial surpluses. Any additional potential for growth is taken into account for the terminal value phase technically by making a growth discount on the capitalization interest rate.

59. Taking into account the above mentioned premises and the level of debt at Klöckner & Co. AG, a capitalization interest rate (taking into account the growth discount for the years starting in 2011) results in a range of 10.5 % to 12.5 %.

60. In order to derive a range of values for the discounted earnings value of the Company on an indicative basis, we have varied the parameters relevant for the value. The entrepreneurial risk in the form of the beta factor, the long-term growth capable of being generated and the earnings margin of the Company were varied in the context of observing scenarios.

61. The range of value for the market value of the equity capital in Klöckner & Co AG derived in this manner as of the valuation date of 29 April 2008 is well above the capital to be certified within the meaning of Article 37 para. 6 SE Reg.

62. The conclusion is that the discounted earnings value in the above determined range of values covers and even clearly exceeds the equity capital which cannot be distributed within the meaning of Article 37 para. 6 SE Reg. in the amount of T€ 266,797.

2. Market capitalization

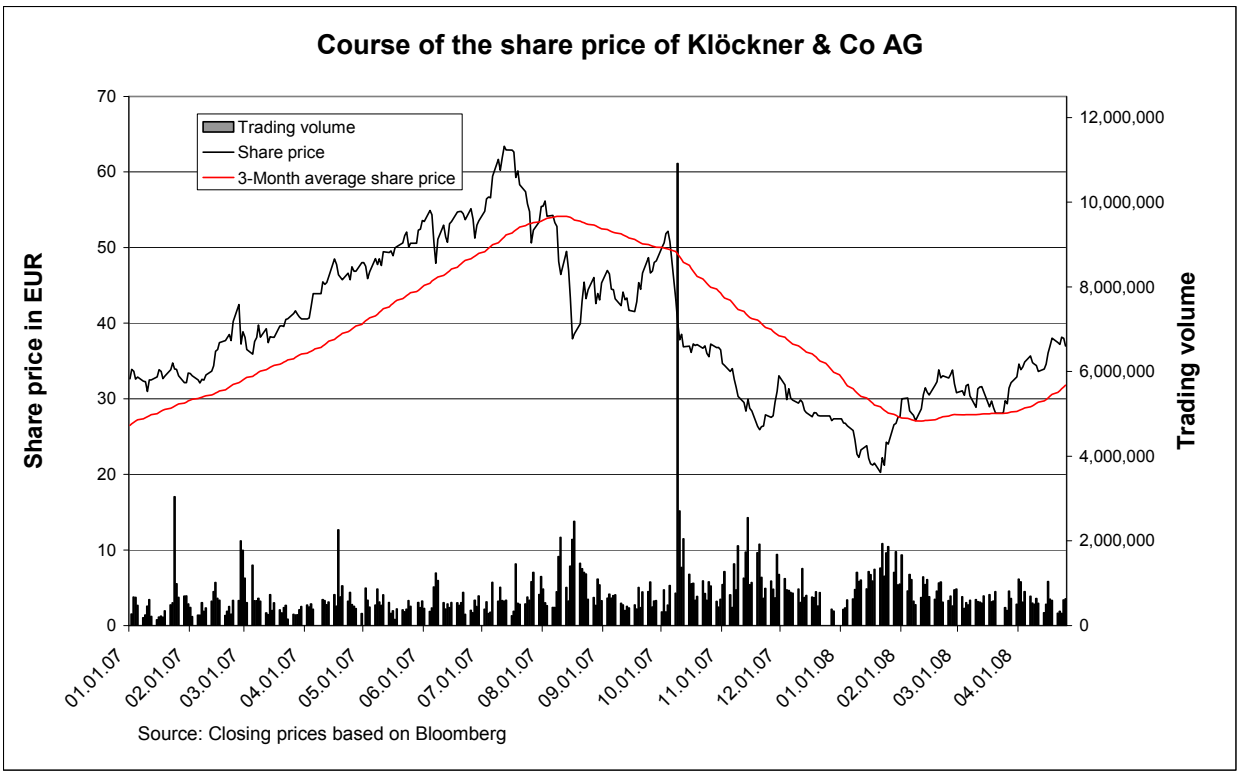
63. The market capitalization, also known as the stock exchange capitalization or the stock exchange value, which results from multiplying the stock price and the total number of the issued shares in the company must be clearly differentiated from the enterprise value determined in accordance with IDW ES 1. While the stock exchange prices are daily prices on the stock market representing the price of the suppliers and the demand side of stock resulting in a maximum of sales on the exchange, the value of enterprises or shares in enterprises represents the present value of the entire or proportionate financial surpluses flowing to an owner in connection with the ownership of the enterprise or the shares in the enterprise.[1] Enterprise valuations, on the other hand, are based on a detailed analysis of data on the subject of the valuation, especially the planned accounts and the business concept which are normally not accessible to the capital market and a broad public. Pursuant to IDW ES 1 the stock exchange prices must be taken into account for checking the plausibility of a determined enterprise value or share value in the case of enterprise valuations to the extent that stock exchange prices are available for the shares in the enterprise.[2] The plausibility check of the enterprise value on the basis of the stock capitalization requires a functioning market and, thus, requires an analysis of the trading in the respective stock as well as its development and influence, for example, as a result of legal influences (e.g., announcement of a measure for consolidation) or actual circumstances (e.g., narrow market, trading volume, speculative influences as a result of the announcement of a take-over or a squeeze-out).

[1] See, IDW, Accounting Handbook, vol. II, 2008, p. 14 no. 42.

[2] See, IDW ES 1, no. 15.

64. Klöckner & Co AG has been listed since 28 June 2006 in the Prime Standard of the official market at the Frankfurt securities exchange. The stock was included in the M-DAX of the German Stock Exchange as of 29 January 2007. The shares of Klöckner & Co AG have been held 100 % in free float. The stock exchange capitalization of the Company has informative value in this regard.

65. We have accordingly examined the stock exchange price for Klöckner & Co AG since the beginning of the fiscal year 2007. The following graph shows the course of the share price and the trading volumes for Klöckner & Co AG for the observed period of time 1 January 2007 through 25 April 2008:



66. The market capitalization in the observed period of time, taking into account the highest closing price (€ 63.22 on 12 July 2007) and the lowest closing price (€ 20.16 on 21 January 2008) is in a range of approximately € 2.94 billion and € 0.94 billion.

67. As of 25 April 2008, and in accordance with the anticipations communicated by the Executive Board also for the resolving general shareholders meeting as of 20 June 2008, 46,500,000 shares (par shares, registered shares) have been issued. Valued at the closing price as of 25 April 2008 amounting to € 36.99 per share, this results in a market capitalization of approximately € 1.72 billion.

68. Accordingly, it can be concluded that the stock exchange price for Klöckner & Co AG also covers and even clearly exceeds the equity capital non-distributable in the amount of T€ 266,797 within the meaning of Article 37 para. 6 SE Reg.

E. Confirmation

69. We hereby issue the following confirmation in accordance with Article 37 para. 6 SE Reg.:

"According to the final results of our proper examination pursuant to Article 37 para. 6 SE Reg., we confirm on the basis of the documents, books and records presented to us as well as on the basis of the statements and evidence provided to us that Klöckner & Co AG has net assets at least in the amount of its share capital plus the reserves which are non-distributable by force of law or statutes."

Düsseldorf, 29 April 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Andreas Grün
German Public Auditor

ppa. Paul Abrams
German Public Auditor

Appendix 1

Beglaubigte Abschrift

33 O 24/08 [AktE]

E.V. Hr. Seiler
11.03.08
PMS

Landgericht Düsseldorf

Beschluss

In dem Verfahren nach dem AktG

Klöckner & Co. AG, vertreten durch den Vorstand Dr. Thomas Ludwig und Gisbert Rühl, Am Silberpalais 1, 47057 Duisburg,

Antragstellerin,

wird im Hinblick auf den beabsichtigten Formwechsel der Antragstellerin in die Rechtsform einer Societas Europaea gemäß Art 37. Abs 6 SE-VO, den Durchführungsbestimmungen der Bundesrepublik Deutschland zu Artikel 10 der Richtlinie 78/855/EWG

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Moskauer Straße 19, 40041 Düsseldorf

zum Sachverständigen gemäß der Richtlinie 77/91/EWG bestellt zu prüfen, ob die Gesellschaft über Nettovermögenswerte mindestens in Höhe ihres Kapitals zuzüglich der kraft Gesetzes oder Statut nicht ausschüttungsfähigen Rücklagen verfügt und dies gegebenenfalls zu bescheinigen.

Die Kosten trägt die Antragstellerin.

Der Geschäftswert wird auf 500.000,-- € festgesetzt (§ 30 Abs.2 S. 2 KostO).

Düsseldorf, 06.03.2008
3. Kammer für Handelssachen

Bronczek
Vorsitzender Richter am
Landgericht

Beglaubigt

LANDGERICHT 119 DÜSSELDORF

Uschmantat
Justizbeschäftigter

Appendix 2

Klöckner & Co AG	31 December 2006	31 December 2007
	T€	T€
Fixed assets	**251,019**	**258,787**
in % of Total assets	*63.8%*	*30.6%*
Intangible assets	149	168
Property, plant and equipment	198	317
Financial assets	250,672	258,303
Current assets	**142,206**	**530,417**
in % of Total assets	*36.2%*	*62.6%*
Trade receivables	1	3
Receivables from affiliated companies	138,931	526,494
Other assets	3,263	3,894
Cash and cash equivalents	10	26
Prepaid expenses	**109**	**57,703**
Total assets	**393,334**	**846,907**
Equity	**366,437**	**440,538**
in % of Total equity and liabilities	*93.2%*	*52.0%*
Subscribed Capital	116,250	116,250
Capital reserves	197,699	260,496
Other revenue reserves	15,288	26,592
Retained profits	37,200	37,200
Provisions	**13,740**	**14,562**
in % of Total equity and liabilities	*3.5%*	*1.7%*
Provisions for pensions and similar obligations	4,140	4,961
Tax provisions	606	1,285
Other provisions	8,994	8,316
Liabilities	**13,157**	**391,806**
in % of Total equity and liabilities	*3.3%*	*46.3%*
Bonds	0	325,000
Liabilities to banks	0	0
Trade payables	875	623
Liabilities to affiliated companies	4,959	56,037
Other liabilites	7,322	10,147
Total equity and liabilities	**393,334**	**846,907**

Source: Audit reports KPMG

Appendix 3

[Translator's notes are in square brackets]

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]

as of January 1, 2002

This is an English translation of the German text, which is the sole authoritative version

1. Scope

(1) These engagement terms are applicable to contracts between Wirtschaftsprüfer [German Public Auditors] or Wirtschaftsprüfungsgesellschaften [German Public Audit Firms] (hereinafter collectively referred to as the "Wirtschaftsprüfer") and their clients for audits, consulting and other engagements to the extent that something else has not been expressly agreed to in writing or is not compulsory due to legal requirements.

(2) If, in an individual case, as an exception contractual relations have also been established between the Wirtschaftsprüfer and persons other than the client, the provisions of No. 9 below also apply to such third parties.

2. Scope and performance of the engagement

(1) Subject of the Wirtschaftsprüfer's engagement is the performance of agreed services – not a particular economic result. The engagement is performed in accordance with the Grundsätze ordnungsmäßiger Berufsausübung [Standards of Proper Professional Conduct]. The Wirtschaftsprüfer is entitled to use qualified persons to conduct the engagement.

(2) The application of foreign law requires – except for financial attestation engagements – an express written agreement.

(3) The engagement does not extend – to the extent it is not directed thereto – to an examination of the issue of whether the requirements of tax law or special regulations, such as, for example, laws on price controls, laws limiting competition and Bewirtschaftungsrecht [laws controlling certain aspects of specific business operations] were observed; the same applies to the determination as to whether subsidies, allowances or other benefits may be claimed. The performance of an engagement encompasses auditing procedures aimed at the detection of the defalcation of books and records and other irregularities only if during the conduct of audits grounds therefor arise or if this has been expressly agreed to in writing.

(4) If the legal position changes subsequent to the issuance of the final professional statement, the Wirtschaftsprüfer is not obliged to inform the client of changes or any consequences resulting therefrom.

3. The client's duty to inform

(1) The client must ensure that the Wirtschaftsprüfer – even without his special request – is provided, on a timely basis, with all supporting documents and records required for and is informed of all events and circumstances which may be significant to the performance of the engagement. This also applies to those supporting documents and records, events and circumstances which first become known during the Wirtschaftsprüfer's work.

(2) Upon the Wirtschaftsprüfer's request, the client must confirm in a written statement drafted by the Wirtschaftsprüfer that the supporting documents and records and the information and explanations provided are complete.

4. Ensuring independence

The client guarantees to refrain from everything which may endanger the independence of the Wirtschaftsprüfer's staff. This particularly applies to offers of employment and offers to undertake engagements on one's own account.

5. Reporting and verbal information

If the Wirtschaftsprüfer is required to present the results of his work in writing, only that written presentation is authoritative. For audit engagements the long-form report should be submitted in writing to the extent that nothing else has been agreed to. Verbal statements and information provided by the Wirtschaftsprüfer's staff beyond the engagement agreed to are never binding.

6. Protection of the Wirtschaftsprüfer's intellectual property

The client guarantees that expert opinions, organizational charts, drafts, sketches, schedules and calculations – expecially quantity and cost computations – prepared by the Wirtschaftsprüfer within the scope of the engagement will be used only for his own purposes.

7. Transmission of the Wirtschaftsprüfer's professional statement

(1) The transmission of a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) to a third party requires the Wirtschaftsprüfer's written consent to the extent that the permission to transmit to a certain third party does not result from the engagement terms.

The Wirtschaftsprüfer is liable (within the limits of No. 9) towards third parties only if the prerequisites of the first sentence are given.

(2) The use of the Wirtschaftsprüfer's professional statements for promotional purposes is not permitted; an infringement entitles the Wirtschaftsprüfer to immediately cancel all engagements not yet conducted for the client.

8. Correction of deficiencies

(1) Where there are deficiencies, the client is entitled to subsequent fulfillment [of the contract]. The client may demand a reduction in fees or the cancellation of the contract only for the failure to subsequently fulfill [the contract]; if the engagement was awarded by a person carrying on a commercial business as part of that commercial business, a government-owned legal person under public law or a special government-owned fund under public law, the client may demand the cancellation of the contract only if the services rendered are of no interest to him due to the failure to subsequently fulfill [the contract]. No. 9 applies to the extent that claims for damages exist beyond this.

(2) The client must assert his claim for the correction of deficiencies in writing without delay. Claims pursuant to the first paragraph not arising from an intentional tort cease to be enforceable one year after the commencement of the statutory time limit for enforcement.

(3) Obvious deficiencies, such as typing and arithmetical errors and formelle Mängel [deficiencies associated with technicalities] contained in a Wirtschaftsprüfer's professional statements (long-form reports, expert opinions and the like) may be corrected – and also be applicable versus third parties – by the Wirtschaftsprüfer at any time. Errors which may call into question the conclusions contained in the Wirtschaftsprüfer's professional statements entitle the Wirtschaftsprüfer to withdraw – also versus third parties – such statements. In the cases noted the Wirtschaftsprüfer should first hear the client, if possible.

9. Liability

(1) The liability limitation of § ["Article"] 323 (2)["paragraph 2"] HGB ["Handelsgesetzbuch": German Commercial Code] applies to statutory audits required by law.

(2) Liability for negligence; An individual case of damages

If neither No. 1 is applicable nor a regulation exists in an individual case, pursuant to § 54a (1) no. 2 WPO ["Wirtschaftsprüferordnung": Law regulating the Profession of Wirtschaftsprüfer] the liability of the Wirtschaftsprüfer for claims of compensatory damages of any kind – except for damages resulting from injury to life, body or health – for an individual case of damages resulting from negligence is limited to € 4 million; this also applies if liability to a person other than the client should be established. An individual case of damages also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty without taking into account whether the damages occurred in one year or in a number of successive years. In this case multiple acts or omissions of acts based on a similar source of error or on a source of error of an equivalent nature are deemed to be a uniform breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the Wirtschaftsprüfer is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(3) Preclusive deadlines

A compensatory damages claim may only be lodged within a preclusive deadline of one year of the rightful claimant having become aware of the damage and of the event giving rise to the claim – at the very latest, however, within 5 years subsequent to the event giving rise to the claim. The claim expires if legal action is not taken within a six month deadline subsequent to the written refusal of acceptance of the indemnity and the client was informed of this consequence. The right to assert the bar of the preclusive deadline remains unaffected. Sentences 1 to 3 also apply to legally required audits with statutory liability limits.

10. Supplementary provisions for audit engagements

(1) A subsequent amendment or abridgernent of the financial statements or management report audited by a Wirtschaftsprüfer and accompanied by an auditor's report requires the written consent of the Wirtschaftsprüfer even if these documents are not published. If the Wirtschaftsprüfer has not issued an auditor's report, a reference to the audit conducted by the Wirtschaftsprüfer in the management report or elsewhere specified for the general public is permitted only with the Wirtschaftsprüfer's written consent and using the wording authorized by him.

(2) If the Wirtschaftsprüfer revokes the auditor's report, it may no longer be used. If the client has already made use of the auditor's report, he must announce its revocation upon the Wirtschaftsprüfer's request.

(3) The client has a right to 5 copies of the long-form report. Additional copies will be charged for separately.

11. Supplementary provisions for assistance with tax matters

(1) When advising on an individual tax issue as well as when furnishing continuous tax advice, the Wirtschaftsprüfer is entitled to assume that the facts provided by the client – especially numerical disclosures – are correct and complete; this also applies to bookkeeping engagements. Nevertheless, he is obliged to inform the client of any errors he has discovered.

(2) The tax consulting engagement does not encompass procedures required to meet deadlines, unless the Wirtschaftsprüfer has explicitly accepted the engagement for this. In this event the client must provide the Wirtschaftsprüfer, on a timely basis, all supporting documents and records – especially tax assessments – material to meeting the deadlines, so that the Wirtschaftsprüfer has an appropriate time period available to work therewith.

(3) In the absence of other written agreements, continuous tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporation tax and business tax, as well as net worth tax returns on the basis of the annual financial statements and other schedules and evidence required for tax purposes to be submitted by the client

b) examination of tax assessments in relation to the taxes mentioned in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) participation in tax audits and evaluation of the results of tax audits with respect to the taxes mentioned in (a)

e) participation in Einspruchs- und Beschwerdeverfahren [appeals and complaint procedures] with respect to the taxes mentioned in (a).

In the afore-mentioned work the Wirtschaftsprüfer takes material published legal decisions and administrative interpretations into account.

(4) If the Wirtschaftsprüfer receives a fixed fee for continuous tax advice, in the absence of other written agreements the work mentioned under paragraph 3 (d) and (e) will be charged separately.

(5) Services with respect to special individual issues for income tax, corporate tax, business tax, valuation procedures for property and net worth taxation, and net worth tax as well as all issues in relation to sales tax, wages tax, other taxes and dues require a special engagement. This also applies to:

a) the treatment of nonrecurring tax matters, e. g. in the field of estate tax, capital transactions tax, real estate acquisition tax

b) participation and representation in proceedings before tax and administrative courts and in criminal proceedings with respect to taxes, and

c) the granting of advice and work with respect to expert opinions in connection with conversions of legal form, mergers, capital increases and reductions, financial reorganizations, admission and retirement of partners or shareholders, sale of a business, liquidations and the like.

(6) To the extent that the annual sales tax return is accepted as additional work, this does not include the review of any special accounting prerequisities nor of the issue as to whether all potential legal sales tax reductions have been claimed. No guarantee is assumed for the completeness of the supporting documents and records to validate the deduction of the input tax credit.

12. Confidentiality towards third parties and data security

(1) Pursuant to the law the Wirtschaftsprüfer is obliged to treat all facts that he comes to know in connection with his work as confidential, irrespective of whether these concern the client himself or his business associations, unless the client releases him from this obligation.

(2) The Wirtschaftsprüfer may only release long-form reports, expert opinions and other written statements on the results of his work to third parties with the consent of his client.

(3) The Wirtschaftsprüfer is entitled – within the purposes stipulated by the client – to process personal data entrusted to him or allow them to be processed by third parties.

13. Default of acceptance and lack of cooperation on the part of the client

If the client defaults in accepting the services offered by the Wirtschaftsprüfer or if the client does not provide the assistance incumbent on him pursuant to No. 3 or otherwise, the Wirtschaftsprüfer is entitled to cancel the contract immediately. The Wirtschaftsprüfer's right to compensation for additional expenses as well as for damages caused by the default or the lack of assistance is not affected, even if the Wirtschaftsprüfer does not exercise his right to cancel.

14. Remuneration

(1) In addition to his claims for fees or remuneration, the Wirtschaftsprüfer is entitled to reimbursement of his outlays: sales tax will be billed separately. He may claim appropriate advances for remuneration and reimbursement of outlays and make the rendering of his services dependent upon the complete satisfaction of his claims. Multiple clients awarding engagements are jointly and severally liable.

(2) Any set off against the Wirtschaftsprüfer's claims for remuneration and reimbursement of outlays is permitted only for undisputed claims or claims determined to be legally valid.

15. Retention and return of supporting documentation and records

(1) The Wirtschaftsprüfer retains, for seven years, the supporting documents and records in connection with the completion of the engagement – that had been provided to him and that he has prepared himself – as well as the correspondence with respect to the engagement.

(2) After the settlement of his claims arising from the engagement, the Wirtschaftsprüfer, upon the request of the client, must return all supporting documents and records obtained from him or for him by reason of his work on the engagement. This does not, however, apply to correspondence exchanged between the Wirtschaftsprüfer and his client and to any documents of which the client already has the original or a copy. The Wirtschaftsprüfer may prepare and retain copies or photocopies of supporting documents and records which he returns to the client.

16. Applicable law

Only German law applies to the engagement, its conduct and any claims arising therefrom.

Klöckner & Co AG
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