



# Klöckner & Co SE

## Annual General Meeting 2017

Düsseldorf, May 12, 2017

Gisbert Rühl  
CEO



## Disclaimer

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## 01 | Significant improvement in earnings in 2016

€ million	2016	2015	Δ	
Shipments (in Tto)	6,149	6,476	-327	▶ Shipments and sales down due to restructuring and market
Sales	5,730	6,444	-714	
EBITDA	196	24	+172	▶ Best operating income in five years
Net income	38	-349	+387	▶ Net income once again positive
Cash flow from operating activities	73	276	-203	▶ Cash flow impacted by higher price level and increased purchasing volumes at year-end
Free cash flow	21	191	-170	
Equity	1,148	1,113	+35	▶ Solid equity ratio maintained at 40%
Net financial debt	444	385	+59	▶ Moderate gearing* (40%)


Due to the improved economic development, a dividend of €0.20 per share is proposed, which exceeds our general policy of distributing 30% of consolidated net income before one-time items

\*) Gearing: net financial debt divided by equity less goodwill from business combinations subsequent to May 23, 2013.

# 01 Earnings bolstered by predominantly positive market environment for steel in 2016

- General problem of high global overcapacities however persists
- Long-term disparity between supply and demand

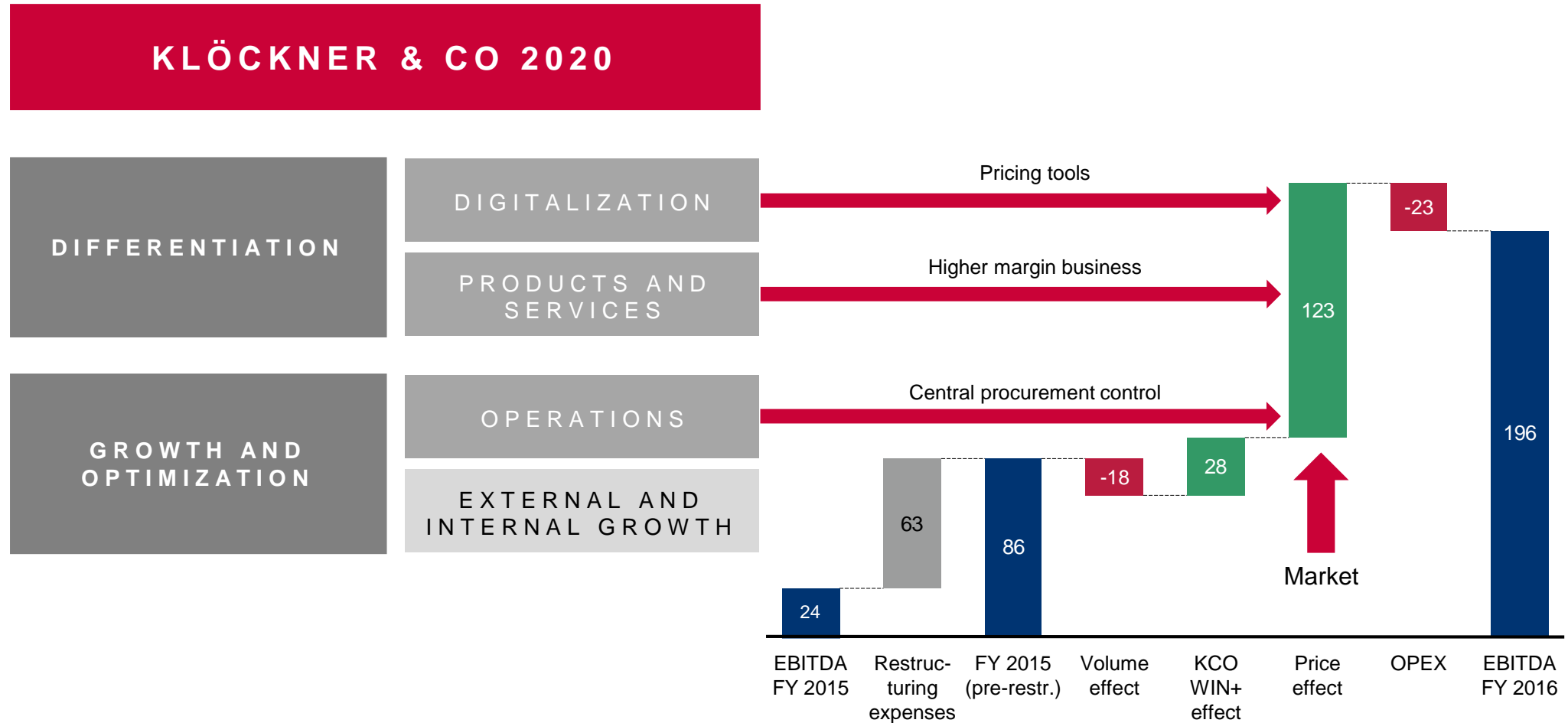
	Demand	Prices*	Overcapacities
Europe	+2%	+70%	60-90mt
US	-4%	+50%	30-40mt
China	+1%	+80%	280-330mt



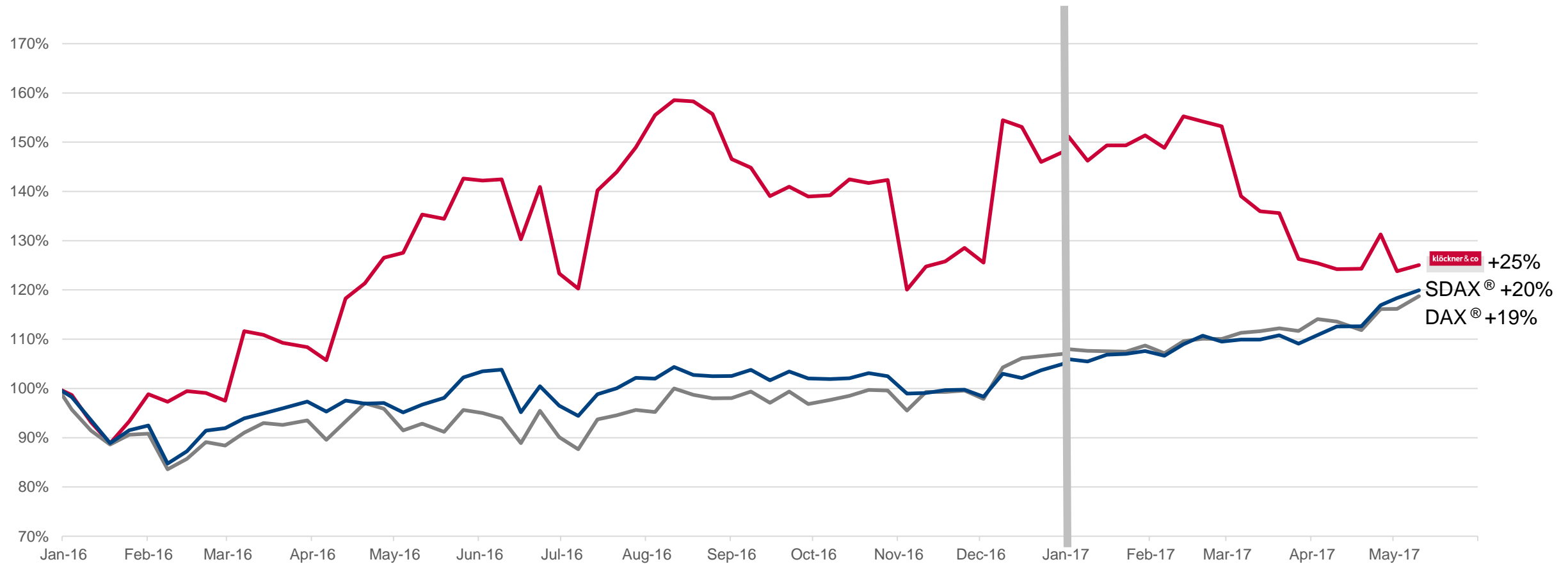
Sources: Worldsteel, World Steel Dynamics, Duke CGGC, SBB, Bank of America Merrill Lynch, own estimates.

\*) HRC – Jan. 2016–Dec. 2016.

# 01 Positive market effects enhanced by strategic decisions



# 01 | Share price does not reflect the improved earnings situation



# 01 | Implementation of the Klöckner & Co 2020 strategy on target

## KLÖCKNER & CO 2020

### DIFFERENTIATION

DIGITALIZATION

▶ Proportion of Group sales generated via digital channels increased from 9% in Q1 2016 to 14% in Q1 2017

PRODUCTS AND SERVICES

▶ Share of higher value-added products and services increased from 39% to 46% in 2016

### GROWTH AND OPTIMIZATION

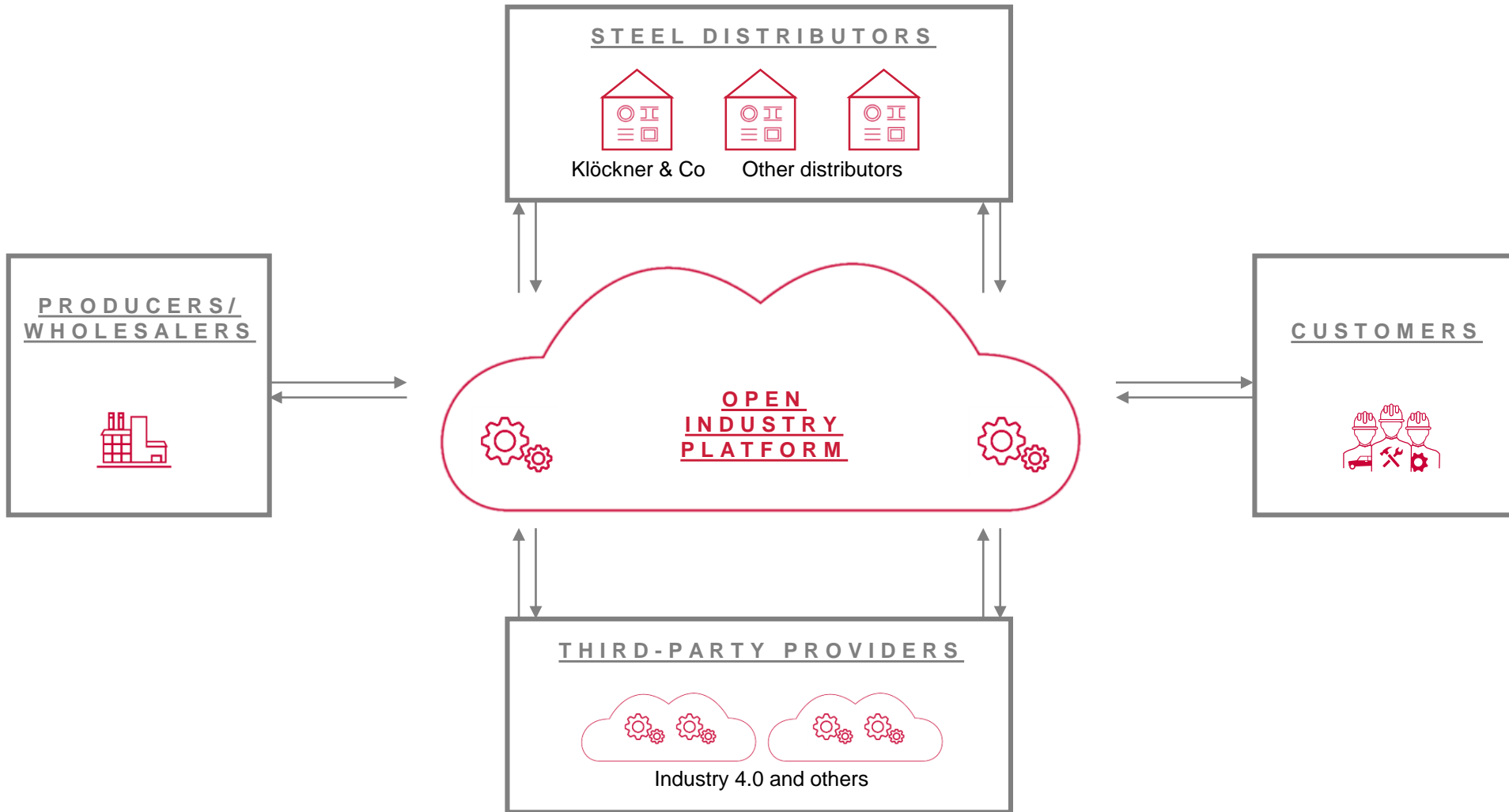
OPERATIONS

▶ Following successful completion of the restructuring measures at country level in Europe, standardized approach leverages additional potential for improvement

EXTERNAL AND INTERNAL GROWTH

▶ Integration of American Fabricators

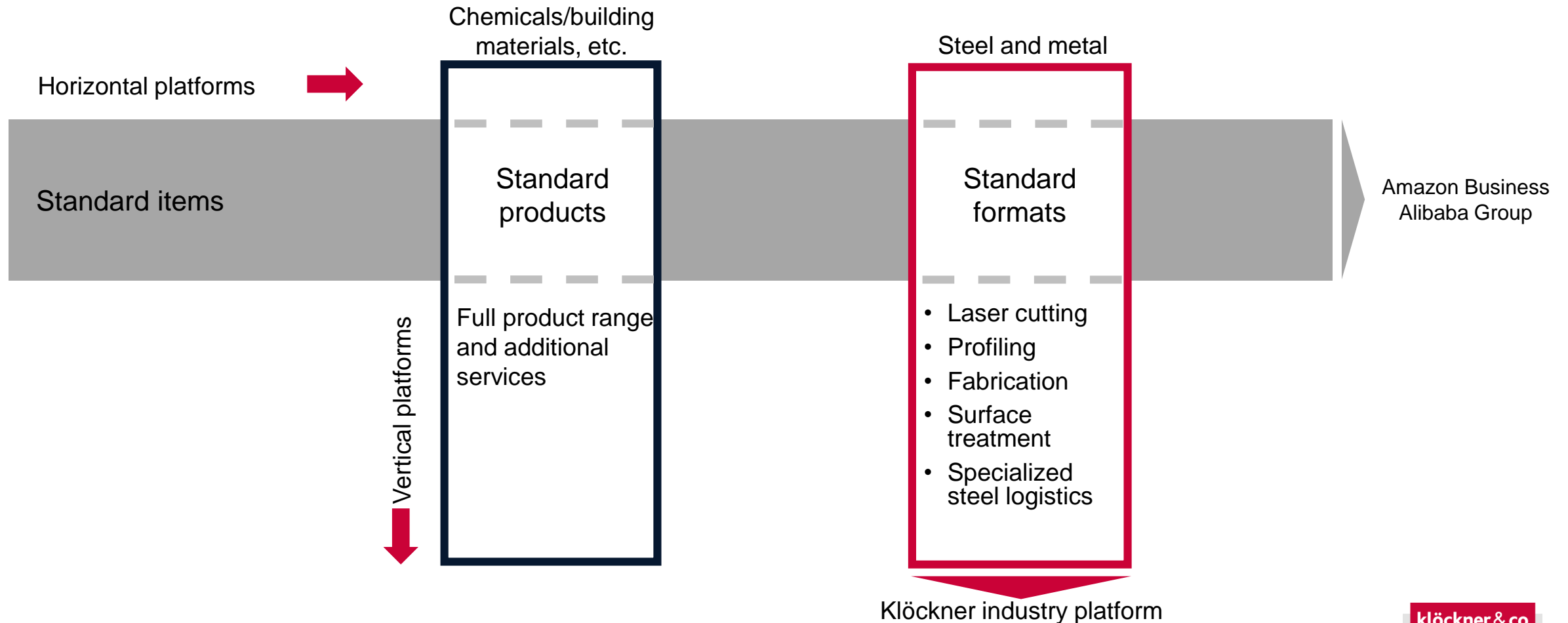
# 01 Digitalization is being promoted with the aim of developing an industry platform for the steel and metal industry





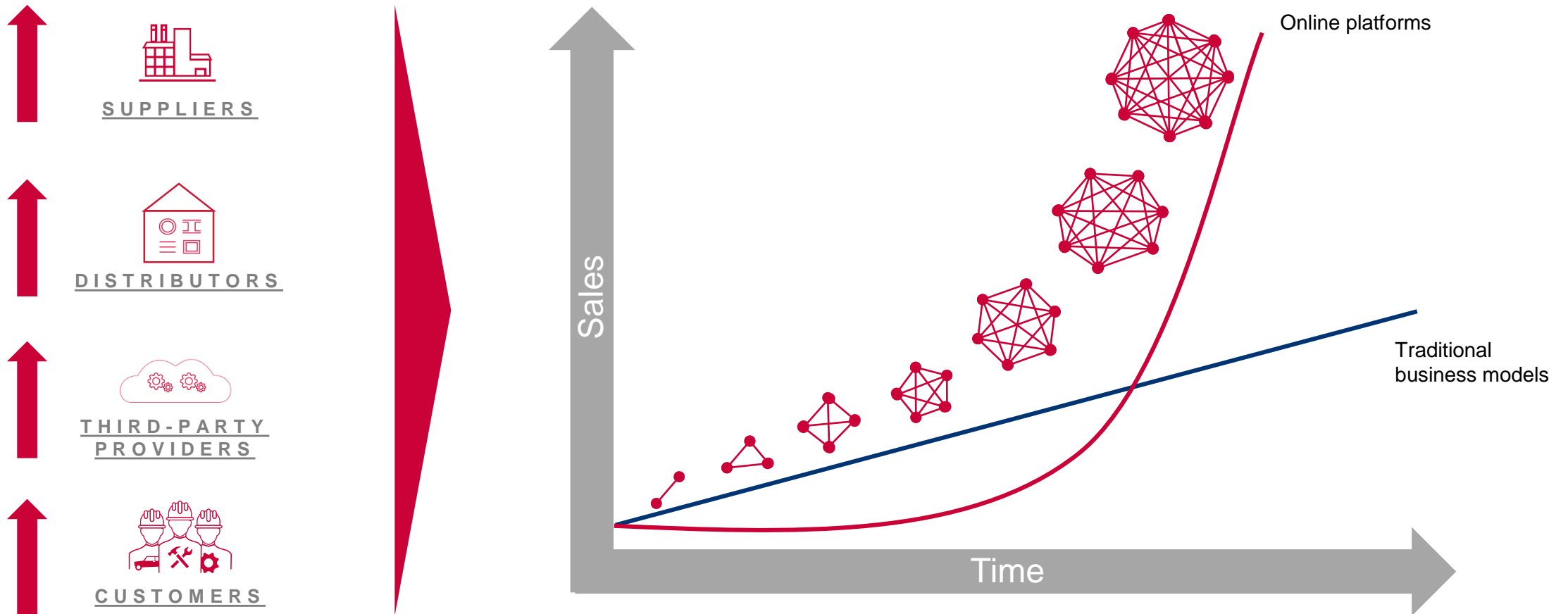
# 01 | The strategic positioning of the industry platform is key

- Amazon and Alibaba will prevail as the winners with horizontal, i.e. cross-industry, platforms for standardized products and services
- On vertical platforms, established companies like Klöckner can leverage specific industry expertise, longstanding relationships with suppliers and customers and specialized logistics

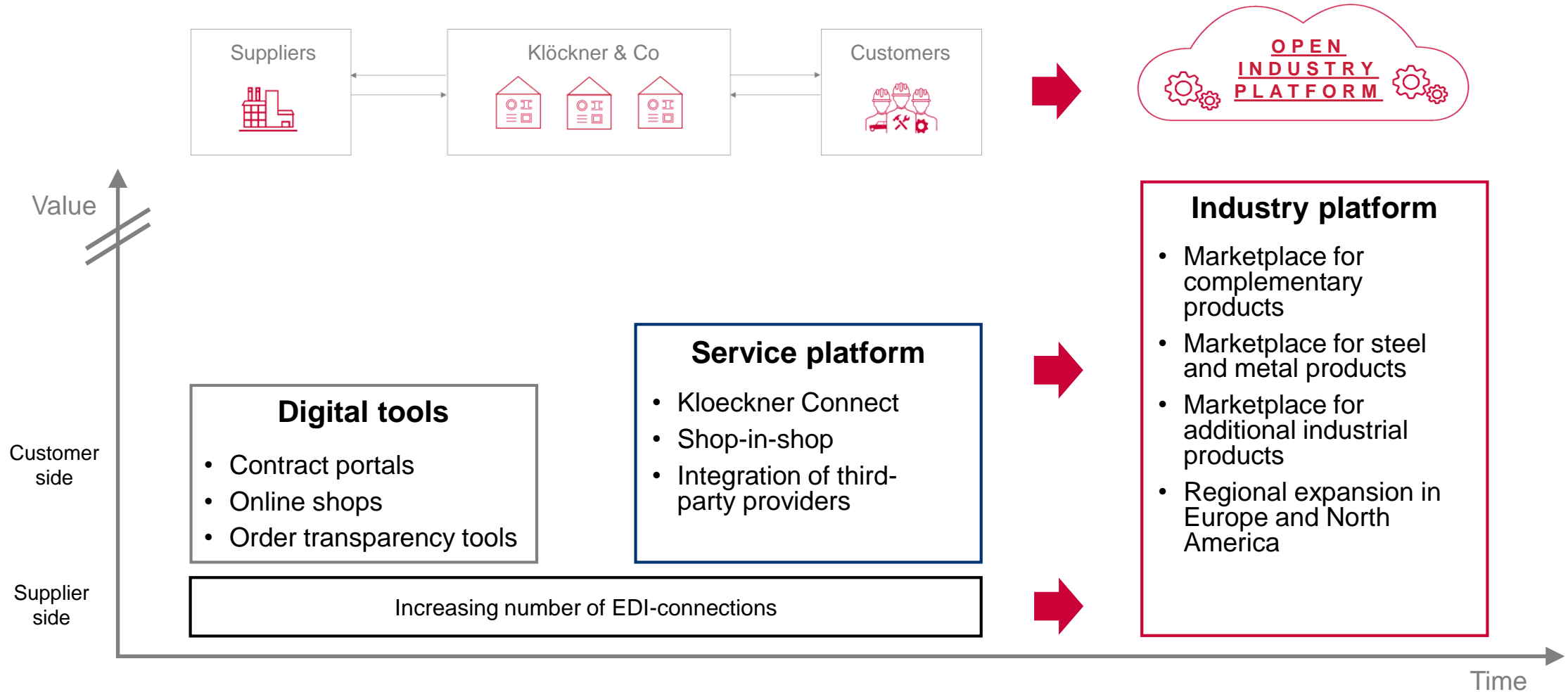


# 01 Successful online platforms are growing exponentially

The platform is initially intended to attract more and more customers, then more and more distributors and third party providers and ultimately more and more suppliers → networking effect



# 01 | The digital transformation of Klöckner takes place in three essential steps



# 01 | kloeckner.i driving the digital transformation

kloeckner.i

▶ Founded as a dedicated startup (digital lab) in Berlin in 2014



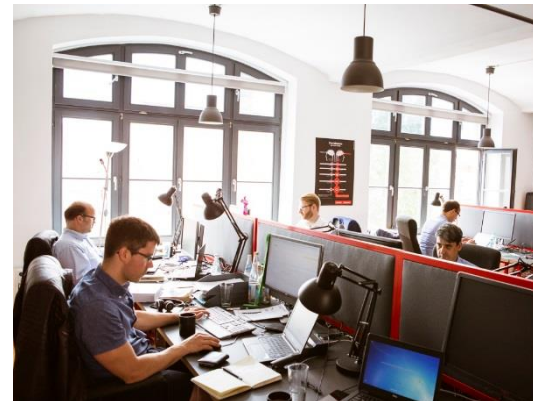
▶ Over 40 digital experts in Innovation & Product, Software Development, Digital Marketing & Sales and Business Intelligence & Analytics



▶ Application of innovative startup methods such as design thinking, lean startup and rapid prototyping enables accelerated implementation

klöckner & co

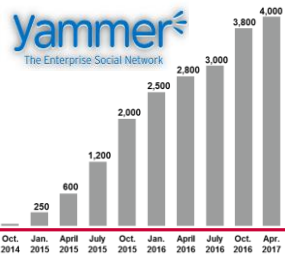
▶ Far enough from Klöckner to act independently, yet close enough to leverage expertise as well as access to customers and suppliers



# 01 | Initiatives and tools support the cultural change required for digital transformation



Digital enabling of employees through online courses during working hours; the courses are developed specifically to suit Klöckner's needs



Non-hierarchical communication solves the problem of interruptions in horizontal and vertical communication

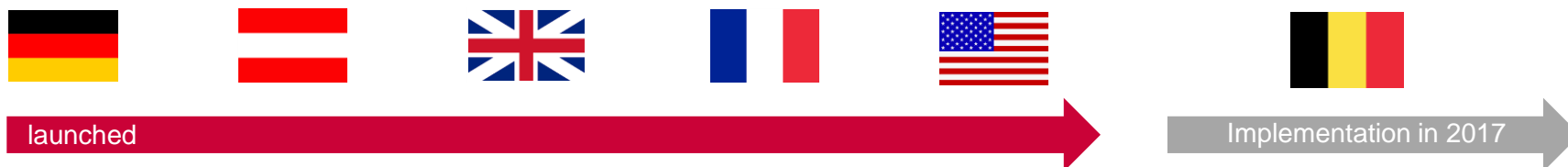


Many additional initiatives in the holding company and in the country organizations to engage employees

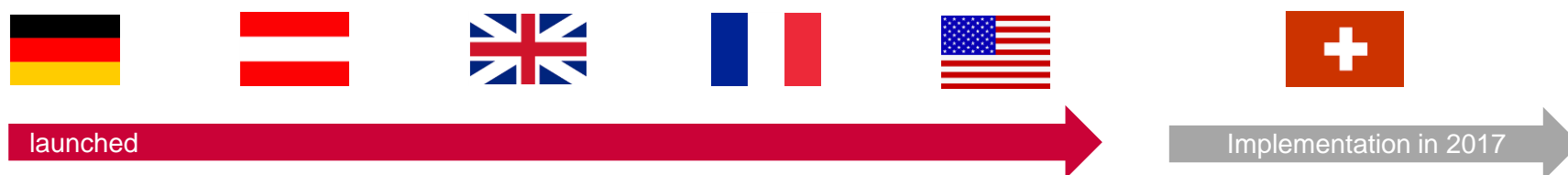


# 01 | Comprehensive rollout of service platform and digital tools by the end of 2017

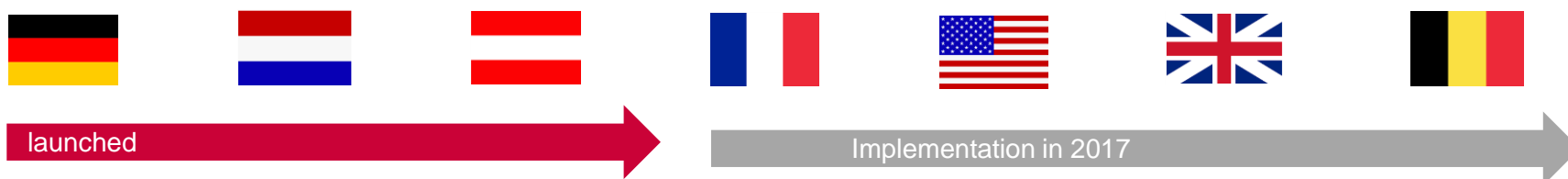
## Service platform



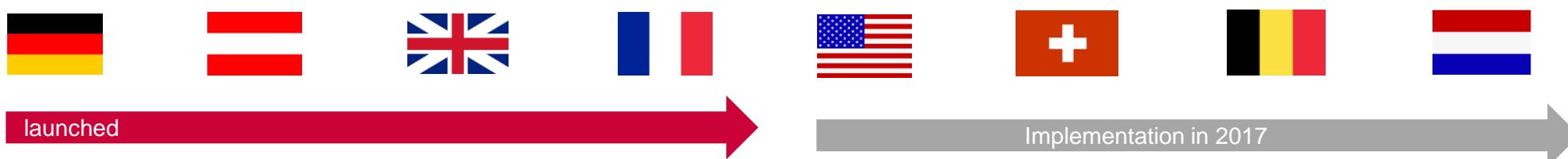
## Contract portal



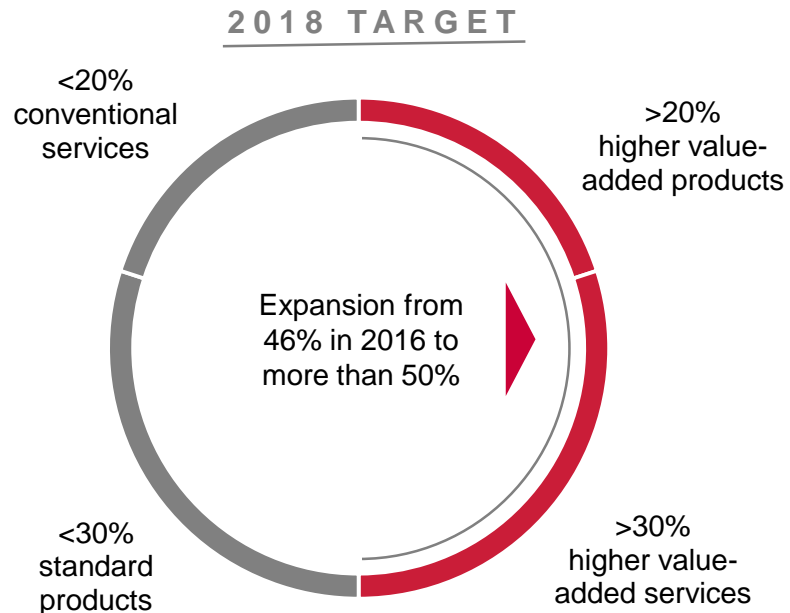
## Online shop



## Order transparency tools



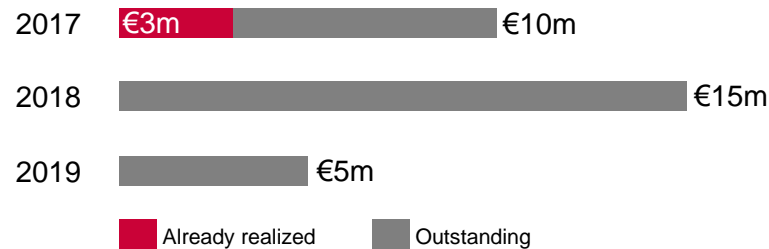
# 01 | Expansion of higher margin business to more than 50% already by 2018



- ▶ **Expansion of 3D tube laser centers in the UK and Germany**
  - Second largest 3D laser center in UK with seven 3D lasers at 2017 year-end
  - Third 3D laser in Velten, Germany, put into operation
- ▶ **Expansion of aluminum business via Becker Stahl-Service**
  - Slitting line put into operation this quarter
  - Start of construction of a complementary cut-to-length line
  - Total annual processing capacity of 80,000 tons of aluminum

# 01 Further increasing profitability through harmonized European organization

- Realization of additional synergies, especially in purchasing and logistics
- Intensified best-practice sharing
- Centrally managed implementation of the Klöckner & Co 2020 strategy



Total annual effect of around €30 million from 2019



- Region 1: Austria, Belgium, Germany and the Netherlands
- Region 2: France and UK





## 01 | Successful beginning of the year with a sharp rise in sales and earnings in the first quarter

€ million	Q1 2017	Q1 2016	Δ
Shipments (in Tto)	1,582	1,556	+26
Sales	1,602	1,386	+216
EBITDA	77	16	+61
Net income	36	-14	+50
Cash flow from operating activities	-78	5	-83

- ▶ Shipments up despite Spain sale
- ▶ Sales up due to high price level
- ▶ Best quarterly result in six years
- ▶ Net income once again positive
- ▶ Greater need for cash due to ongoing price increases

Earnings drivers were the improved price environment and lagging effects resulting from the KCO Win+ program completed in late 2016, as well as initial effects of One Europe

## 01 | Positive outlook also for second quarter and the full year

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Q2 2017

- ▶ Seasonal increase in sales
- ▶ EBITDA between €60 million and €70 million

FY 2017

- ▶ Higher sales due to an increase in demand and a higher average steel price
- ▶ EBITDA up by at least 10% compared to last year (€196 million)



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