



Q2 2018 Results

Analysts' and Investors' Conference

July 24, 2018

Marcus A. Ketter | CFO

Jens M. Wegmann | COO



Disclaimer

This presentation contains forward-looking statements which reflect the current views of the management of Klöckner & Co SE with respect to future events. They generally are designated by the words “expect”, “assume”, “presume”, “intend”, “estimate”, “strive for”, “aim for”, “plan”, “will”, “endeavor”, “outlook” and comparable expressions and generally contain information that relates to expectations or goals for economic conditions, sales proceeds or other yardsticks for the success of the enterprise. Forward-looking statements are based on currently valid plans, estimates and expectations and are therefore only valid on the day on which they are made. You therefore should consider them with caution. Such statements are subject to numerous risks and factors of uncertainty (e. g. those described in publications) most of which are difficult to assess and which generally are outside of the control of Klöckner & Co SE. The relevant factors include the effects of reasonable strategic and operational initiatives, including the acquisition or disposal of companies or other assets. If these or other risks and factors of uncertainty occur or if the assumptions on which the statements are based turn out to be incorrect, the actual results of Klöckner & Co SE can deviate significantly from those that are expressed or implied in these statements. Klöckner & Co SE cannot give any guarantee that the expectations or goals will be attained. Klöckner & Co SE – notwithstanding existing legal obligations – rejects any responsibility for updating the forward-looking statements through taking into consideration new information or future events or other things.

In addition to the key figures prepared in accordance with IFRS and German-GAAP respectively, Klöckner & Co SE is presenting non-GAAP key figures such as EBITDA, EBIT, Net Working Capital and net financial liabilities that are not a component of the accounting regulations. These key figures are to be viewed as supplementary to, but not as a substitute for data prepared in accordance with IFRS. Non-GAAP key figures are not subject to IFRS or any other generally applicable accounting regulations. In assessing the net assets, financial position and results of operations of Klöckner & Co SE, these supplementary figures should not be used in isolation or as an alternative to the key figures presented in the consolidated financial statements and calculated in accordance with the relevant accounting principles. Other companies may base these concepts upon other definitions. Please refer to the definitions in the annual report.

Rounding differences may occur with respect to percentages and figures.

The English translation of the Annual Report and the Interim Statement are also available, in case of deviations the German versions shall prevail.

Agenda

- 1. Highlights and update on strategy**
2. Financials
3. Outlook
4. Appendix

01 Highlights Q2 2018

Q2

2018

Sales
€1,789m

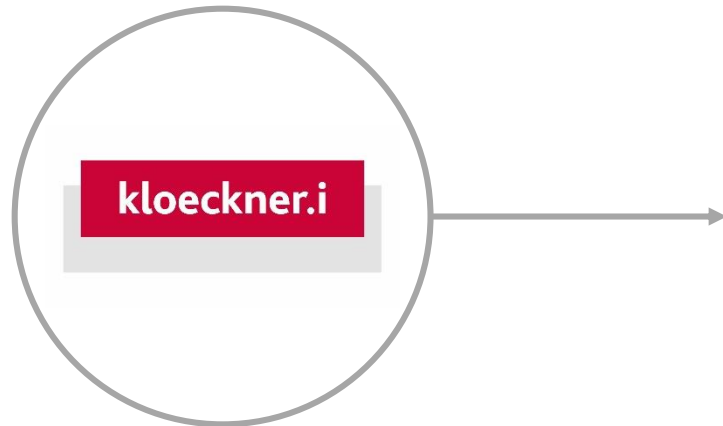
Digital sales
21%

EBITDA
€85m

- ▶ Shipments with 1.6mt slightly above last year's level (+2.1%)
- ▶ Sales increased substantially by 9.1% yoy to €1.8bn mainly due to higher price level
- ▶ Gross profit up from €339m in Q2 2017 to €364m in Q2 2018 mainly due to price effect and despite negative f/x effect
- ▶ Gross profit margin decreased slightly to 20.3% after 20.6% in Q2 2017
- ▶ Operating result*) (EBITDA) for Q2 of €85m strongly above the forecasted guidance range of €65m to €75m
- ▶ Sales share via digital channels continuously increased from 19% at the end of Q1 2018 to 21% at the end of Q2 2018
- ▶ FY guidance raised: EBITDA at least slightly above last year

*) adjusted for special effects from Business Process Outsourcing (BPO) and Deep Water Horizon Settlement.

01 Improvement of digital sales share and development of XOM

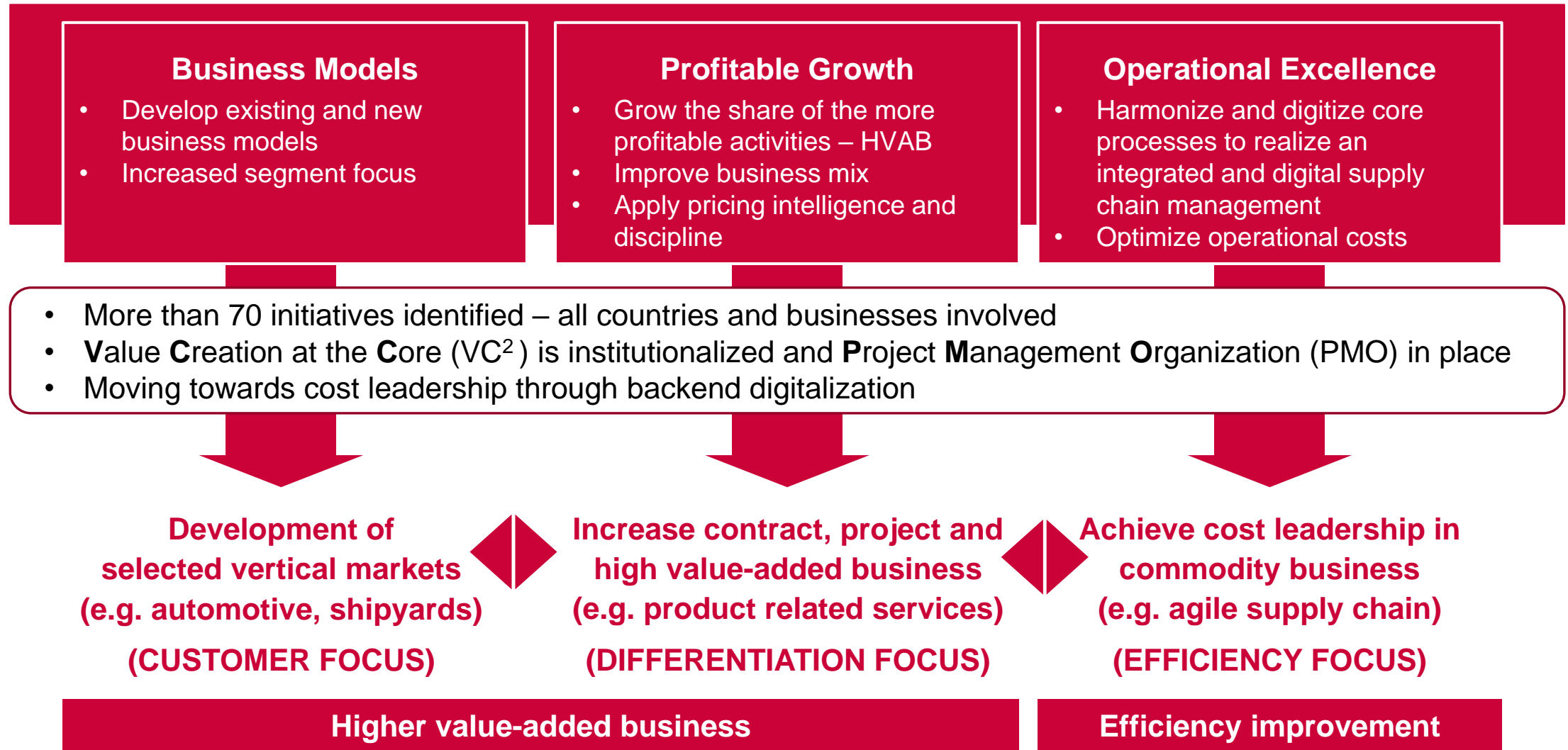


- **Digital sales share improved to 21%** at the end of Q2
- After Switzerland, Germany, France, UK, Austria and the Netherlands, Klöckner **Online shop** with marketplace functionality **now also live in Belgium**
- Now over **80 employees** working for kloeckner.i



- **New opportunities – new name: XOM Metals becomes XOM Materials**
- **International engineering plastics processor** and additional **metal distributor** as **new participants**
- Total of **five vendors** under contract
- **GMV** over €1m by the end of June
- Now **25 employees** at two locations: Berlin and Duisburg (startport)

01 VC² drives transformation towards “Klöckner & Co 2022”



01 Progress update on “Klöckner & Co 2022”

Higher value-added business

Shipyard business

- **Expansion** of highly demanding **shipyard business**
- Excellent business experience with **supply chain model** for Meyer Werft serves as **blueprint** for successful expansion

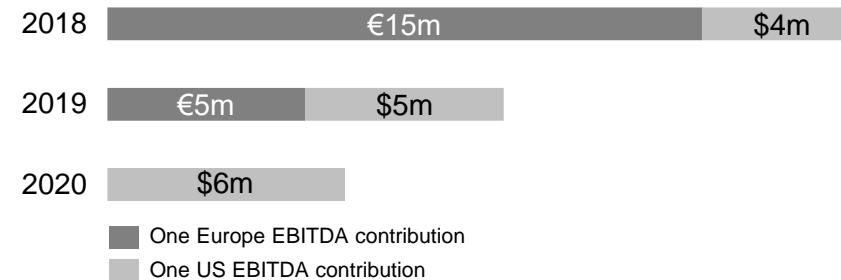
Alu business of Becker Stahl-Service

- Ramp up of **CTL** and **slitter** on track, **high-speed-cutter** being installed (alu-investment concluded)
- Promising **order book**, major **OEM qualification** passed. Proves to be the **right step** for future positioning

Efficiency improvement

One Europe & One US

- Both programs are on track and delivering **essential efficiency gains**
- **One Europe** EBITDA contribution of **€6m ytd**
- **One US** EBITDA contribution of **\$4m ytd**

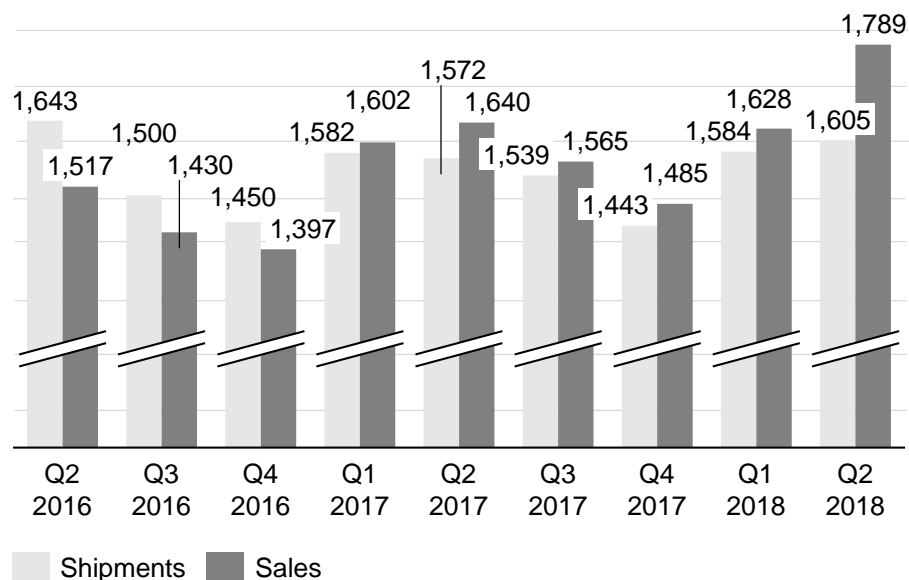


Agenda

1. Highlights and update on strategy
- 2. Financials**
3. Outlook
4. Appendix

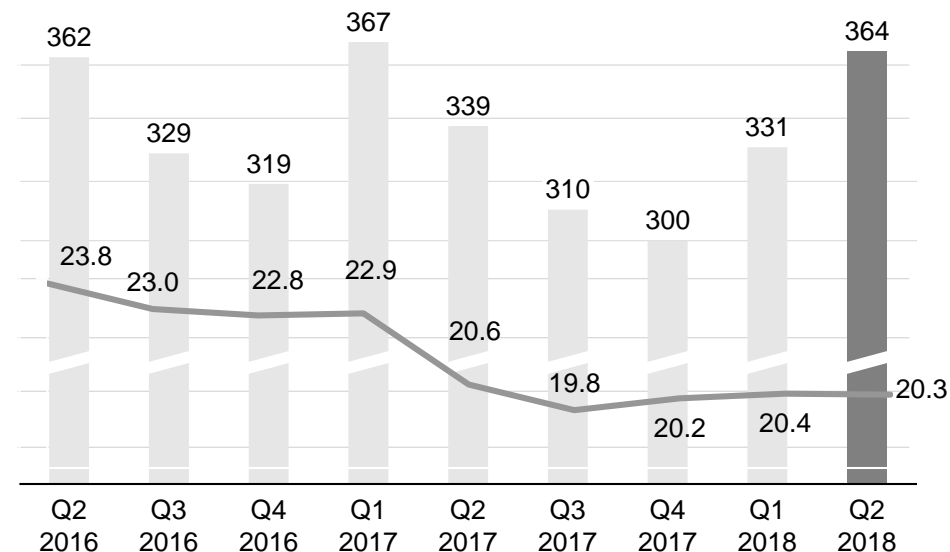
02 Shipments/sales and gross profit

Shipments (Tto)/Sales (€m)



- **Shipments** up due to increased demand in the US and impact from Section 232
- **Sales** increased yoy due to higher average sales prices despite weaker US\$/€ exchange rate

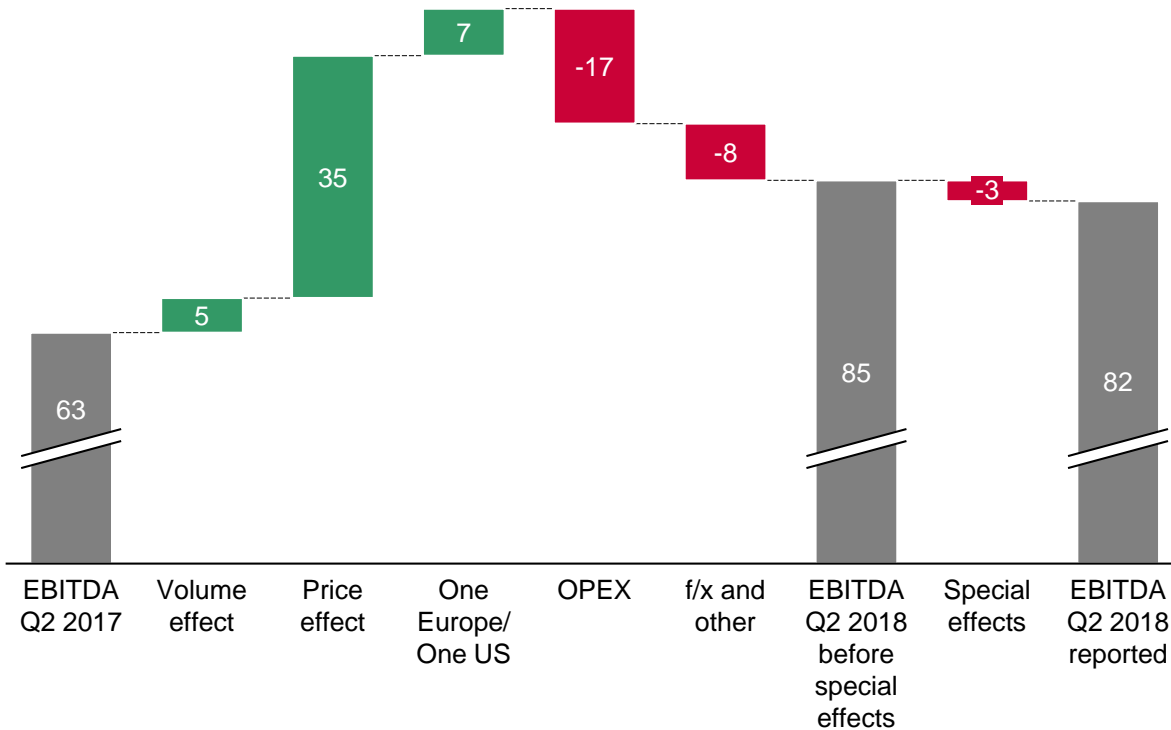
Gross profit (€m)/Gross margin (%)



- **Gross profit** up by €25m yoy mainly due to higher average prices despite negative f/x effect
- **Margin** with 20.3% stable qoq and slightly down yoy

02 EBITDA in Q2 2018

EBITDA impact: Q2 yoy (€m)



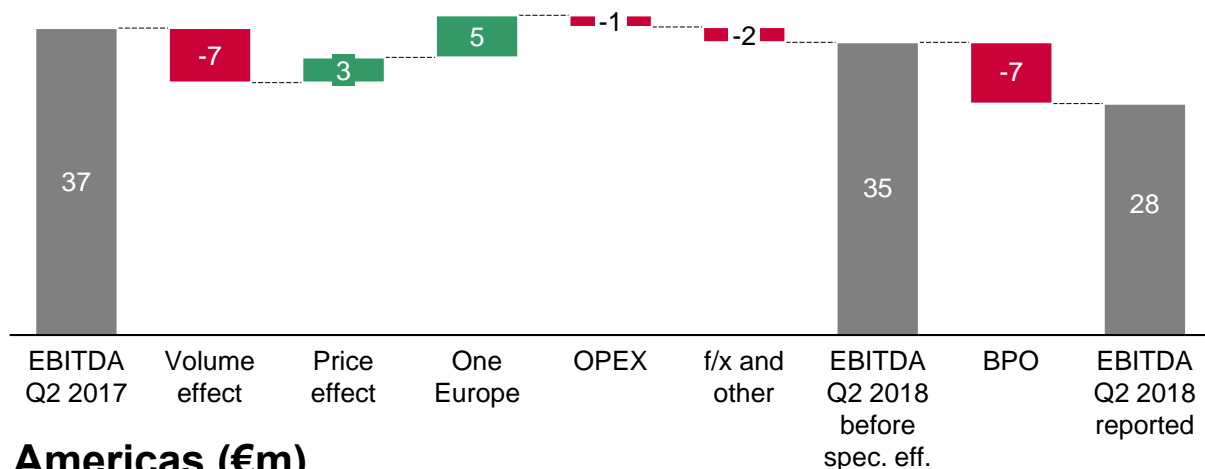
Comments

- Positive **volume and price effect** mainly due to good demand and price hikes (Section 232) in the US
- **OPEX** up mainly due to higher business volume in the US (shipping and personnel)
- EBITDA contribution of **One Europe** and **One US** of **€7m**
- **Other effects** mainly relate to f/x
- **EBITDA margin*** 4.7%
- **Special effects** relate to BPO implementation and Deep Water Horizon Settlement

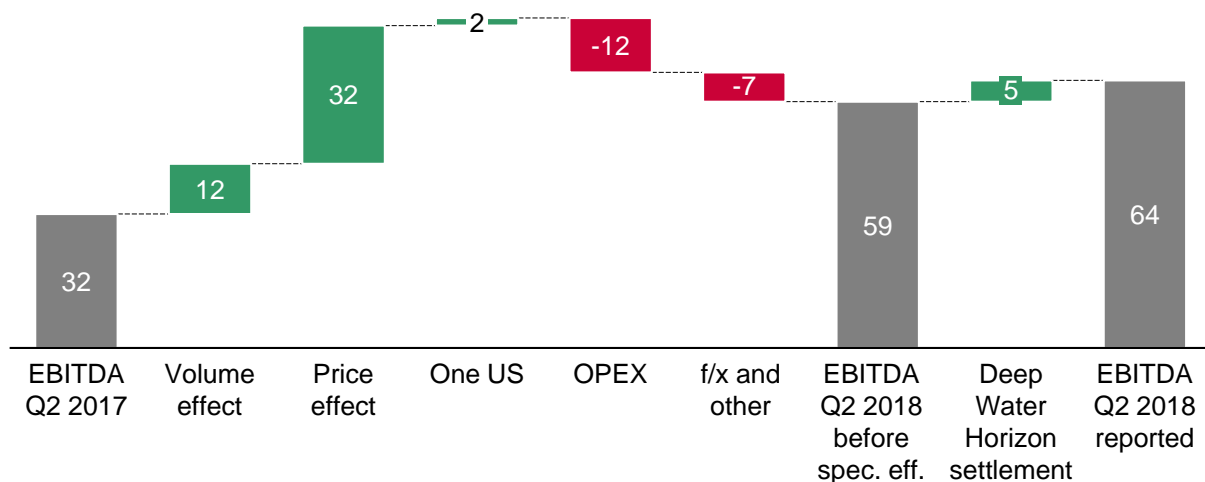
*) before BPO expense €7.3m and Deep Water Horizon Settlement gain €4.6m.

02 Segment performance Q2 2018

Europe (€m)



Americas (€m)



Europe

- **Volume effect** -€7m and **price effect** €3m
- **OPEX** yoy almost stable, **f/x and other** relate with -€1m to f/x
- **EBITDA margin*** 3.3%
- **BPO expense** mainly related to severance provisions

*) before BPO expense.

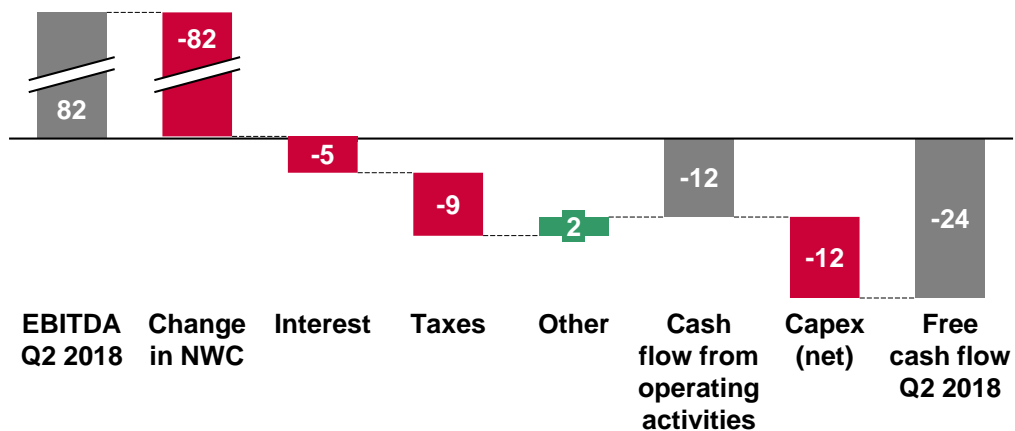
Americas

- **Volume effect** of €12m and **price effect** of €32m
- **OPEX** at -€12m mainly due to personnel and shipping related costs
- **F/X** effect of -€6m
- **EBITDA margin**** 8.2%
- **Settlement gain** from 2010 Deep Water Horizon Settlement

***) before Deep Water Horizon Settlement gain.

02 Cash flow and net debt development

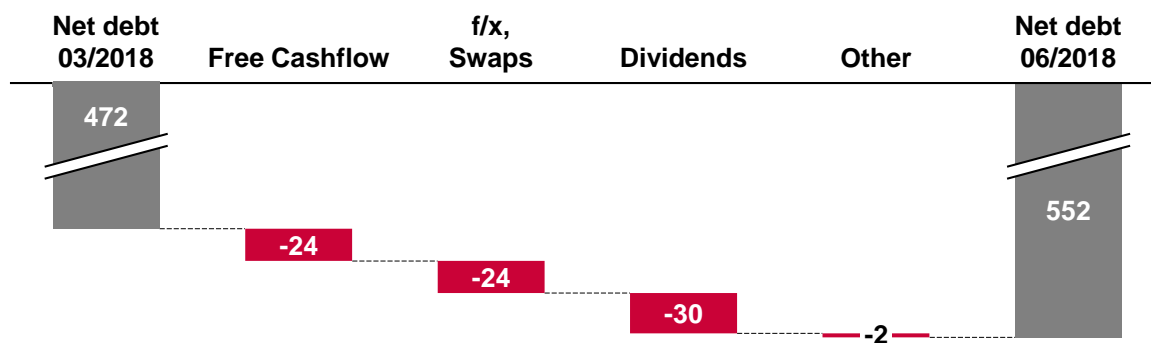
Cash flow reconciliation Q2 2018 (€m)



Comments

- **EBITDA** of €82m
- **Net working capital** seasonally and price-related increased by €82m
- **Other** (+€2m) includes changes in other liabilities, other provisions and provisions for pensions
- **Cash flow from operating activities** -€12m
- **Net capex** -€12m (Gross capex: -€12m)
- **Free cash flow** accordingly -€24m

Net financial debt 06/2018 vs. 03/2018 (€m)

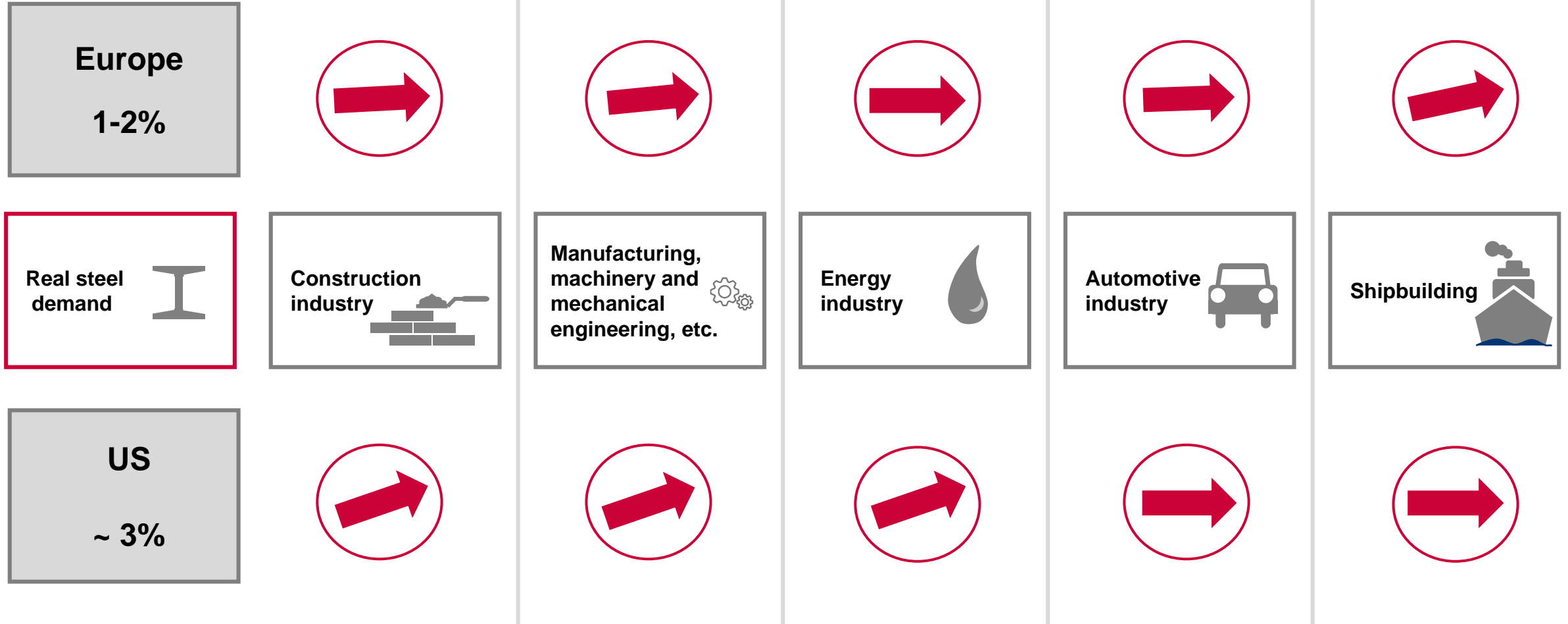


- **Net financial debt** increased driven by NWC build-up from €472m to €552m
- **f/x translation** effects (-€12m) and cash-outs from settlement of **f/x swaps** (-€12m) used to hedge intercompany financing in USD and GBP

Agenda

1. Highlights and update on strategy
2. Financials
- 3. Outlook**
4. Appendix

03 Segment specific business outlook 2018



03 Outlook

Q3
2018

- ▶ Sales expected to be stable qoq
- ▶ Operating income (EBITDA) – due to less price effects – lower, expected to be between €55m and €65m

FY
2018

- ▶ Higher sales anticipated due to higher average price level
- ▶ EBITDA at least slightly above last year's level (€220m)

Agenda

1. Highlights and update on strategy
2. Financials
3. Outlook
4. **Appendix**

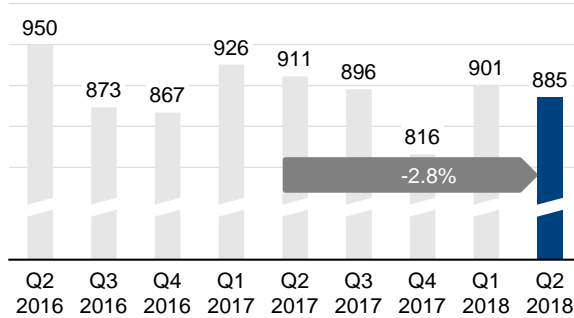
04 Quarterly and FY results

(€m)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	FY	FY	FY	FY	FY
	2018	2018	2017	2017	2017	2017	2016	2016	2016	2016	2015	2015	2015	2017	2016	2015	2014	2013
Shipments (Ttons)	1.605	1.584	1.443	1.539	1.572	1.582	1.450	1.500	1.643	1.556	1.535	1.636	1.645	6.135	6.149	6.476	6.598	6.445
Sales	1.789	1.628	1.485	1.565	1.640	1.602	1.397	1.430	1.517	1.386	1.456	1.597	1.693	6.292	5.730	6.444	6.504	6.378
Sales (currency effect)	-89	-114	-70	-45	13	19	-3	-18	-31	2	91	133	174	-83	-50	556	28	-121
Gross profit	364	331	300	310	339	367	319	329	362	304	297	311	320	1.316	1.315	1.237	1.261	1.188
% margin	20,3	20,4	20,2	19,8	20,6	22,9	22,8	23,0	23,8	22,0	20,4	19,4	18,9	20,9	22,9	19,2	19,4	18,6
EBITDA rep.	82	56	33	47	63	77	37	71	72	16	2	28	-17	220	196	24	191	124
% margin	4,6	3,4	2,2	3,0	3,9	4,8	2,6	5,0	4,8	1,2	0,2	1,8	-1,0	3,5	3,4	0,4	2,9	2,0
EBITDA rep. (curr. eff.)	-8	-5	-3	-2	1	1	0	-1	-1	0	2	4	2	-3	-1	10	1	-3
EBIT	60	35	9	25	41	54	-4	48	49	-8	-297	5	-44	130	85	-350	98	-6
Financial result	-10	-7	-9	-8	-8	-8	-10	-8	-7	-8	-12	-12	-13	-33	-33	-49	-59	-73
EBT	51	28	1	17	33	46	-14	40	42	-16	-309	-7	-56	97	52	-399	39	-79
Income taxes	-18	-7	29	-4	-9	-10	2	-9	-9	2	45	-2	1	5	-14	50	-17	-12
Net income	33	21	30	13	24	36	-12	31	33	-14	-263	-9	-55	102	38	-349	22	-90
Minority interests	0	0	0	1	1	0	0	0	1	0	-1	0	-1	1	1	-2	0	-6
Net income KCO	33	21	30	12	23	36	-12	31	32	-14	-263	-9	-54	101	37	-347	22	-85
EPS basic (€)	0,33	0,21	0,30	0,12	0,23	0,36	-0,13	0,31	0,32	-0,14	-2,63	-0,09	-0,54	1,01	0,37	-3,48	0,22	-0,85
EPS diluted (in €)	0,31	0,20	0,28	0,12	0,22	0,34	-0,13	0,31	0,32	-0,14	-2,63	-0,09	-0,54	0,96	0,37	-3,48	0,22	-0,85
Net debt	552	472	330	435	486	475	444	438	435	383	385	517	571	330	444	385	472	325
NWC	1.428	1.318	1.132	1.282	1.306	1.296	1.120	1.197	1.168	1.134	1.128	1.369	1.452	1.132	1.120	1.128	1.321	1.216

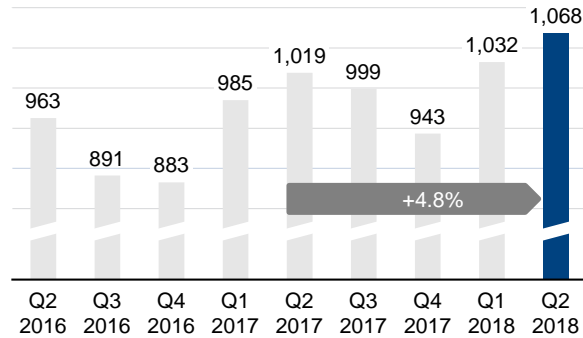
04 Segment performance

Europe

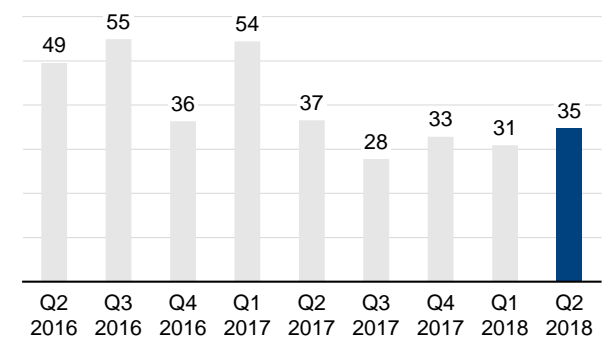
Shipments (Tto)



Sales (€m)

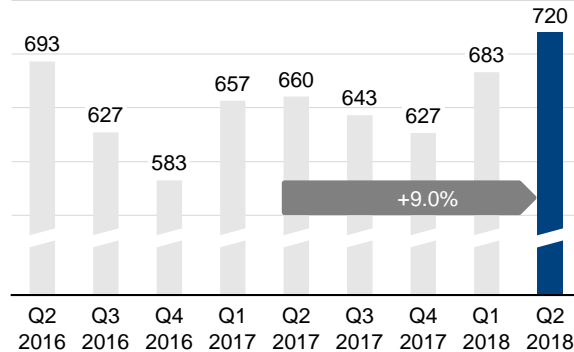


EBITDA adj* (€m)

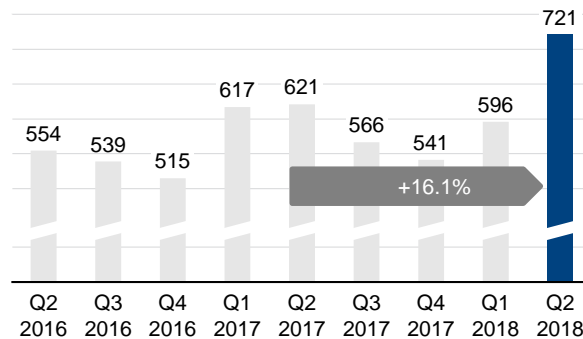


Americas

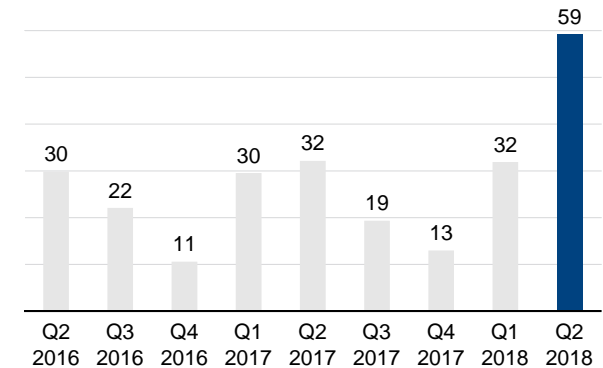
Shipments (Tto)



Sales (€m)



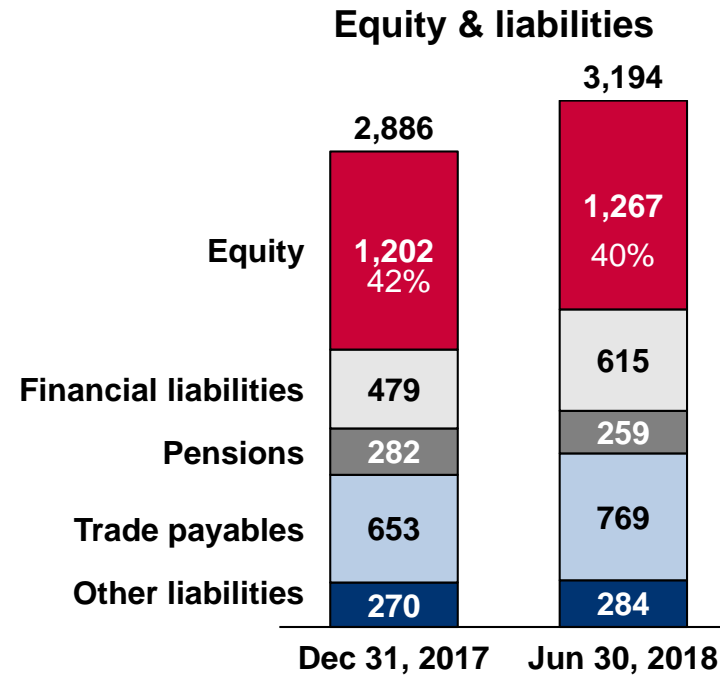
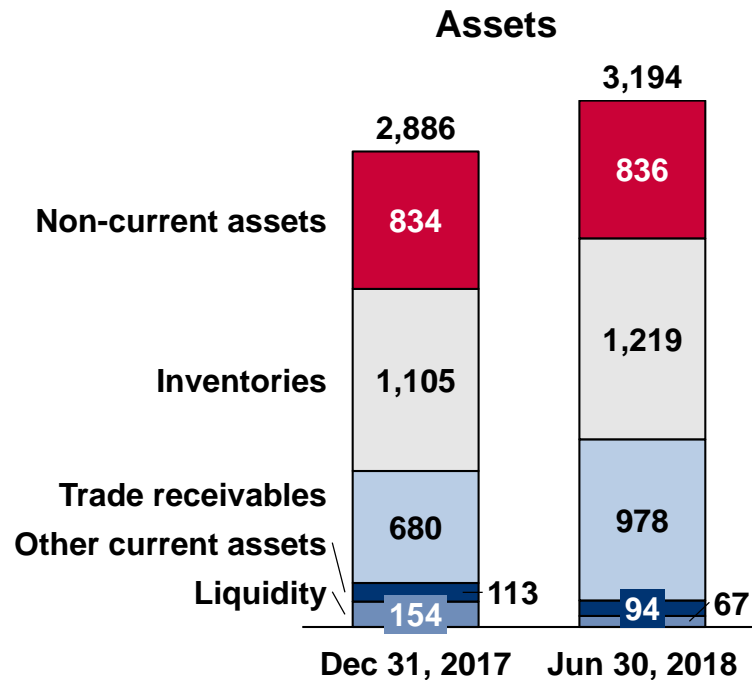
EBITDA adj** (€m)



*) adjusted for BPO expenses in Q2 2018.

**) adjusted for Deep Water Horizon Oil Spillage Claim Settlement gain in Q2 2018.

04 Strong balance sheet



Comments

- Equity ratio further healthy at 40%
- Net debt of €552m
- Leverage 2.5x
- Gearing* at 44%
- NWC increased from €1,132m to €1,428m

*) Gearing = Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2013.

04 Maturity profile – well-balanced & diversified funding portfolio

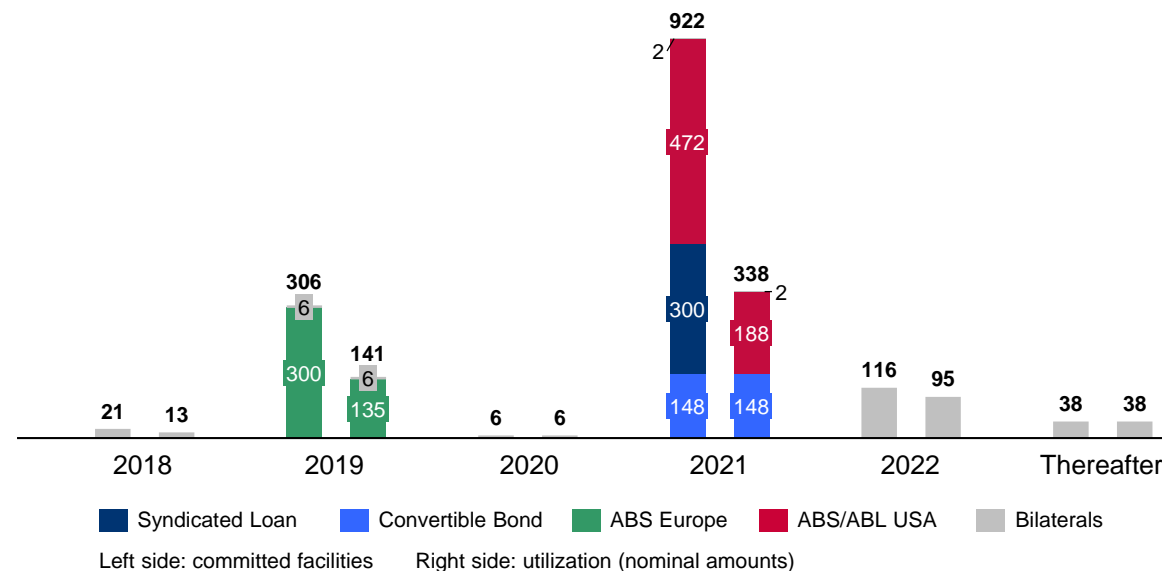
Facility	Committed (€m)	Drawn amount (€m, IFRS*)	
		Q2 2018	FY 2017
Syndicated Loan	300	0	0
ABS Europe	300	135	79
ABS/ABL USA	472	188	157
Convertible 2016 ¹⁾	148	136	135
Bilateral Facilities ²⁾	189	160	113
Total Debt	1,409	619	484
Cash		67	154
Net Debt		552	330

*) Including interest accrued, excluding deferred transaction costs.

- 1) Principal €148m, equity component €18m at issuance (September 8, 2016).
- 2) Including finance lease; committed and drawn bilaterals mainly Switzerland.
- 3) Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2013.

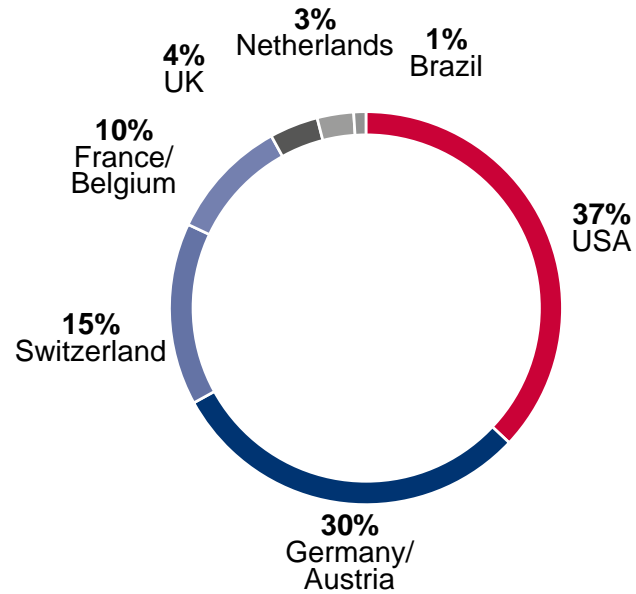
€m	Q2 2018
Adjusted equity	1,240
Net debt	552
Leverage	2.5x
Gearing ³⁾	44%

Maturity profile of committed facilities & drawn amounts (€m)

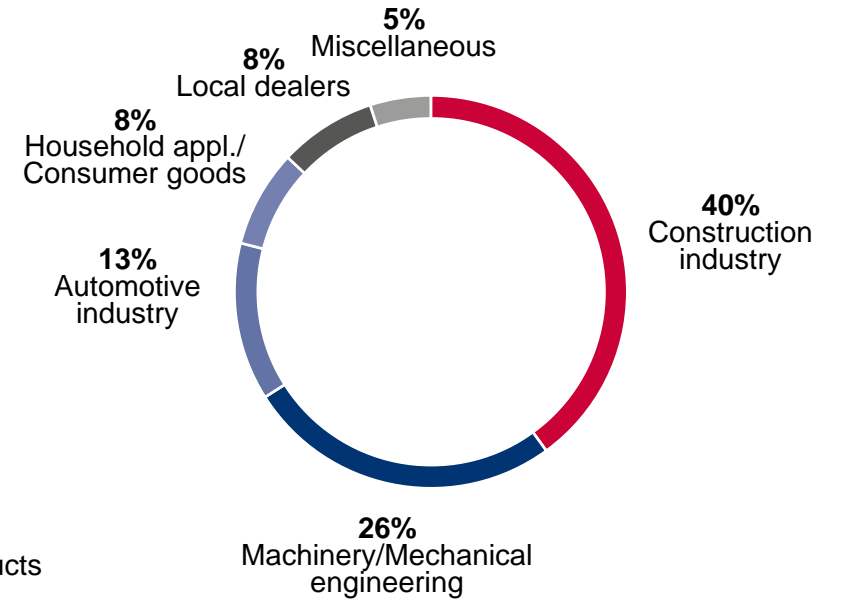


04 Sales by markets, products and industries

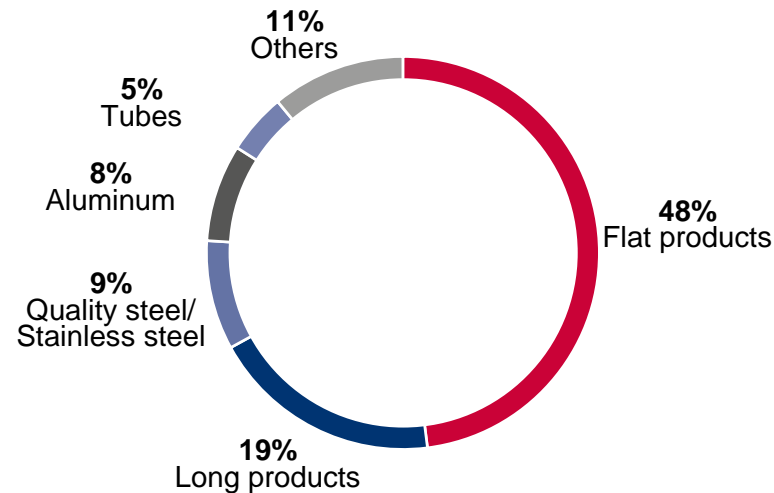
Sales by markets



Sales by industry



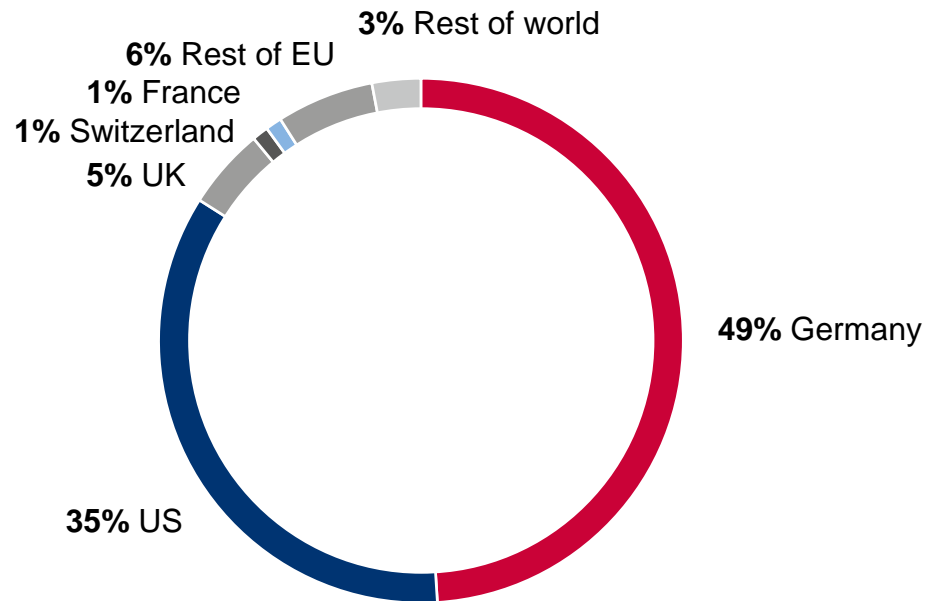
Sales by product



As of December 31, 2017.

04 Current shareholder structure

Geographical breakdown of identified institutional investors



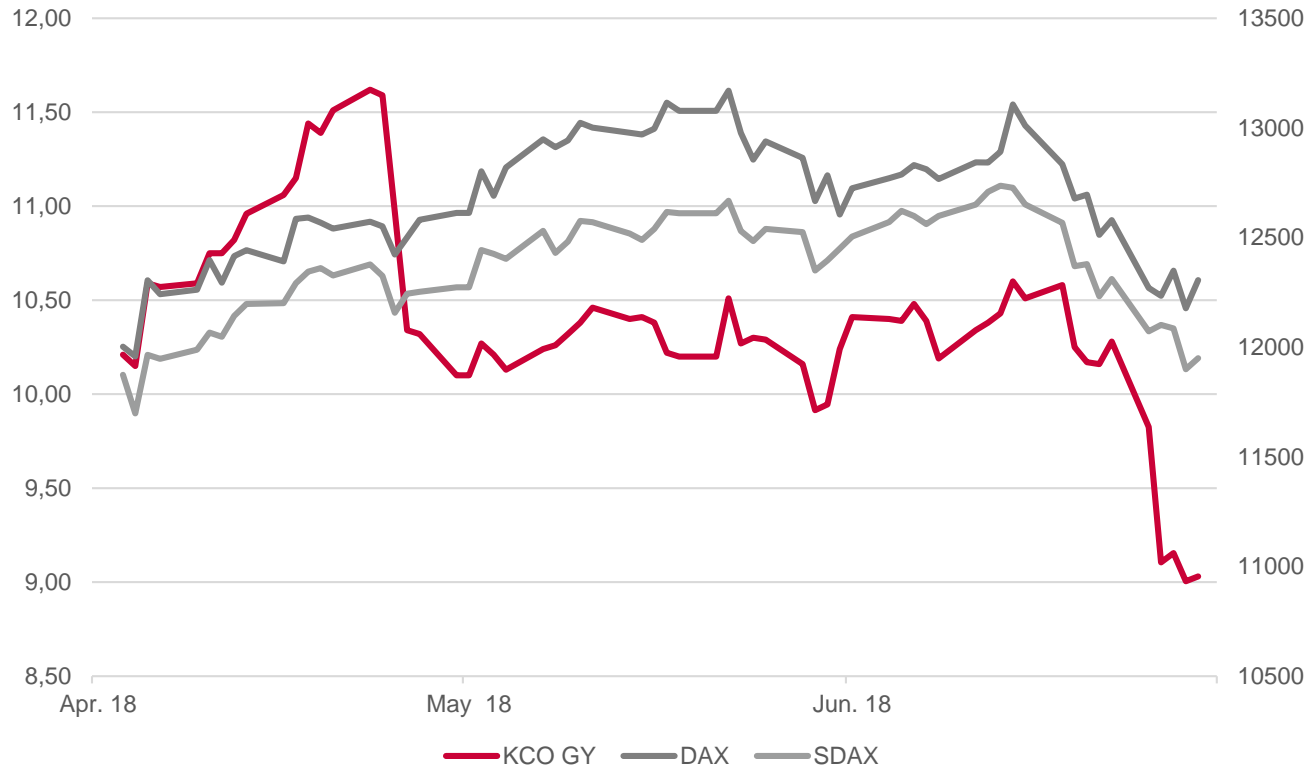
Comments

- Identified institutional investors account for 73%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 51%
- Retail shareholders represent 19%

As of July 2018.

04 Share price performance in Q2 2018

Share performance Klöckner & Co SE



- At the beginning of Q2 2018, the price of the Klöckner share rose strongly, reaching the level of €11.62 on April 23, 2018
- In the aftermath the share price fell to €10.30 on April 26, 2018
- In the following, the share was on a sideways track until it fell sharply to €9.01 on June 28, 2018 which was the lowest point of the quarter
- The share went out of trading with €9.03 on June 29, 2018

04 Dividend policy

DIVIDEND POLICY

In general, Klöckner & Co SE follows a **dividend policy** of distributing **30% of net income** before special items.

Given the **volatility** of our business model, a sustainable **dividend payment** can not be guaranteed. If there is a **possibility of dividend distribution**, we will do it for the **benefit of our investors**.

- Compliance with the dividend policy of €0.80 per share for the years 2006 and 2007
- Suspension of the dividend policy for the financial year 2008 in view of the beginning of the **Euro crisis** and no dividend payment
- **Due to earnings** no dividend payment in 2009
- **Inclusion** of our general dividend policy in financial year 2010 with a dividend of €0.30 per share
- **Due to earnings** no dividend payment in 2011, 2012 and 2013 as well as in 2015
- **Full distribution** of net profit for the financial year 2014 (€0.20 per share)
- Dividend payment of €0.20 per share in 2016 and **€0.30 per share for the 2017 financial year**

DIVIDEND PAYMENT PER SHARE

	2006	2007	2008-2009	2010	2011-2013	2014	2015	2016	2017
	€0.80	€0.80	-	€0.30	-	€0.20	-	€0.20	€0.30

Contact details

Christina Kolbeck

Head of Investor Relations & Sustainability

Phone: +49 203 307 2122

Fax: +49 203 307 5025

Email: christina.kolbeck@kloeckner.com

Internet: www.kloeckner.com



Financial calendar

October 24, 2018	Q3 interim statement 2018
March 12, 2019	Annual financial statements 2018
April 30, 2019	Q1 interim statement 2019
May 15, 2019	Annual General Meeting 2019
July 31, 2019	Q2 interim report 2019
October 30, 2019	Q3 interim statement 2019