



FY 2017 Results

Analysts' and Investors' Conference

February 28, 2018

Gisbert Rühl | CEO

Marcus A. Ketter | CFO

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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 is also available, in case of deviations the German version shall prevail.

Evaluating statements are unified and are presented as follows:

+/- 0-1%	+/- >1-5%	+/- >5-10%	+/- >10-15%	+/- >15%
constant, stable	moderate, slight	measurable, noticeable, substantial	considerable, dynamic, significant	sharp, strong

Agenda

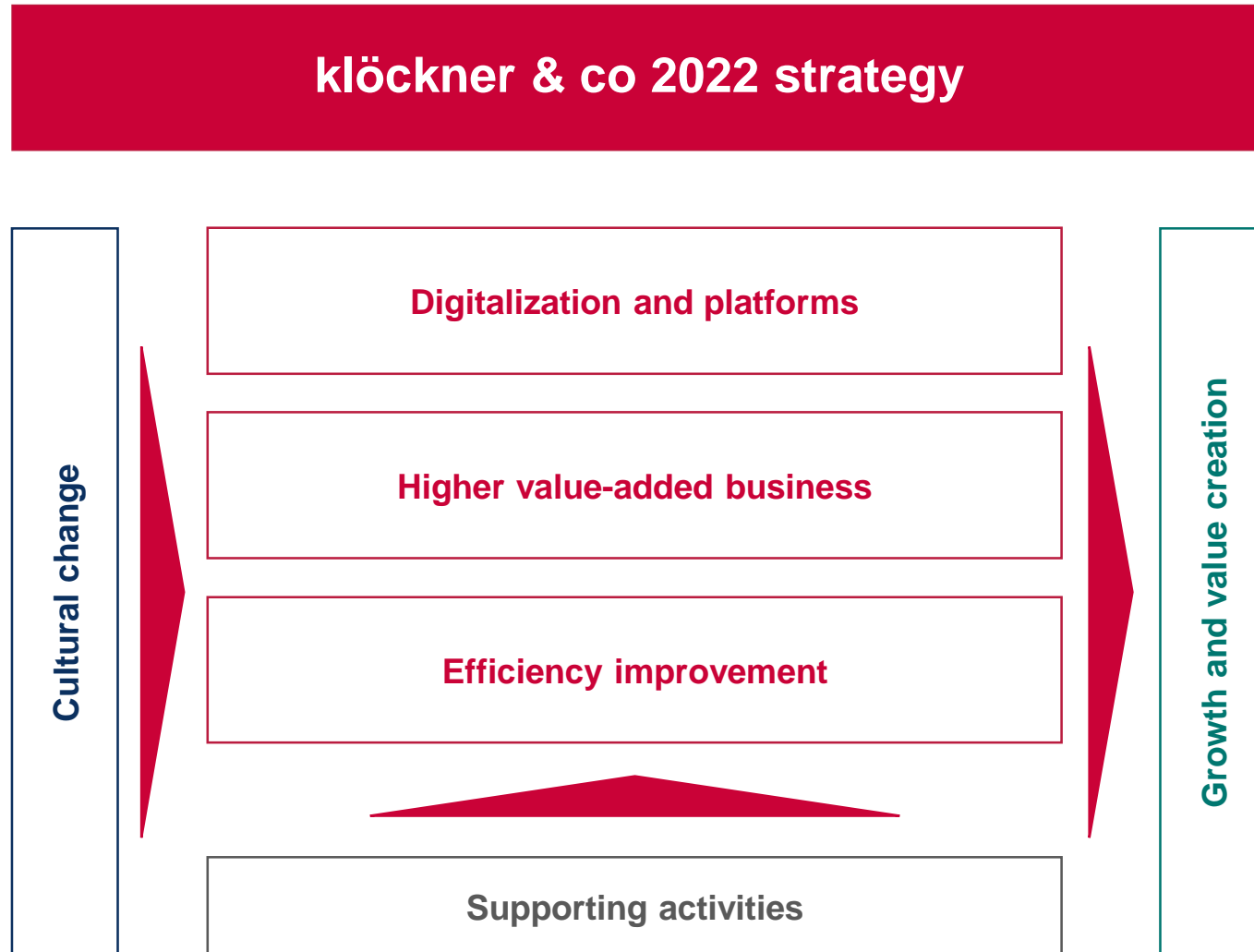
- 1. Highlights and update on strategy**
2. Financials
3. Outlook
4. Appendix

01 | Highlights FY 2017

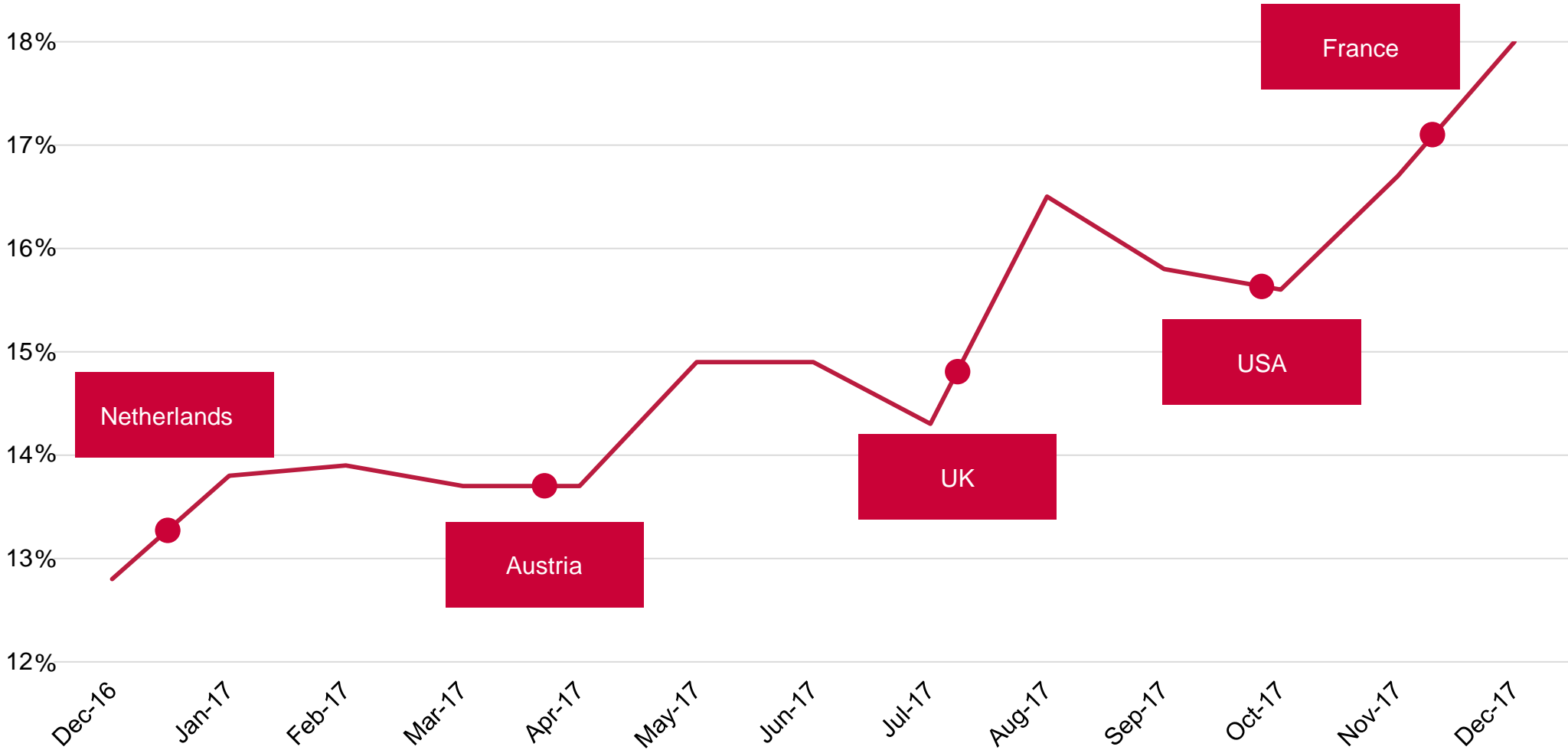
Sales	€5,730m → €6,292m	▶ Increase of nearly 10%
EBITDA	€196m → €220m	▶ Best in 7 years
Net income	€38m → €102m	▶ Best in 9 years
Operating cash flow	€73m → €79m	▶ Positive in 6 consecutive years
Equity ratio	39.6% → 41.7%	▶ Highest since listing in 2006
Net debt	€444m → €330m	▶ Lowest in 4 years
Digital sales	13% → 18%	▶ Increase of nearly 40%
Dividend	€0.20 → €0.30*	▶ Increase of 50%

*) Proposal to the Annual General Meeting on May 16, 2018.

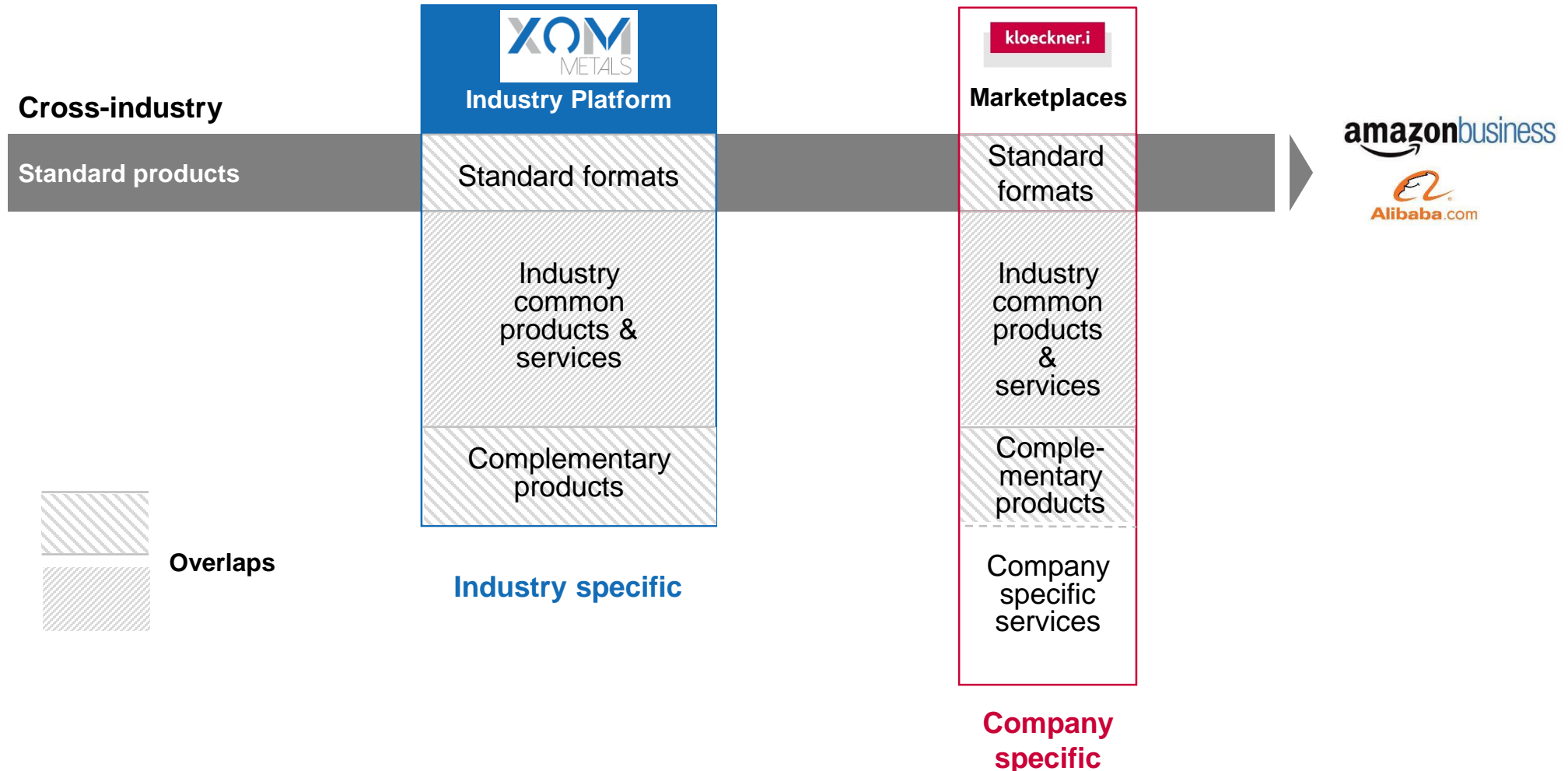
01 | Our strategy: “Klöckner & Co 2022”



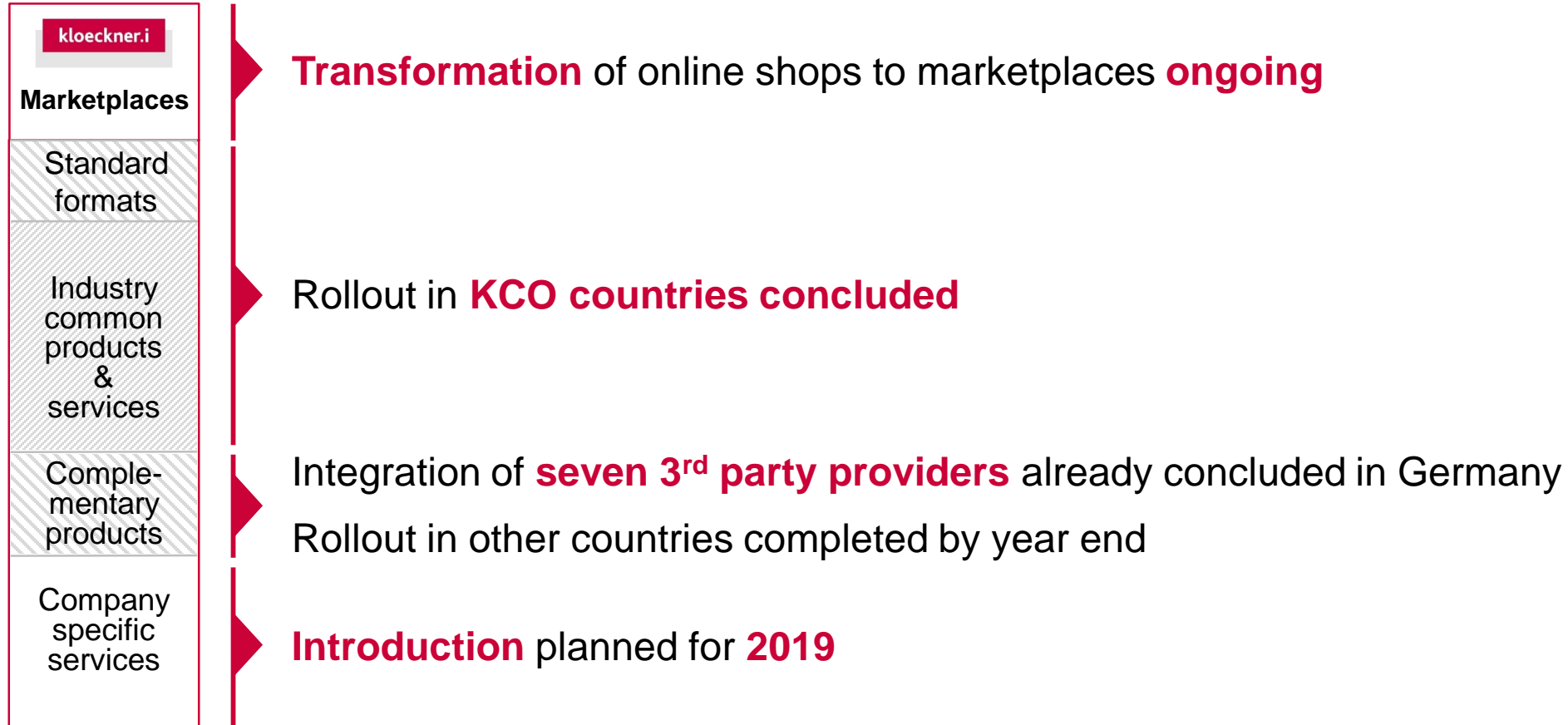
01 | Strong growth of digital sales fostered by successful roll outs



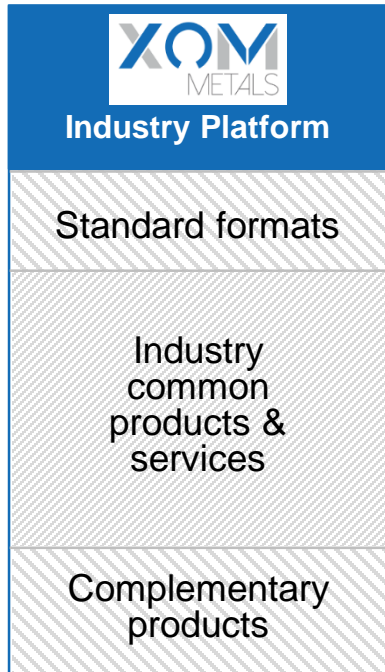
01 | Well positioned in the competitive landscape of platforms



01 | Significant progress in enhancing proprietary platforms



01 | Successful launch of open industry platform XOM



New **entity founded** and **10 digital experts** already hired

Promising discussions with several US and UK **VC investors** ongoing

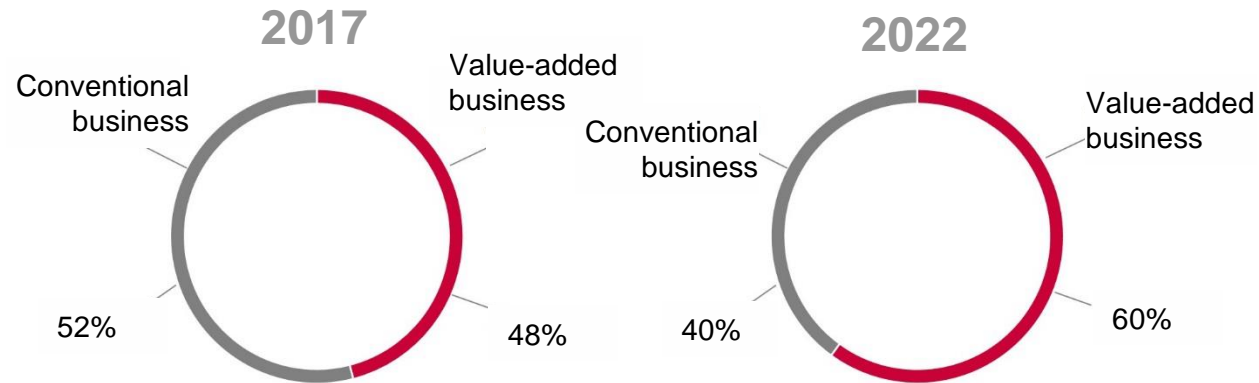
Successful launch and **onboarding** of first vendors in Europe concluded

Launch of **XOM** in the **US** in **Q3**

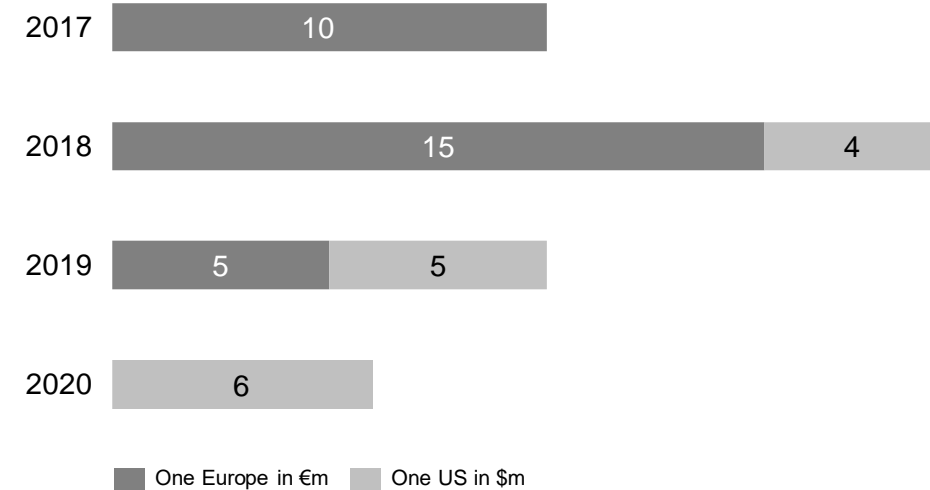
Onboarding of **corresponding participants** planned already for this year

01 | VAB, efficiency improvement and way to VC²

Value-added business



Efficiency improvement



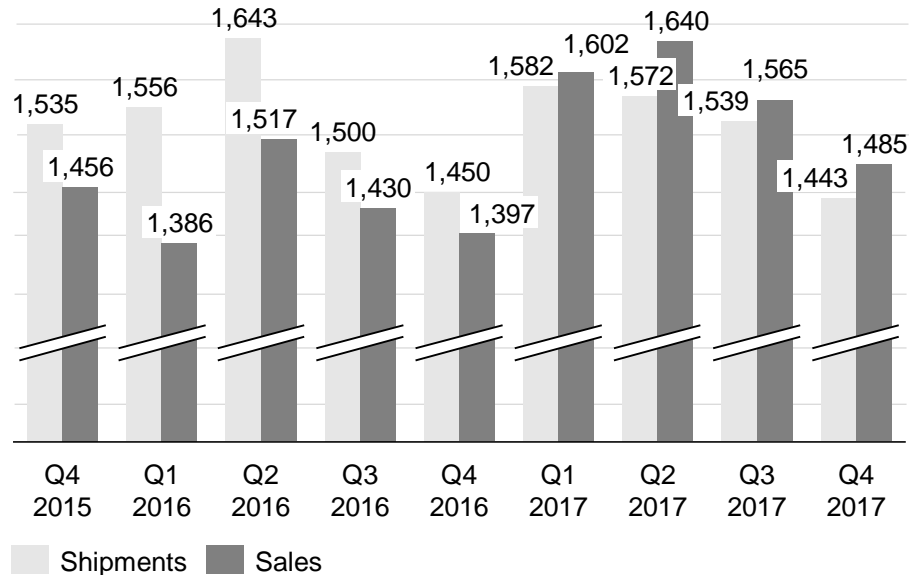
VC² as holistic approach to speed-up the transformation of the core business in order to support the achievement of the KCO 2022 targets

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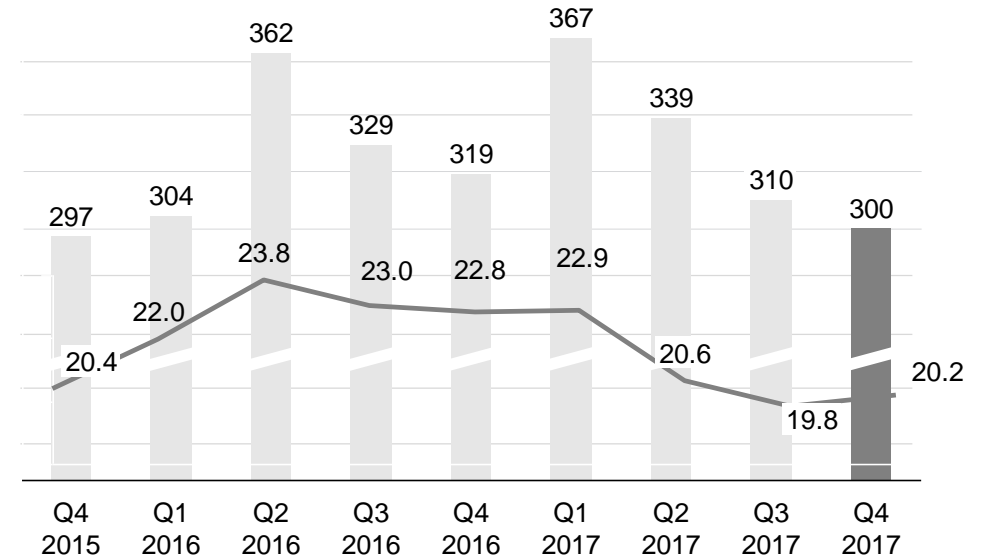
02 | Shipments / sales and gross profit

Shipments (Tto) / Sales (€m)



- **Shipments** yoy almost stable despite the sale of Spanish activities, qoq were down due to seasonal pattern
- **Sales** increased yoy due to higher average sales prices
- Despite weaker f/x qoq **sales** declined less pronounced than **shipments** mainly due to higher average sales prices

Gross profit* (€m) / Gross margin* (%)

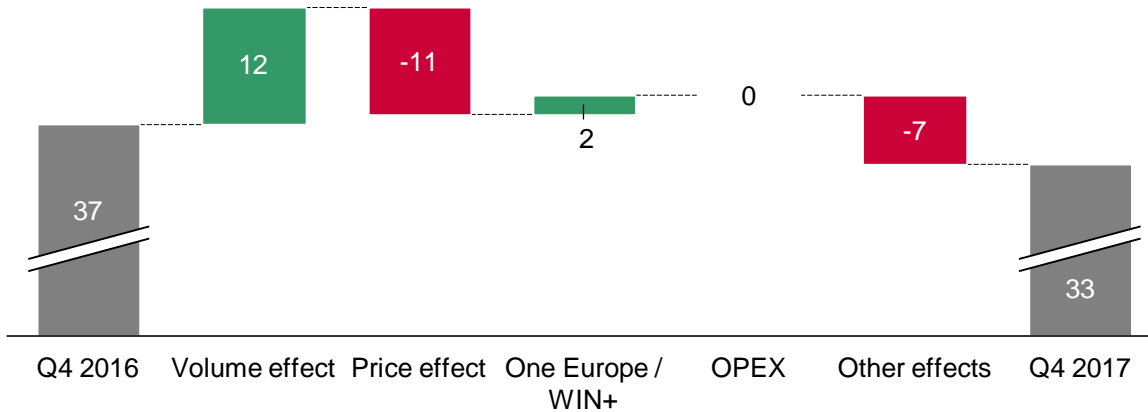


- **Gross profit** down yoy mainly due to f/x and disposal of Spanish business
- **Margin** down to 20.2%, 2.6%p below Q4 2016 due to margin contraction over the year

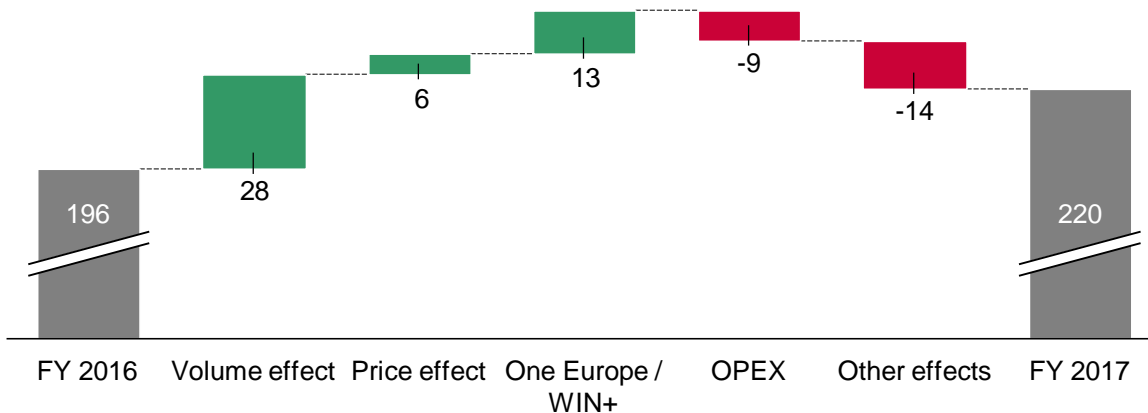
* Before restructuring cost.

02 | Significant increase of EBITDA in 2017

EBITDA impact: Q4 yoy (€m)



EBITDA impact: FY yoy (€m)



Comments Q4

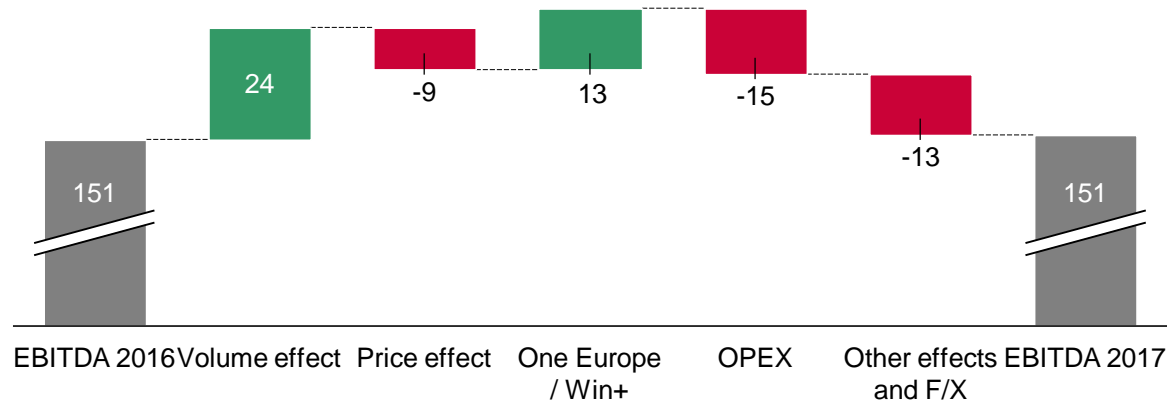
- Positive **volume effect** mainly due to increasing demand in Europe
- Negative **price effect** mainly due to margin contraction in Europe
- **Other effects** contain mainly restructuring effects partly compensated by higher disposal gains

Comments FY

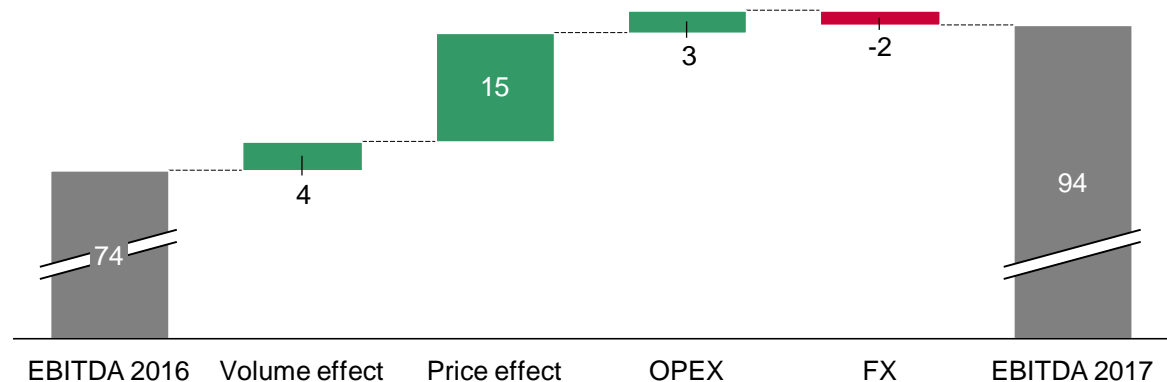
- Positive **volume effect** mainly due to increasing demand in Europe
- Positive **price effect** in Americas partially offset by margin contraction in Europe
- **Other effects** contain restructuring effects (-€6m) as well as negative f/x effects (-€3m)

02 | Segment performance FY 2017

Europe (€m)



Americas (€m)

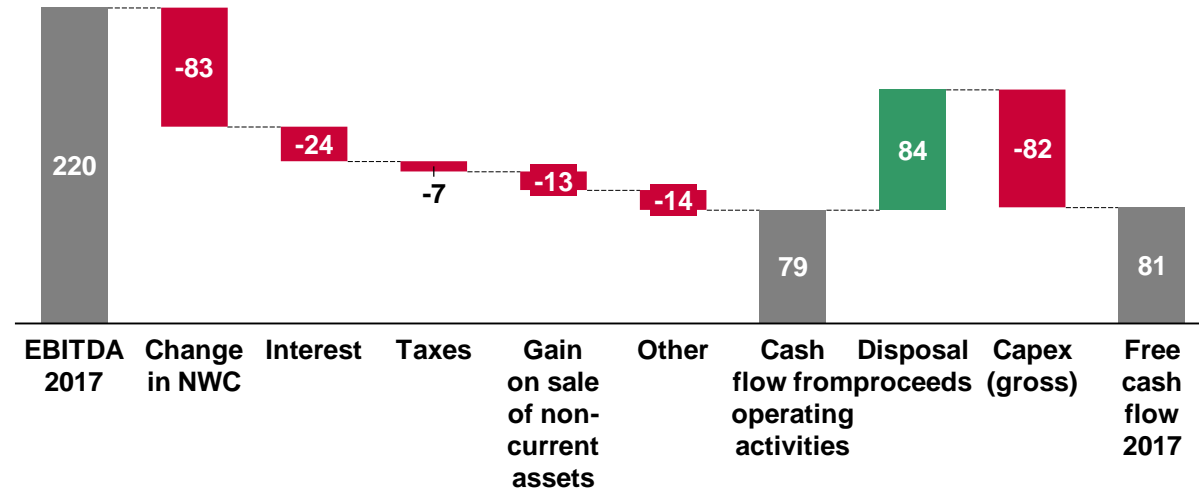


Comments

- **Volume effect** +€24m due to increasing demand
- **Price effect** -€9m due to margin contraction
- **One Europe** and **KCO WIN+** programs contributed €13m to EBITDA improvement
- **OPEX** up yoy business-driven (mainly shipping and outside storage)
- **Other and F/X** included lower disposal gains (-€5m) and restructuring expenses (-€6m)
- **Volume effect** of +€4m (net of disposal of Pipe business)
- **Price effect** +€15m driven by strong economic environment
- **OPEX** slightly down (€3m) mainly due to personnel related savings
- **F/X** effect of -€2m

02 | Cash flow and net debt development

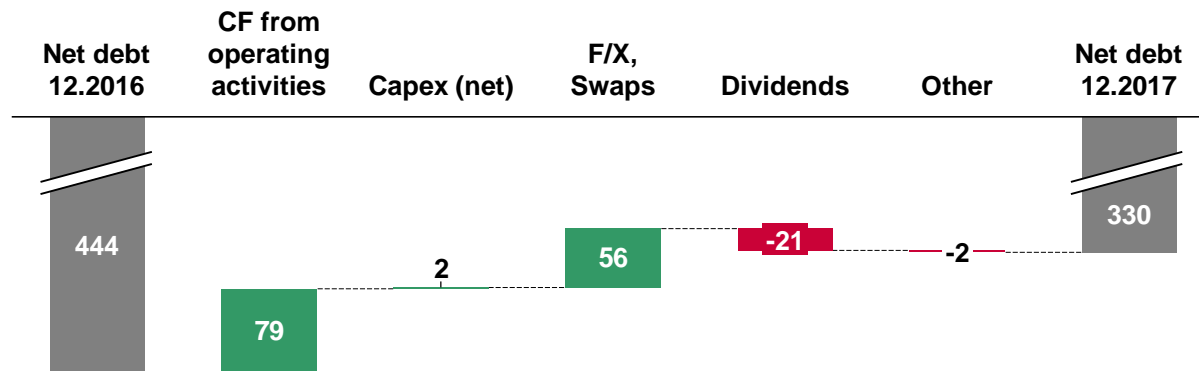
Cash flow reconciliation FY2017 (€m)



Comments

- **NWC** increased by €83m due to higher average prices
- **Gain on sale of non-current assets** mainly related to the disposal of property in Switzerland and Contorion
- **“Other”** included changes in other liabilities, other provisions and especially provisions for pensions
- **Disposal proceeds** included sale of Spanish operations (€55m), real estate Sennwald (€16m) and share in Contorion (€8m)

Net financial debt 12/2017 vs. 12/2016 (€m)



- **Net financial debt** decreased due to positive free cash flow of €81m and also due to f/x (€30m) and settlement of f/x swaps (€26m) used to hedge intercompany financing in US\$ and GBP

02 | Maturity profile – well-balanced & diversified funding portfolio

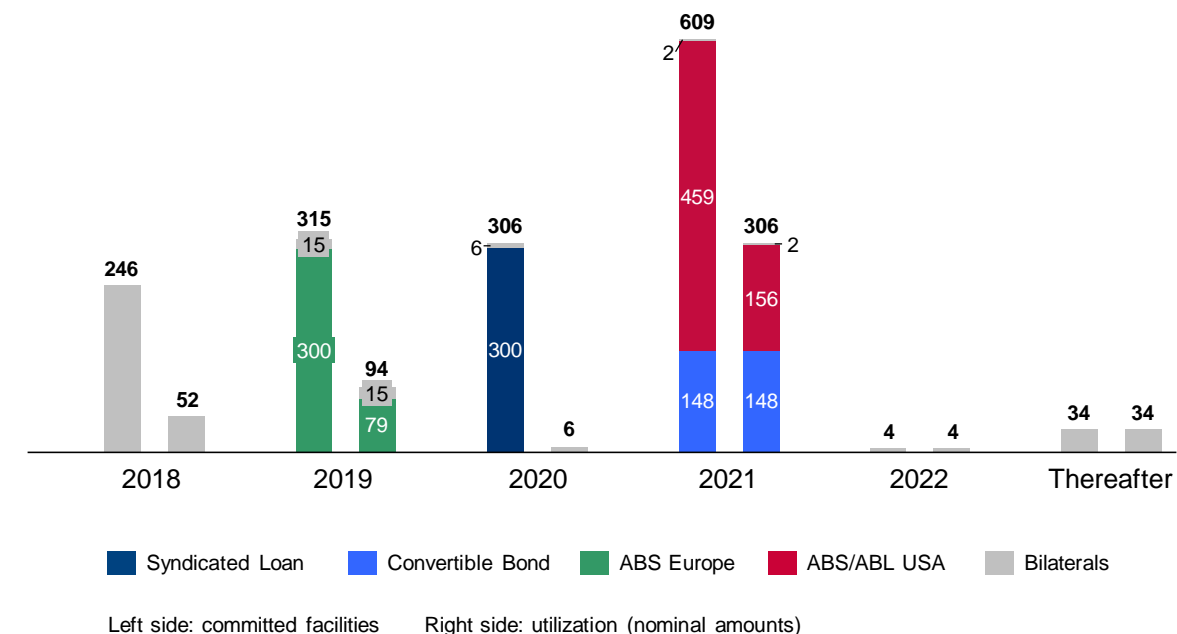
Facility	Committed (€m)	Drawn amount (€m, IFRS [*])	
		FY 2017	FY 2016
Syndicated Loan	300	0	0
ABS Europe	300	79	115
ABS/ABL USA	459	157	218
Convertible 2016 ¹⁾	148	135	131
Bilateral Facilities ²⁾	307	113	114
Total Debt	1,514	484	578
Cash		154	134
Net Debt		330	444

*Including interest accrued, excluding deferred transaction costs

- 1) Principal €148m, equity component €18m at issuance (September 8, 2016).
- 2) Including finance lease; 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	FY 2017
Adjusted equity	1,176
Net debt	330
Gearing ³⁾	28%

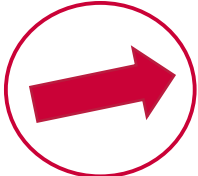
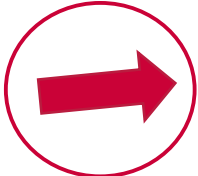

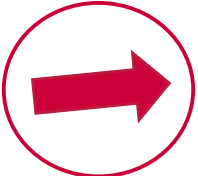
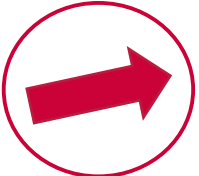







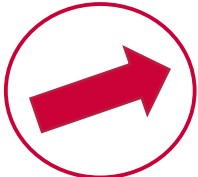



Maturity profile of committed facilities & drawn amounts (€m)



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03 | Segment specific business outlook 2018

<p>Europe 1-2%</p>					
<p>Real steel demand </p>	<p>Construction industry </p>	<p>Manufacturing, machinery and mechanical engineering, etc. </p>	<p>Energy industry </p>	<p>Automotive industry </p>	<p>Shipbuilding </p>
<p>US ~ 3%</p>					

03 | Outlook

Q1 2018

- ▶ Seasonally higher sales anticipated
- ▶ Operating income (EBITDA) expected to be between €45m and €55m

FY 2018

- ▶ Slightly higher sales anticipated due to growing steel demand
- ▶ EBITDA at least at the level of the previous year (€220m) expected
- ▶ Upside potential for EBITDA in case of further increasing steel prices

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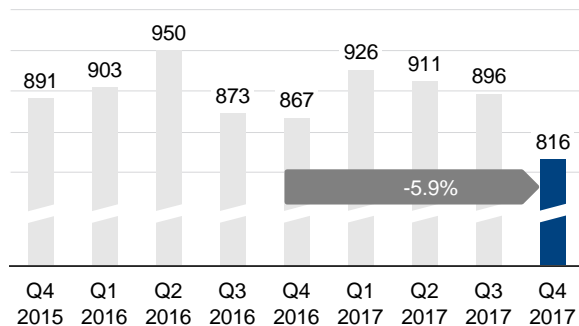
04 | Quarterly and FY results

(€m)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
Shipments (Ttons)	1.443	1.539	1.572	1.582	1.450	1.500	1.643	1.556	1.535	1.636	1.645	1.661	6.135	6.149	6.476	6.598	6.445
Sales	1.485	1.565	1.640	1.602	1.397	1.430	1.517	1.386	1.456	1.597	1.693	1.697	6.292	5.730	6.444	6.504	6.378
Sales (currency effect)	-70	-45	13	19	-3	-18	-31	3	91	132	174	158	-83	-140	556	28	-120
Gross profit	300	310	339	367	319	329	362	304	297	311	320	310	1.316	1.315	1.237	1.261	1.188
% margin	20,2	19,8	20,6	22,9	22,8	23,0	23,8	22,0	20,4	19,4	18,9	18,2	20,9	22,9	19,2	19,4	18,6
EBITDA rep.	33	47	63	77	37	71	72	16	2	28	-17	10	220	196	24	191	124
% margin	2,2	3,0	3,9	4,8	2,6	5,0	4,8	1,2	0,2	1,8	-1,0	0,6	3,5	3,4	0,4	2,9	2,0
EBITDA rep. (curr. eff.)	-3	-2	1	1	1	-1	-1	0	2	4	2	1	-3	-1	10	0	-3
EBIT	9	25	41	54	-4	48	49	-8	-297	5	-44	-15	130	85	-350	98	-6
Financial result	-9	-8	-8	-8	-10	-8	-7	-8	-12	-12	-13	-12	-33	-33	-49	-59	-73
EBT	1	17	33	46	-14	40	42	-16	-309	-7	-56	-27	97	52	-399	39	-79
Income taxes	29	-4	-9	-10	2	-9	-9	2	45	-2	1	6	5	-14	50	-17	-12
Net income	30	13	24	36	-12	31	33	-14	-263	-9	-55	-22	102	38	-349	22	-90
Minority interests	0	1	1	0	0	0	1	0	-1	0	-1	0	1	1	-2	0	-6
Net income KCO	30	12	23	36	-12	31	32	-14	-263	-9	-54	-21	101	37	-347	22	-85
EPS basic (€)	0,30	0,12	0,23	0,36	-0,13	0,31	0,32	-0,14	-2,63	-0,09	-0,54	-0,22	1,01	0,37	-3,48	0,22	-0,85
EPS diluted (in €)	0,28	0,12	0,22	0,34	-0,13	0,31	0,32	-0,14	-2,63	-0,09	-0,54	-0,22	0,96	0,37	-3,48	0,22	-0,85
Net debt	330	435	486	475	444	438	435	383	385	517	571	650	330	444	385	472	325
NWC	1.132	1.282	1.306	1.296	1.120	1.197	1.168	1.134	1.128	1.369	1.452	1.559	1.132	1.120	1.128	1.321	1.216

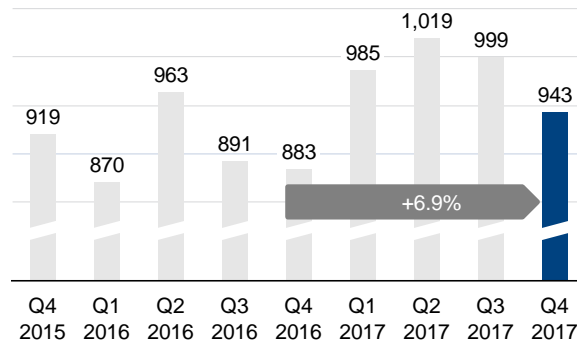
04 | Segment performance

Europe

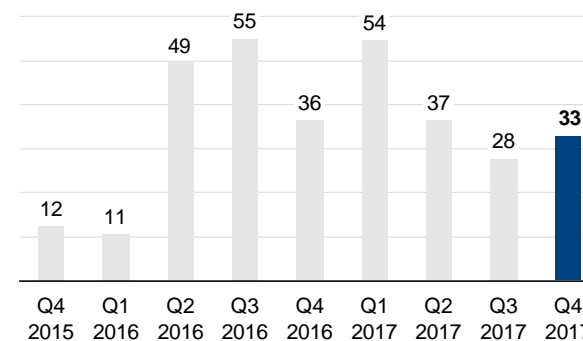
Shipments (Tto)



Sales (€m)

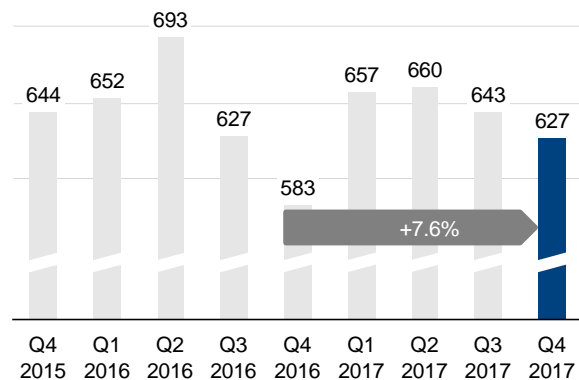


EBITDA before restructuring (€m)

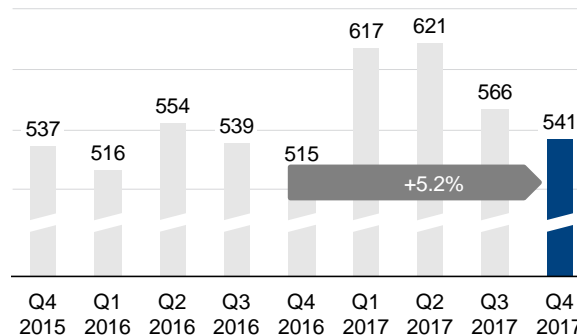


Americas

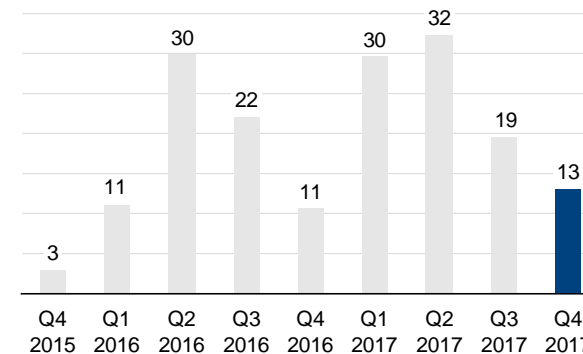
Shipments (Tto)



Sales (€m)



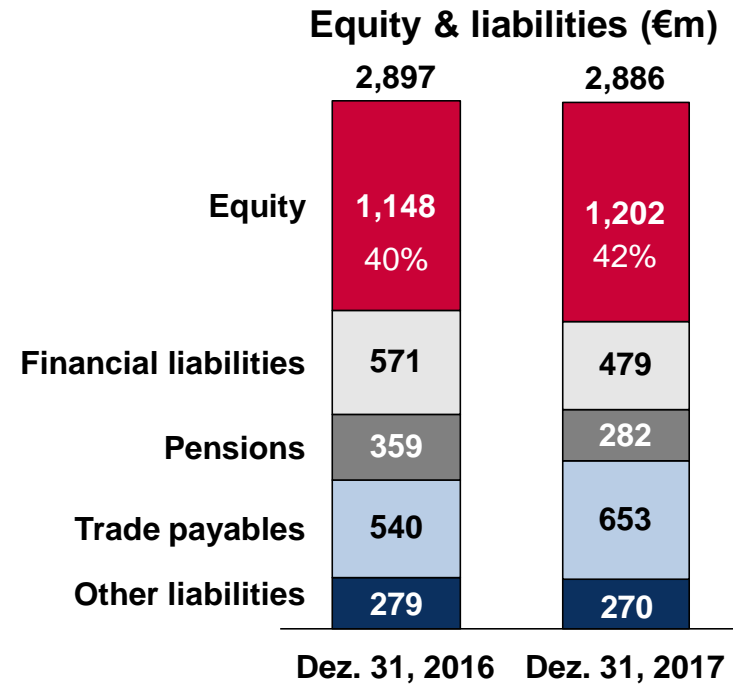
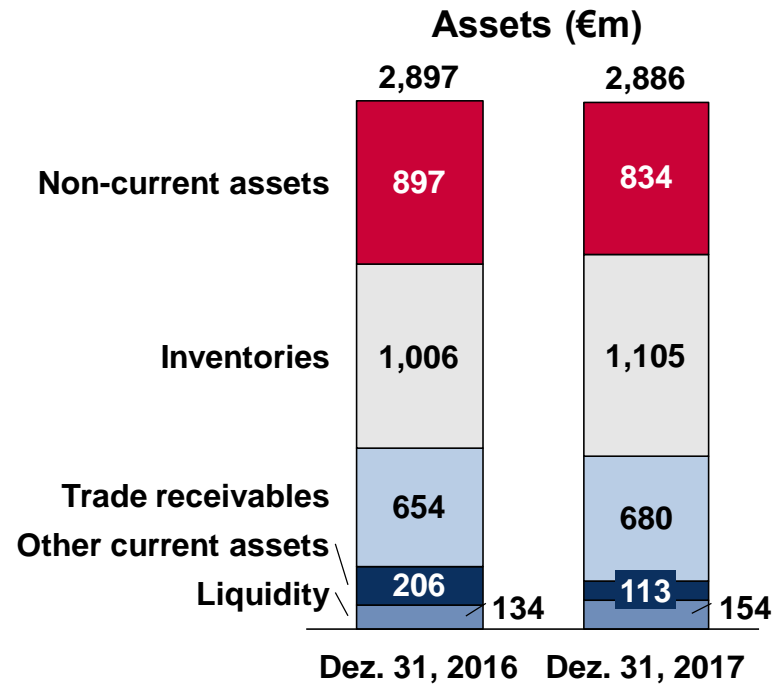
EBITDA before restructuring (€m)



Restructuring costs (€m)*	Q4 2015	Q4 2017
Europe	2	
Americas	2	

* €4m are reported in HQ in Q4 2015.

04 | Strong balance sheet



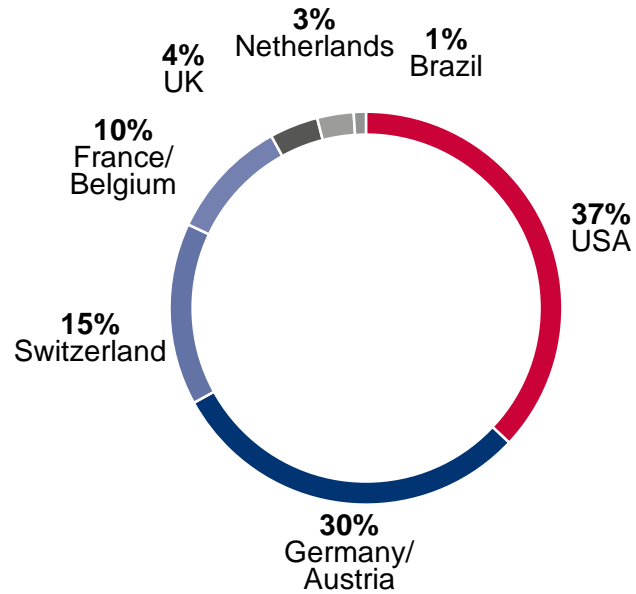
Comments

- Equity ratio further healthy at 42%
- Net debt of €330m
- Gearing* at 28%
- NWC almost flat at €1,132m vs €1,120m

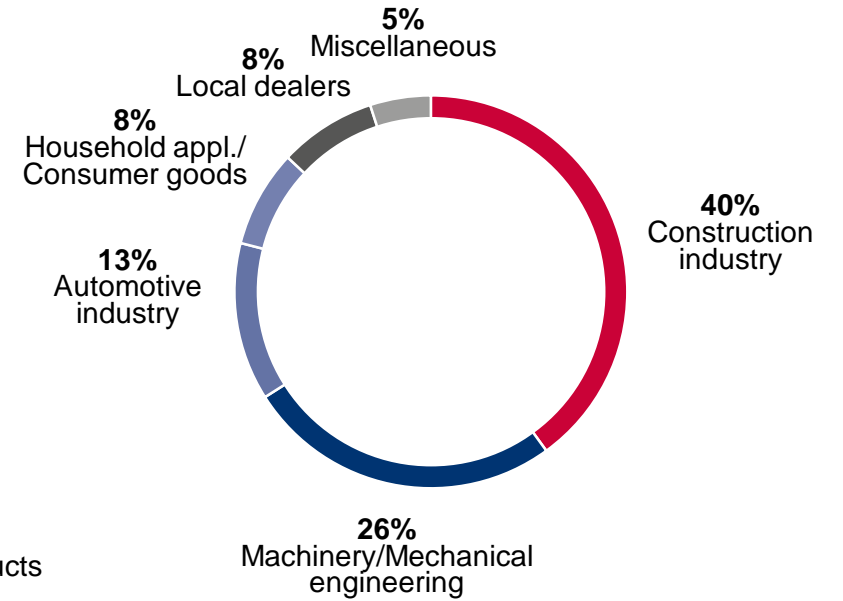
* Gearing = Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2013.

04 | Sales by markets, products and industries

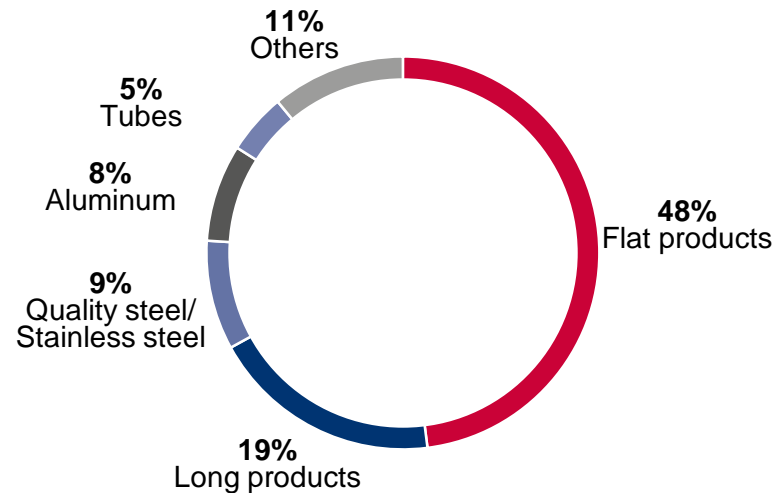
Sales by markets



Sales by industry



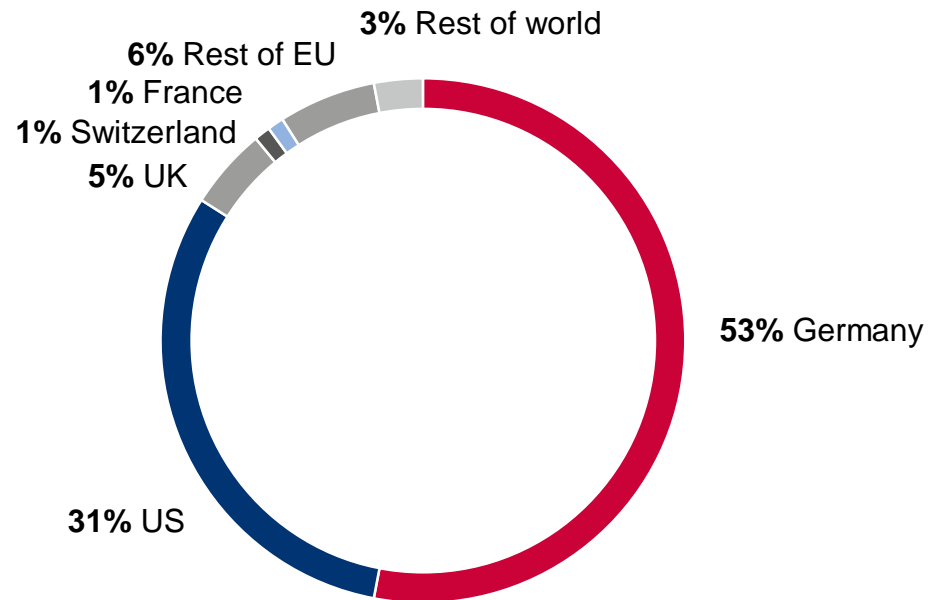
Sales by product



As of December 31, 2017.

04 | Current shareholder structure

Geographical breakdown of identified institutional investors



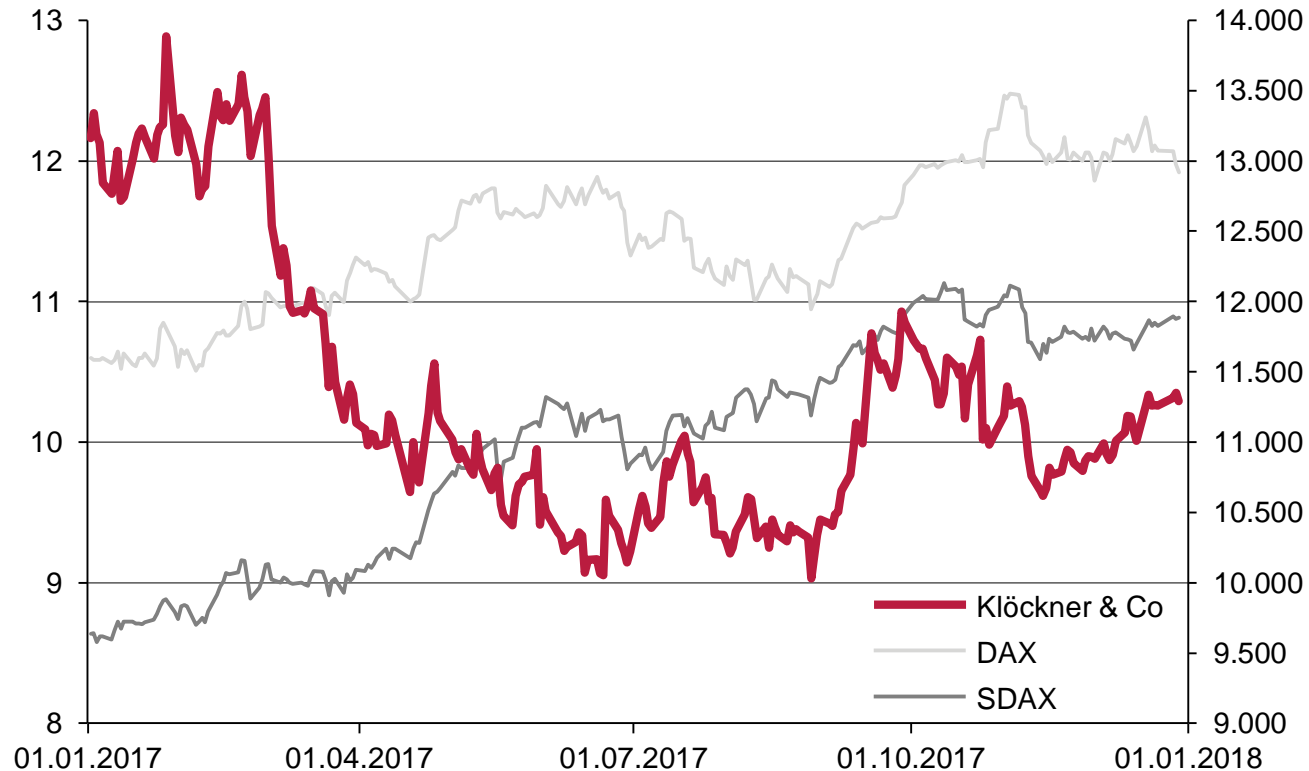
As of January 2018.

Comments

- Identified institutional investors account for 72%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 51%
- Retail shareholders represent 21%

04 | Share price performance in 2017

Share performance Klöckner & Co SE



- At the beginning of 2017, the price of the Klöckner share rose initially, reaching the highest point of the year at €12.89 on January 27
- Subsequently, the share price fell reaching the lowest point of €9.03 on August 29
- In September, there was a significant upward movement
- The share was largely consolidated and went out of trading at €10.29 at the end of 2017
- Despite the successful financial year, the steel distribution business remains challenging
- Nevertheless, we are confident that we will achieve the communicated goals in the years going forward

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
- **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

*) Proposal to the Annual General Meeting on May 16, 2018.

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Financial calendar

February 28, 2018 Annual financial statements 2017

April 25, 2018 Q1 interim statement 2018

May 16, 2018 Annual General Meeting