

Q1 2019 Results

Analysts' and Investors' Conference

April 30, 2019

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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 and the Interim Statement are also available, in case of deviations the German versions shall prevail.

Evaluating statements are unified and are presented as follows:

+/- 0-1%	constant
+/- >1-5%	slight
+/- >5%	considerable

Agenda

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

01 Highlights Q1 2019

Q1

2019

Sales
€1,703m

EBITDA
€34m

Digital sales
27%

- ▶ Shipments due to weakening European automotive business and overall lower demand in Europe 5.4% below last year's level
- ▶ Sales increased by 4.6% yoy to €1.7bn due to overall higher prices compared to Q1 last year
- ▶ Gross profit down to €303m from €331m in Q1 2018 which benefited from significant windfall effects
- ▶ Gross profit margin decreased accordingly to 17.8% after 20.4% in Q1 2018
- ▶ EBITDA of €34m above guidance of €20m-€30m but below last year's level of €56m
- ▶ Sales share via digital channels increased from 19% in Q1 2018 to 27% in Q1 2019
- ▶ FY guidance lower: EBITDA expectation of €180m-€200m due to negative market effects

01 Update on digitalization: kloeckner.i & XOM Materials



- **Successful start** of **digital consulting business** – first project with DAX30-company launched
- **Partnership** for end-to-end digital strategy and implementation consulting with **diva-e**, one of the leading transactional service companies in Germany
- Already around **30 third party vendors live** on Klöckner & Co Marketplace in Europe



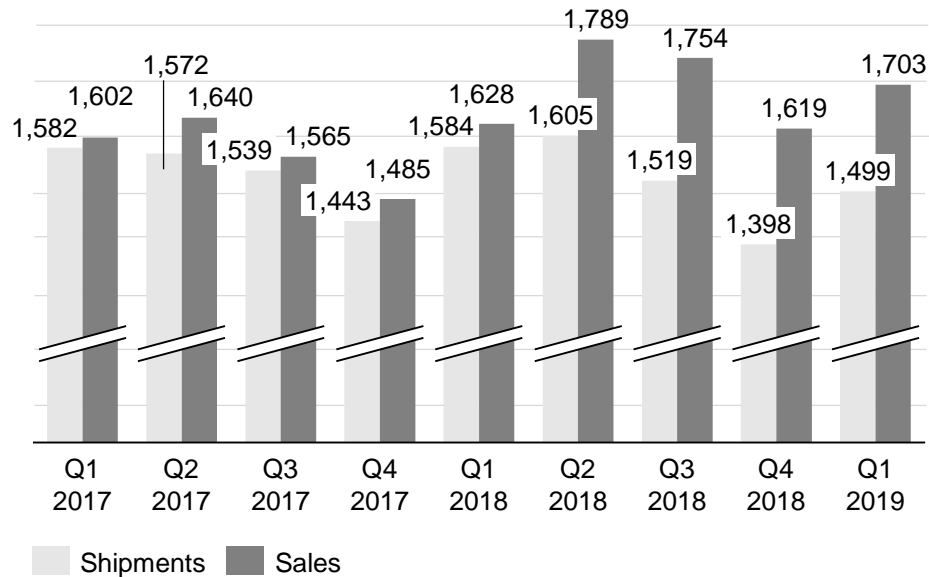
- Orders worth **around €8m** executed since launch
- Already **230 customers** and **17 vendors** under contract
- More than **50 employees** in Berlin (HQ), Duisburg, Atlanta and sales representatives in **Spain and Czechia**
- **First investor** committed

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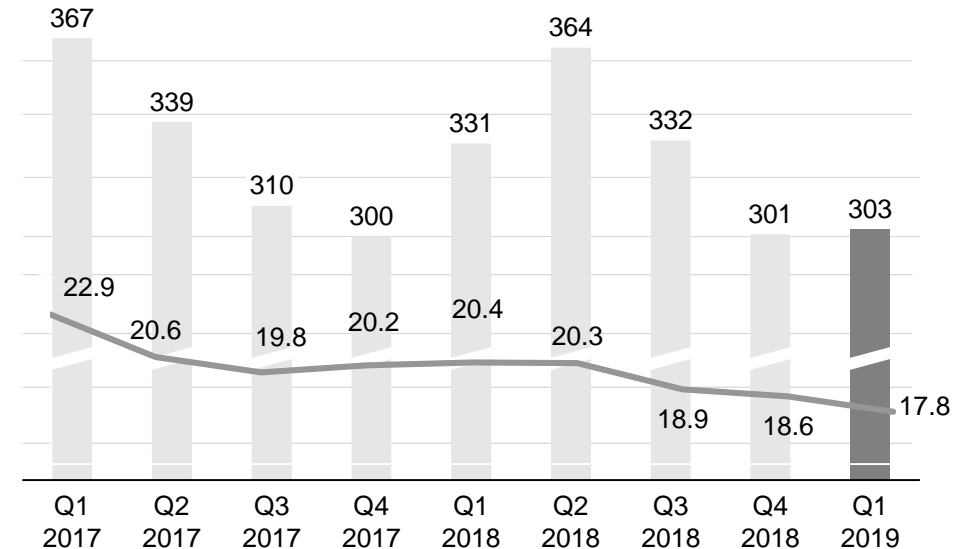
02 Shipments/sales and gross profit

Shipments (Tto)/sales (€m)



- **Shipments** down due to lower volumes in most European segments
- **Sales** increased yoy due to on average higher sales prices

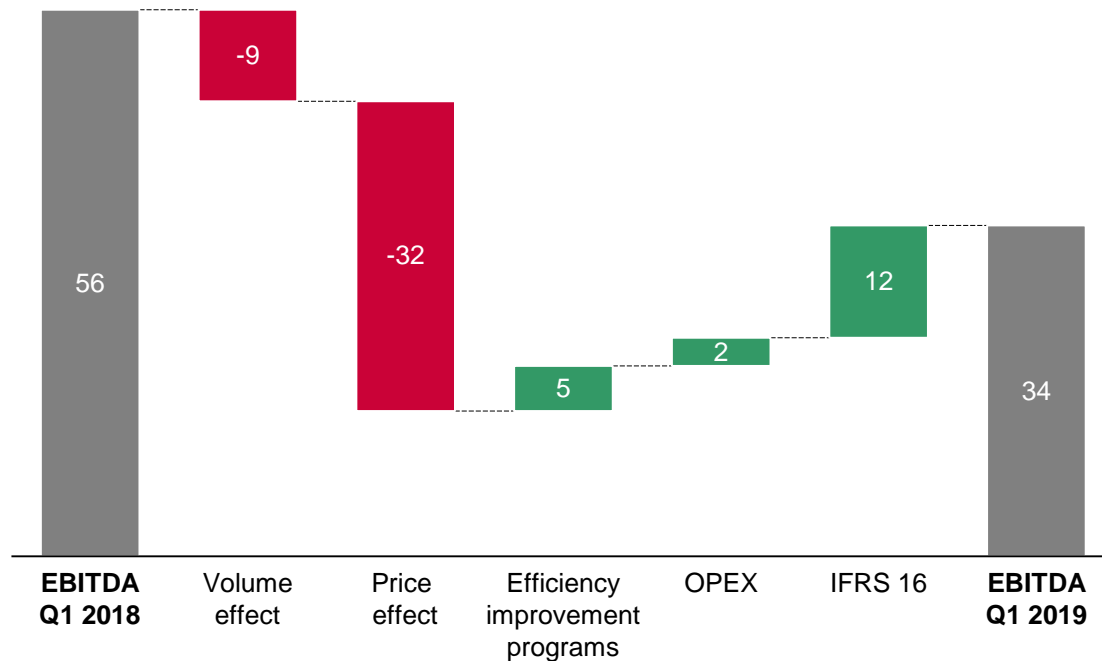
Gross profit (€m)/gross margin (%)



- **Gross profit** Q1 up qoq and down yoy
- **Margin** with 17.8% down yoy due to higher average inventory costs

02 EBITDA in Q1 2019

Q1 yoy (€m)

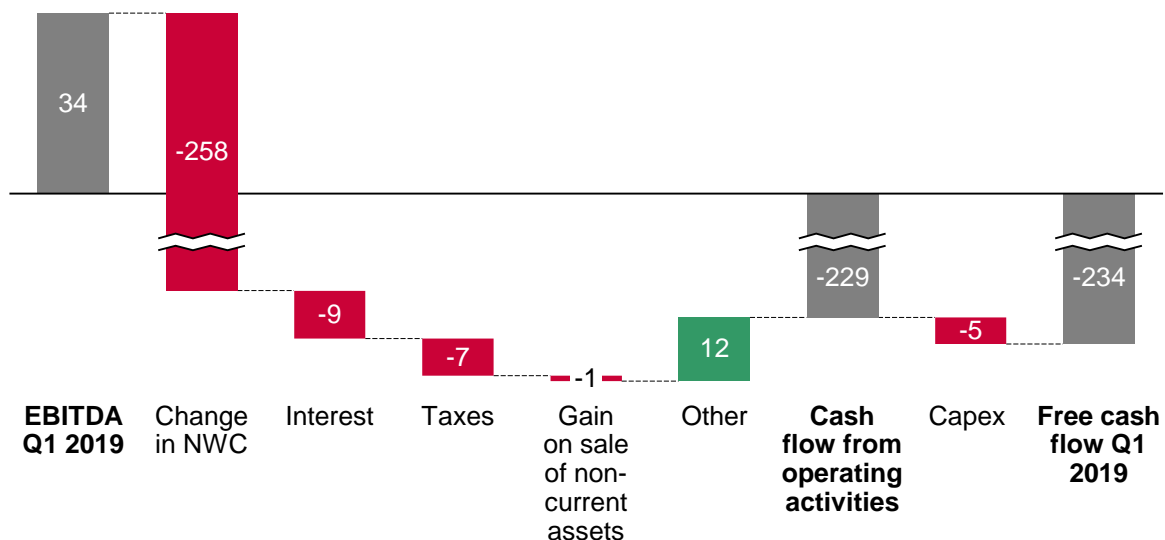


Comments

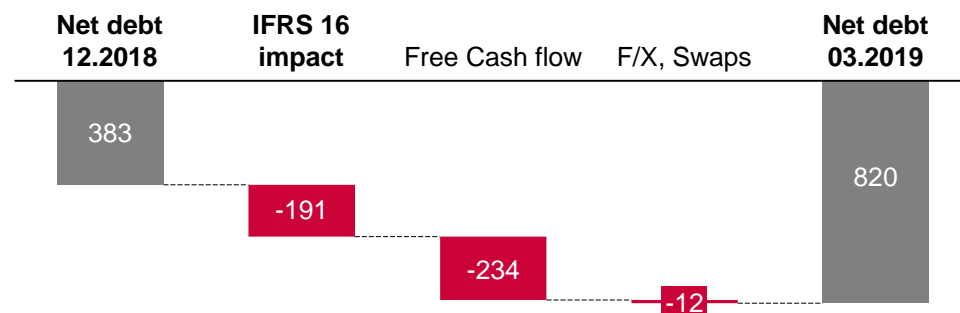
- Negative **volume** and **price effect** of in total €41m mainly due to yoy negative windfall effects in the US, weaker automotive business and weaker market sentiment in Germany as well as portfolio streamlining in France
- EBITDA contribution of **efficiency improvement programs** (VC², One Europe and One US) of €5m
- **OPEX** improved mainly due to lower consulting expenses
- **EBITDA margin** 2.0%

02 Cash flow and net debt development

Cash flow Q1 2019 (€m)



Net financial debt 12.2018 vs. 03.2019 (€m)



Comments

- **Net working capital** increase of €258m
 - **“Other”** include cash-in from supplier bonuses (+€20m), partly offset by changes in other operating assets and liabilities
 - **Cash flow from operating activities** -€229m
 - **Free cash flow** negative with -€234m
-
- **Net financial debt** increased mainly driven by NWC build up (€258m) and IFRS 16 impact (€191m)

02 Maturity profile – well-balanced & diversified funding portfolio

Facility	Committed (€m)	Drawn amount (€m, IFRS*)	
		Q1 2019	FY 2018
Syndicated Loan ¹⁾	300	33	0
ABS Europe	300	142	110
ABS/ABL USA	490	243	172
Convertible 2016 ²⁾	148	138	138
Bilateral Facilities ³⁾	172	106	78
Leases ⁴⁾	209	209	26
Total Debt	1,619	871	524
Cash		51	141
Net Debt		820	383

*) Including interest accrued, excluding deferred transaction costs.

1) Extended until May 2022 in April 2019.

2) Principal €148m, equity component €18m at issuance (September 8, 2016).

3) Mainly Switzerland.

4) First time application of IFRS 16 in Q1 2019 with an impact of €191m. FY 2018 as reported (based on IAS 17 and not adjusted for IFRS 16).

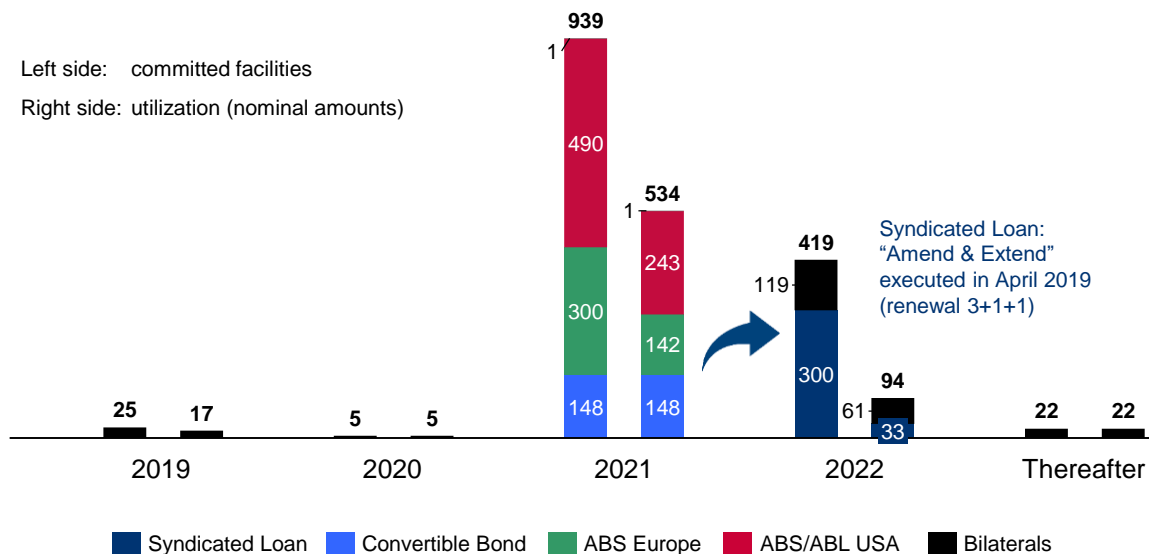
5) Definitions after amendment of Syndicated Loan (in April 2019):

Adj. equity: Equity attributable to shareholders of Klöckner & Co SE less goodwill from acquisitions subsequent to May 23, 2019 (previously May 23, 2013).

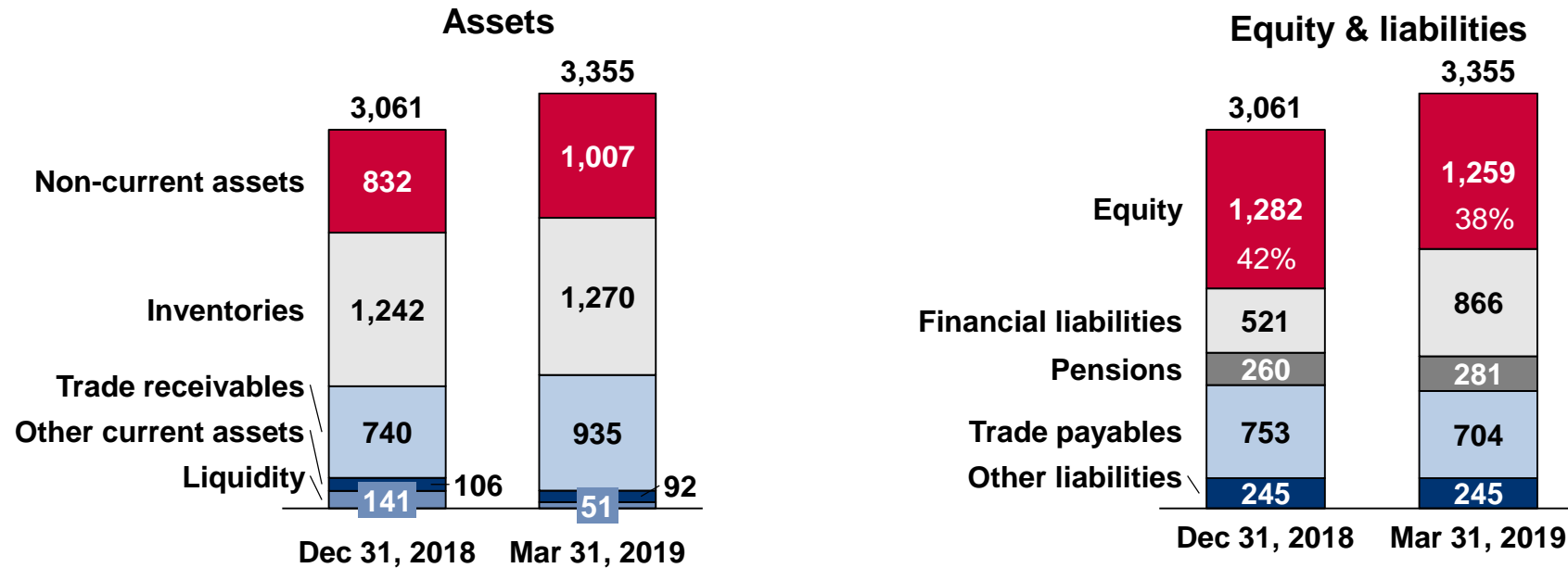
Gearing: Net debt/adj. equity. New covenant level 165% (previously 150%).

€m	Q1 2019
Adjusted equity ⁵⁾	1,252
Net debt	820
Gearing ⁵⁾	65%

Maturity profile of financial instruments (excl. leasing) in €m



04 Strong balance sheet



Comments

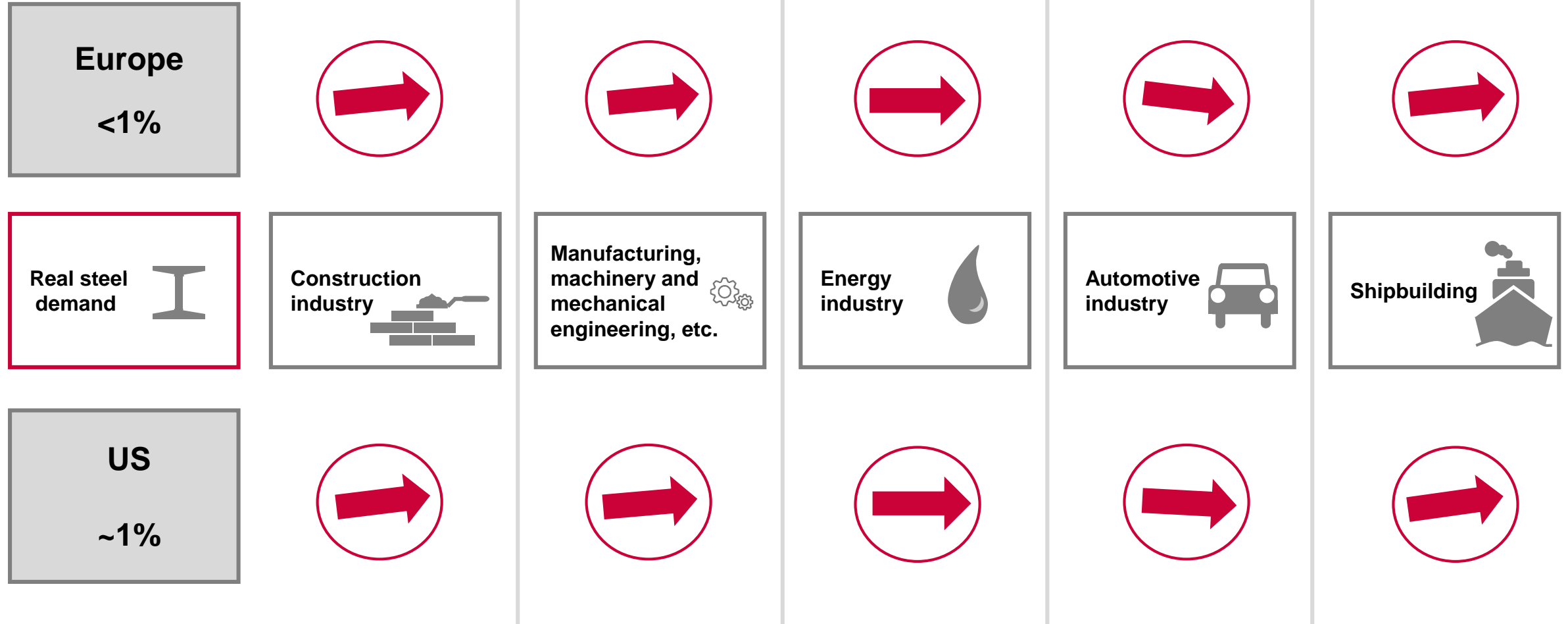
- Equity ratio further healthy at 38%
- Net debt of €820m incl. IFRS 16 Leases (impact of €191m)
- Gearing*) at 65%
- NWC seasonally and price related up to €1,501m (FY2018: €1,229m)

*) Gearing = Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2019.

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03 Region specific business outlook 2019



03 Outlook

Q2
2019

- ▶ Seasonally higher **sales** anticipated
- ▶ Reported **EBITDA** to be between €50m-€60m (incl. IFRS 16)

FY*
2019

- ▶ **EBITDA** expectation of €180m-€200m before material special effects

*for expected IFRS 16 effects see appendix.

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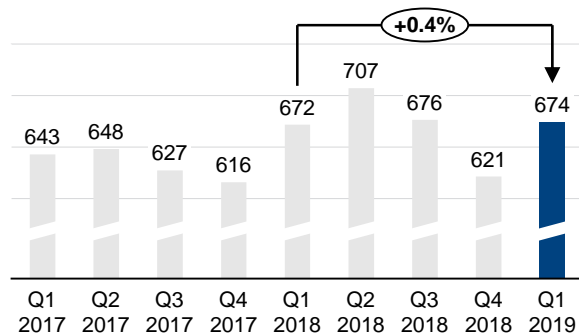
04 Quarterly and FY results

(€m)	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Shipments (Ttons)	1,499	1,398	1,519	1,605	1,584	1,443	1,539	1,572	1,582	1,450	1,500	1,643	1,556	6,107	6,135	6,149	6,476	6,598
Sales	1,703	1,619	1,754	1,789	1,628	1,485	1,565	1,640	1,602	1,397	1,430	1,517	1,386	6,790	6,292	5,730	6,444	6,504
Sales (currency effect)	61	28	2	-89	-114	-70	-45	13	19	-3	-18	-31	2	-172	-83	-50	556	28
Gross profit	303	301	332	364	331	300	310	339	367	319	329	362	304	1,328	1,316	1,315	1,237	1,261
<i>% margin</i>	<i>17.8</i>	<i>18.6</i>	<i>18.9</i>	<i>20.3</i>	<i>20.4</i>	<i>20.2</i>	<i>19.8</i>	<i>20.6</i>	<i>22.9</i>	<i>22.8</i>	<i>23.0</i>	<i>23.8</i>	<i>22.0</i>	<i>19.6</i>	<i>20.9</i>	<i>22.9</i>	<i>19.2</i>	<i>19.4</i>
EBITDA rep.	34	30	59	82	56	33	47	63	77	37	71	72	16	227	220	196	24	191
<i>% margin</i>	<i>2.0</i>	<i>1.9</i>	<i>3.4</i>	<i>4.6</i>	<i>3.4</i>	<i>2.2</i>	<i>3.0</i>	<i>3.9</i>	<i>4.8</i>	<i>2.6</i>	<i>5.0</i>	<i>4.8</i>	<i>1.2</i>	<i>3.3</i>	<i>3.5</i>	<i>3.4</i>	<i>0.4</i>	<i>2.9</i>
EBITDA rep. (curr. eff.)	1	3	1	-8	-5	-3	-2	1	1	0	-1	-1	0	-9	-3	-1	10	1
EBIT	2	8	38	60	35	9	25	41	54	-4	48	49	-8	141	130	85	-350	98
Financial result	-10	-10	-8	-10	-7	-9	-8	-8	-8	-10	-8	-7	-8	-35	-33	-33	-49	-59
EBT	-9	-2	30	51	28	1	17	33	46	-14	40	42	-16	107	97	52	-399	39
Income taxes	-1	-5	-8	-18	-7	29	-4	-9	-10	2	-9	-9	2	-38	5	-14	50	-17
Net income	-10	-7	22	33	21	30	13	24	36	-12	31	33	-14	69	102	38	-349	22
Minority interests	0	0	0	0	0	0	1	1	0	0	0	1	0	0	1	1	-2	0
Net income KCO	-10	-7	22	33	21	30	12	23	36	-12	31	32	-14	69	101	37	-347	22
EPS basic (€)	-0.10	-0.07	0.22	0.33	0.21	0.30	0.12	0.23	0.36	-0.13	0.31	0.32	-0.14	0.68	1.01	0.37	-3.48	0.22
EPS diluted (€)	-0.10	-0.07	0.21	0.31	0.20	0.28	0.12	0.22	0.34	-0.13	0.31	0.32	-0.14	0.66	0.96	0.37	-3.48	0.22
Net debt	820	383	569	552	472	330	435	486	475	444	438	435	383	383	330	444	385	472
NWC	1,501	1,229	1,467	1,428	1,318	1,132	1,282	1,306	1,296	1,120	1,197	1,168	1,134	1,229	1,132	1,120	1,128	1,321

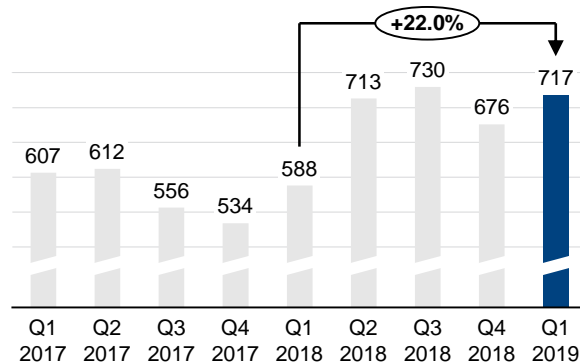
04 Segment performance

KM US

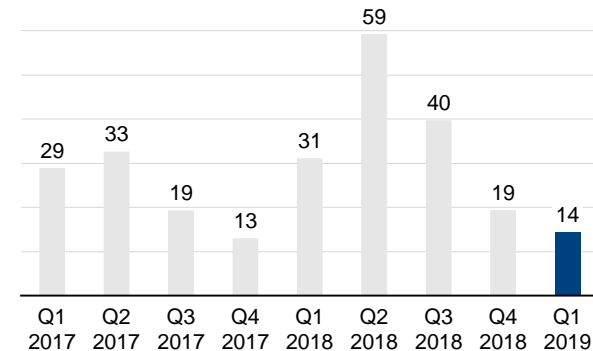
Shipments (Tto)



Sales (€m)

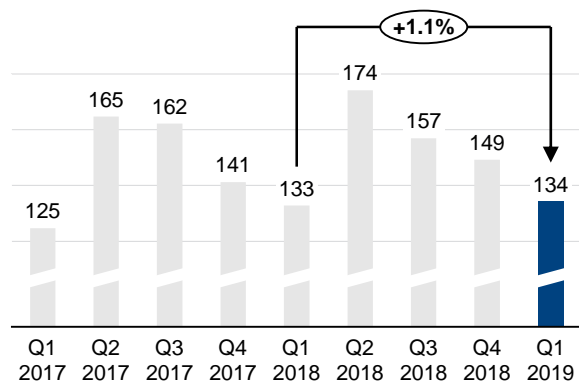


EBITDA adj*) (€m)

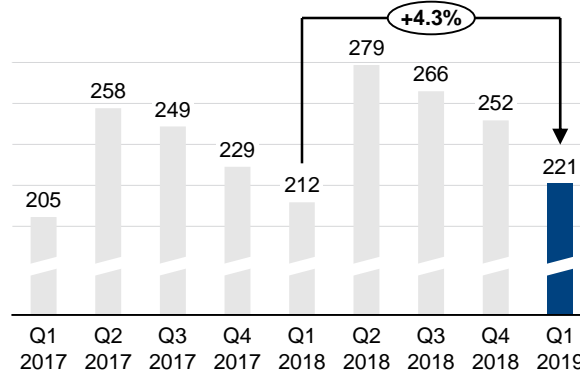


KM Switzerland

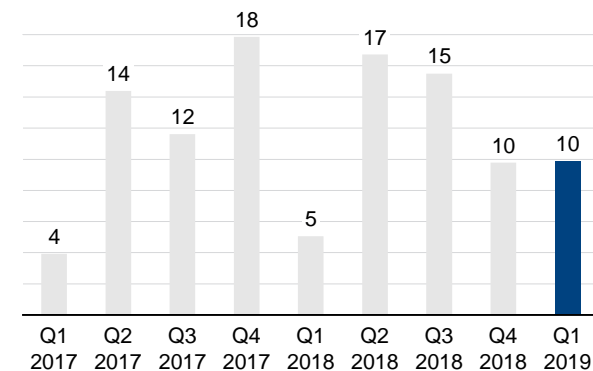
Shipments (Tto)



Sales (€m)



EBITDA adj**) (€m)



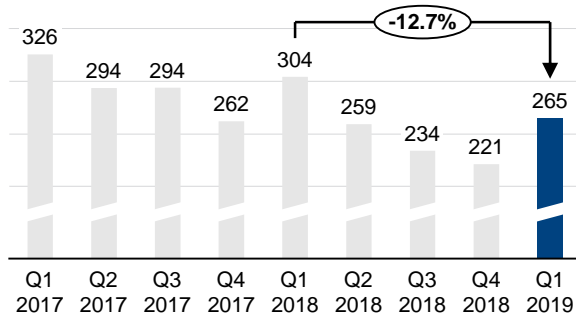
*) adjusted for Deepwater Horizon Oil Spillage Claim Settlement gain in Q1/Q2 2018.

**) adjusted for BPO expenses in Q2 2018.

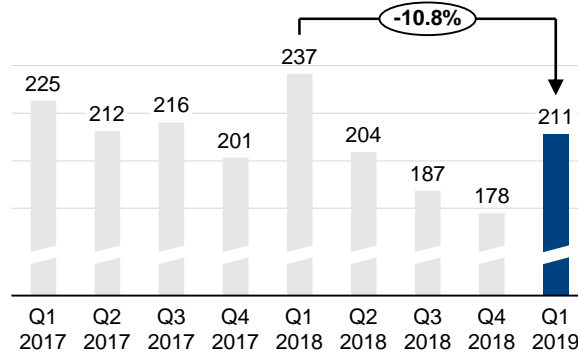
04 Segment performance

KM Services

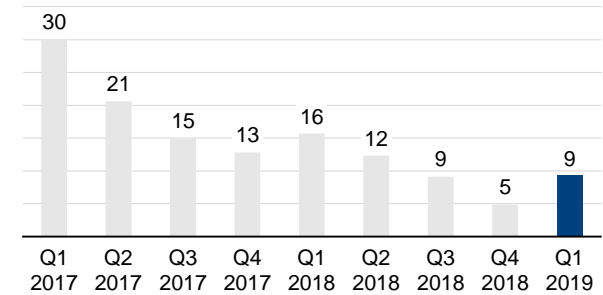
Shipments (Tto)



Sales (€m)

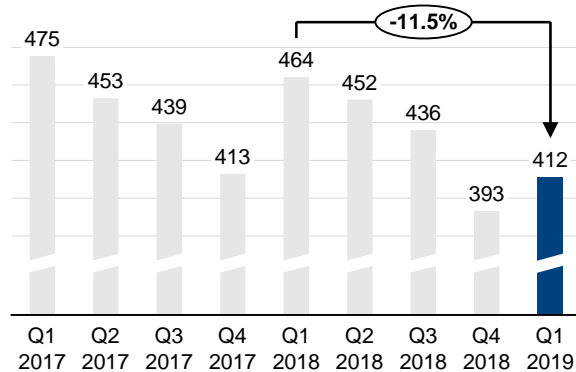


EBITDA adj (€m)

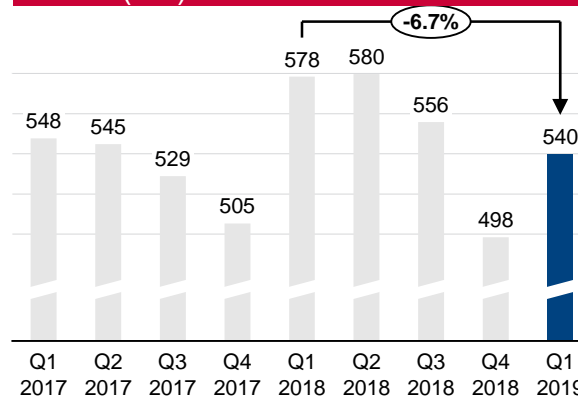


KM Distribution

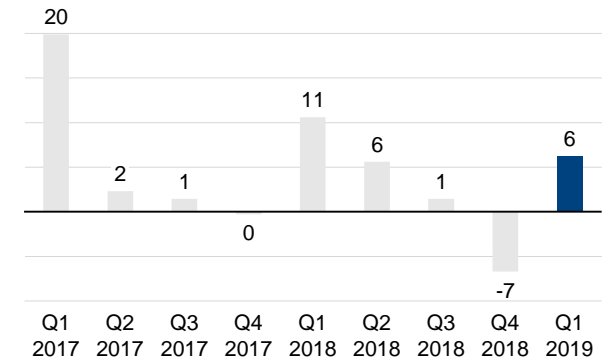
Shipments (Tto)



Sales (€m)



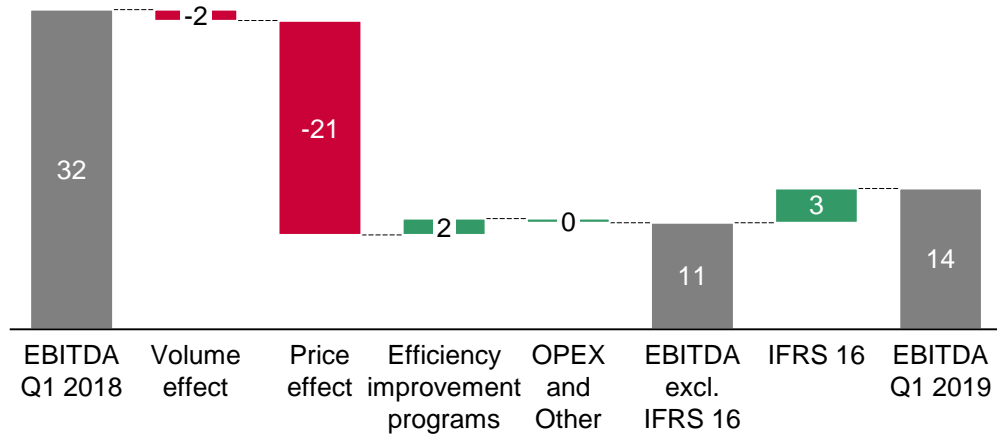
EBITDA adj* (€m)



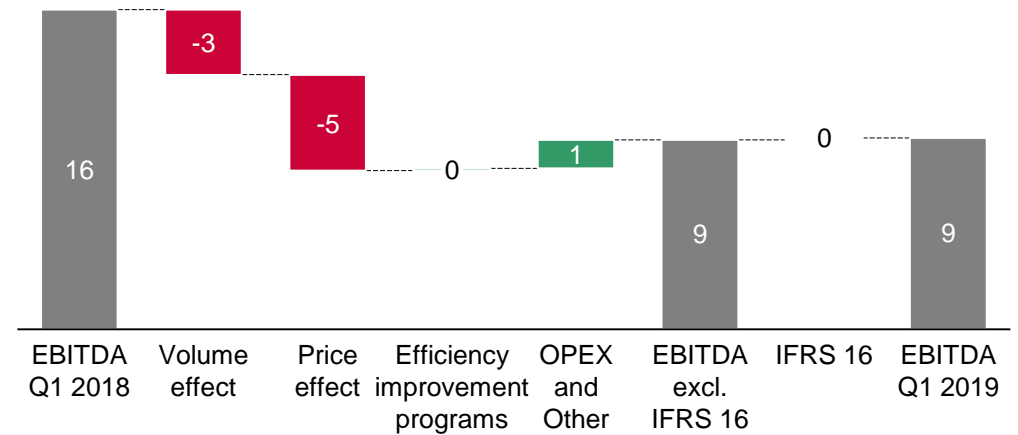
*) adjusted for BPO expenses in Q2 2018.

04 Segment performance Q1 2019

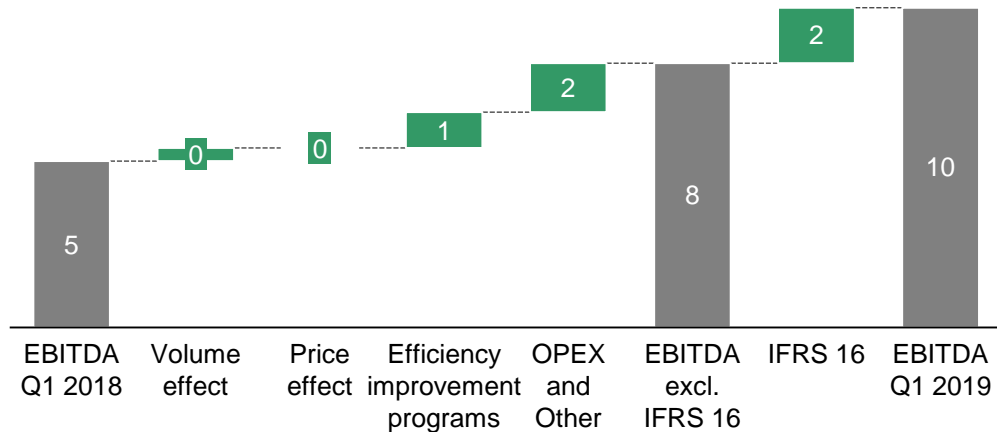
Kloeckner Metals US (€m)



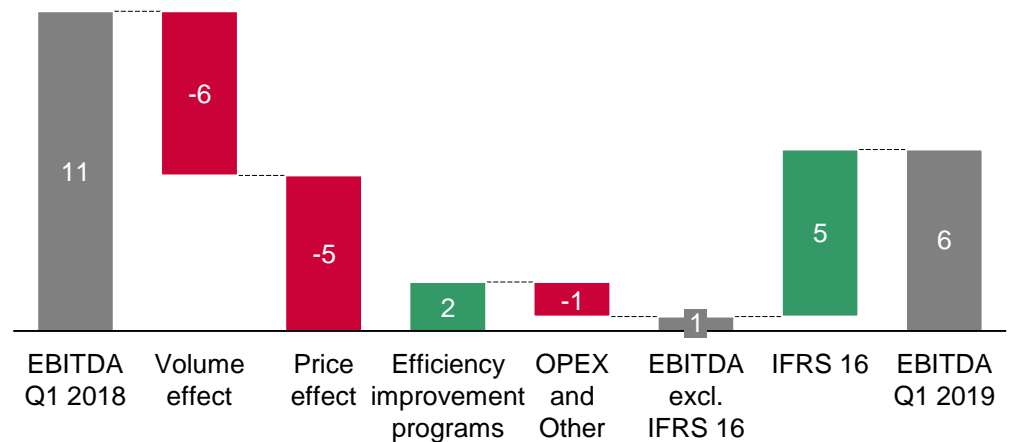
Kloeckner Metals Services Europe (€m)



Kloeckner Metals Switzerland (€m)










Kloeckner Metals Distribution Europe (€m)



04 IFRS 16 impact

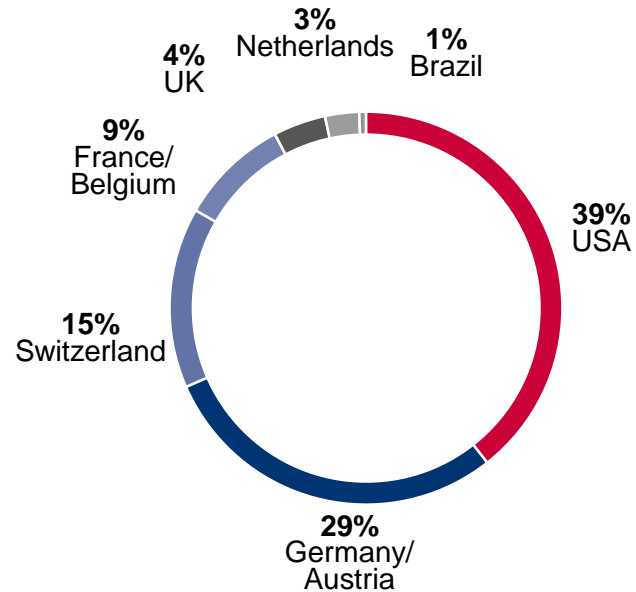
IFRS 16 effect in 2019 (estimates)

Key Figure	€m	Tendency	Comment
Sales	-		No impact
OPEX	~45 – 50		Recognition of lease expenses as depreciation and interest costs; exception: short-term leases and low-value assets, remaining material costs
EBITDA	~45 – 50		Lower leasing expenses
D&A	~40 – 45		Capitalized operating-lease-assets as new depreciation
EBIT	~5		Depreciation and interest instead of operating lease expense
Financing costs	~6 – 8		Interest cost included in financing costs
Operating and free cash flow	~40		Principal payments on IFRS 16 lease liabilities included in cash flow from financing activities

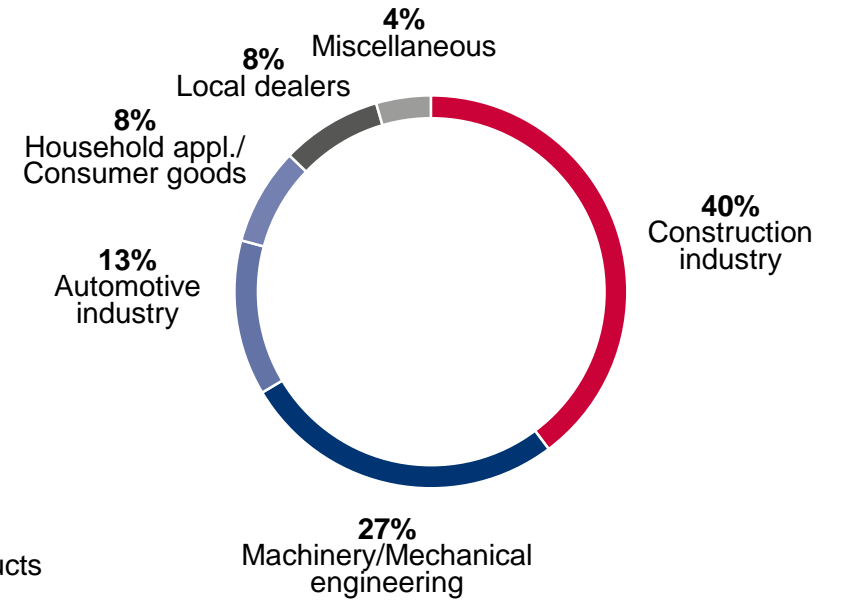
Main impact consists of considerable **EBITDA and free cash flow increase**

04 Sales by markets, products and industries

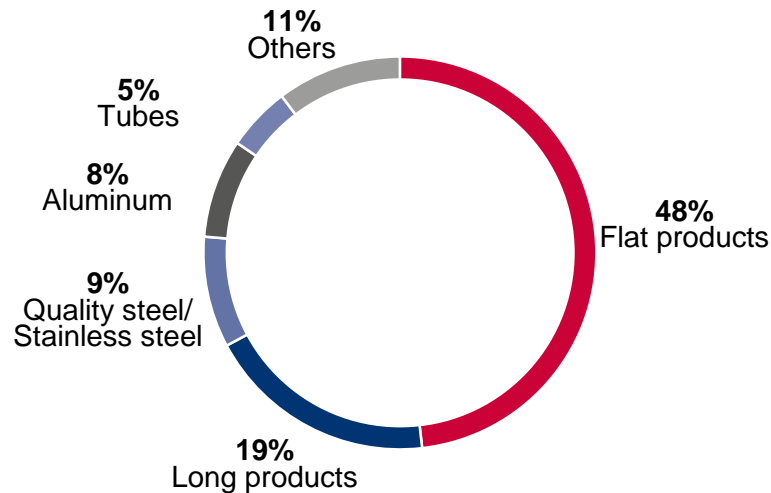
Sales by markets



Sales by industry



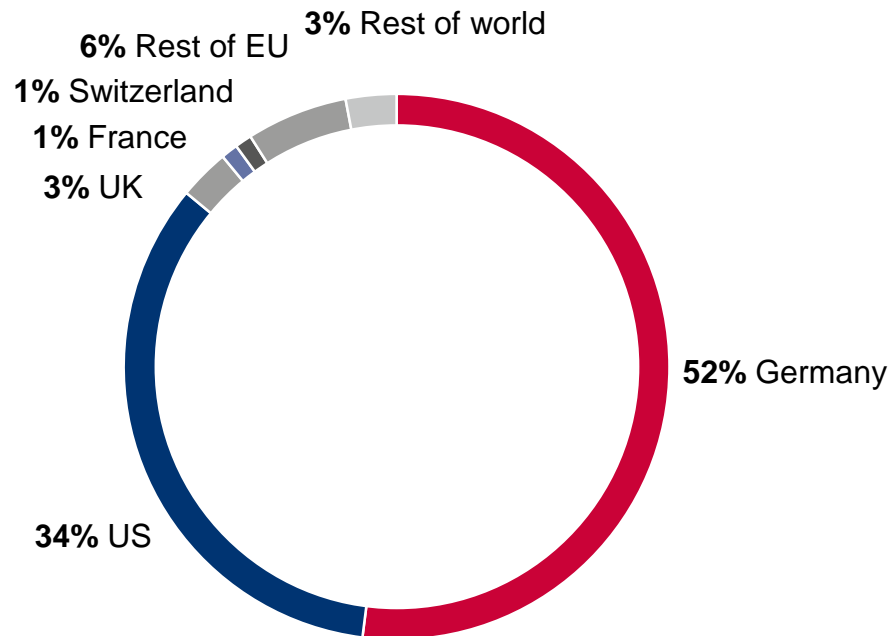
Sales by products



As of December 31, 2018.

04 Current shareholder structure

Geographical breakdown of identified institutional investors



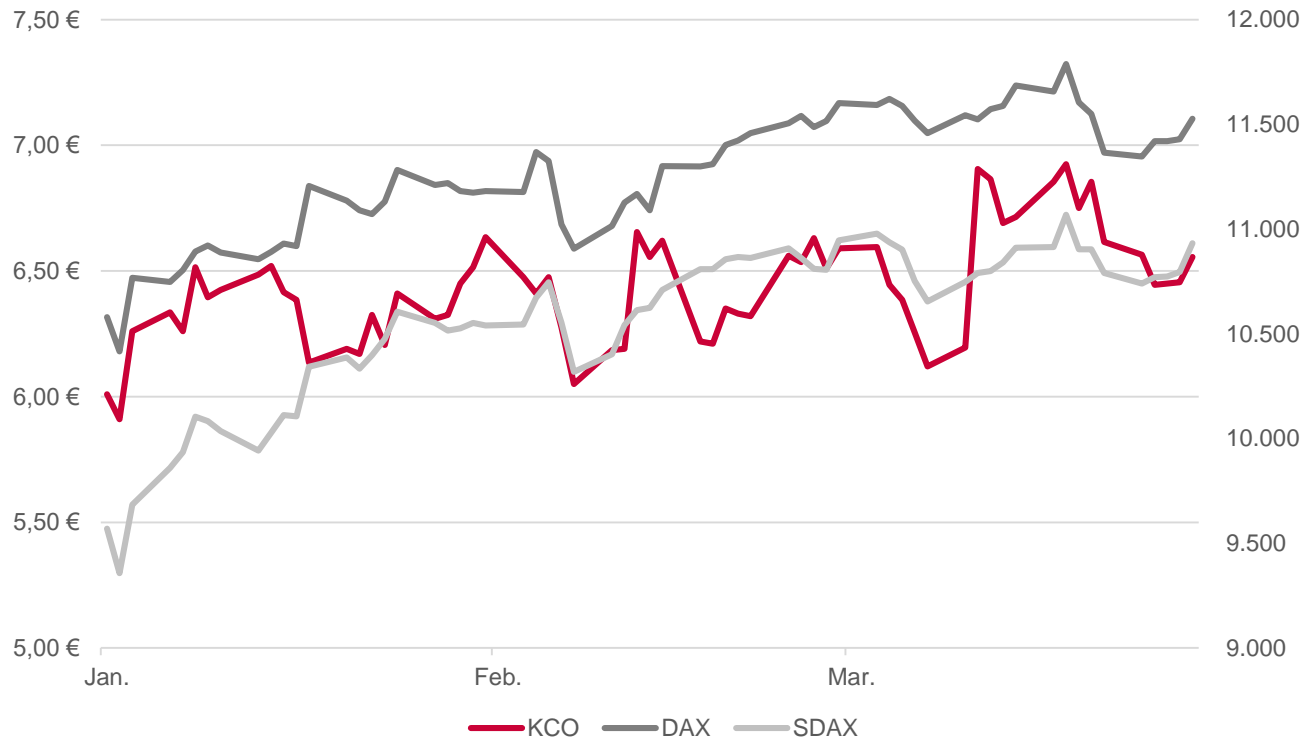
As of February 2019.

Comments

- Identified institutional investors account for 72%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 55%
- Retail shareholders represent 23%

04 Share price performance in Q1 2019

Share performance Klöckner & Co SE in Q1 2019



- In the first quarter of 2019, the Klöckner & Co share price improved considerably after marking the quarterly low of €5.91 on January 3
- After jumping up sharply in the aftermath of the FY results release, the share reached its quarterly high of €6.93 on March 19
- The improvement of the share price overcompensated the decreasing price which followed thereafter in the second half of March
- The share traded at a price of €6.56 on the last trading day of Q1 2019 (March 29)

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 fiscal year**
- **Dividend per share for the 2018 fiscal year: €0.30*)**

DIVIDEND PAYMENT PER SHARE

2006	2007	2008 - 2009	2010	2011 - 2013	2014	2015	2016	2017	2018
€0.80	€0.80	-	€0.30	-	€0.20	-	€0.20	€0.30	€0.30*)

*) Proposal to the Annual General Meeting on May 15, 2019.

04 Sustainability strategy



A **qualified** and **motivated** workforce of **employees** who feel at ease in the workplace pave the way for us to generate **added value**.



An **integral part** of our corporate culture is **compliance** on the part of our employees and business partners, constituting the **basis of corporate responsibility**.



One of the **greatest challenges** of our times is **climate change**, and we consider it our duty to counter related risks with a suitable **contribution** to **protecting the environment**.



In many cases today's tasks have increased in **complexity**. The measures developed by us therefore aim at anchoring **modern, digital ways of working and thinking** in the company and thus to advance the **internal cultural change**.



The **high level of customer satisfaction** - which we aim to continue improving - is a key **competitive advantage** for us. Therefore we always conceptualize **products and services, sales channels and innovations** from the customer perspective.

Contact details

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Financial calendar

May 15, 2019

Annual General Meeting 2019

July 31, 2019

Half-yearly financial report 2019

October 30, 2019

Q3 quarterly statement 2019