



Berenberg & Goldman Sachs Eighth German Corporate Conference

Munich – September 25, 2019

Dr. Oliver Falk | CFO



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.

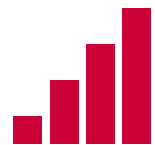
Evaluating statements are unified and are presented as follows:

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

Agenda

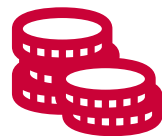
1. **Overview**
2. Update on strategy
3. Highlights and financials
4. Outlook
5. Appendix

01 Klöckner & Co SE at a glance



6.8 € billion

SALES
FY 2018



6.1 million tons

SHIPMENTS
FY 2018



227 € million

EBITDA
FY 2018



160

LOCATIONS



13

COUNTRIES



200,000 PRODUCTS



60

SUPPLIERS



>100,000

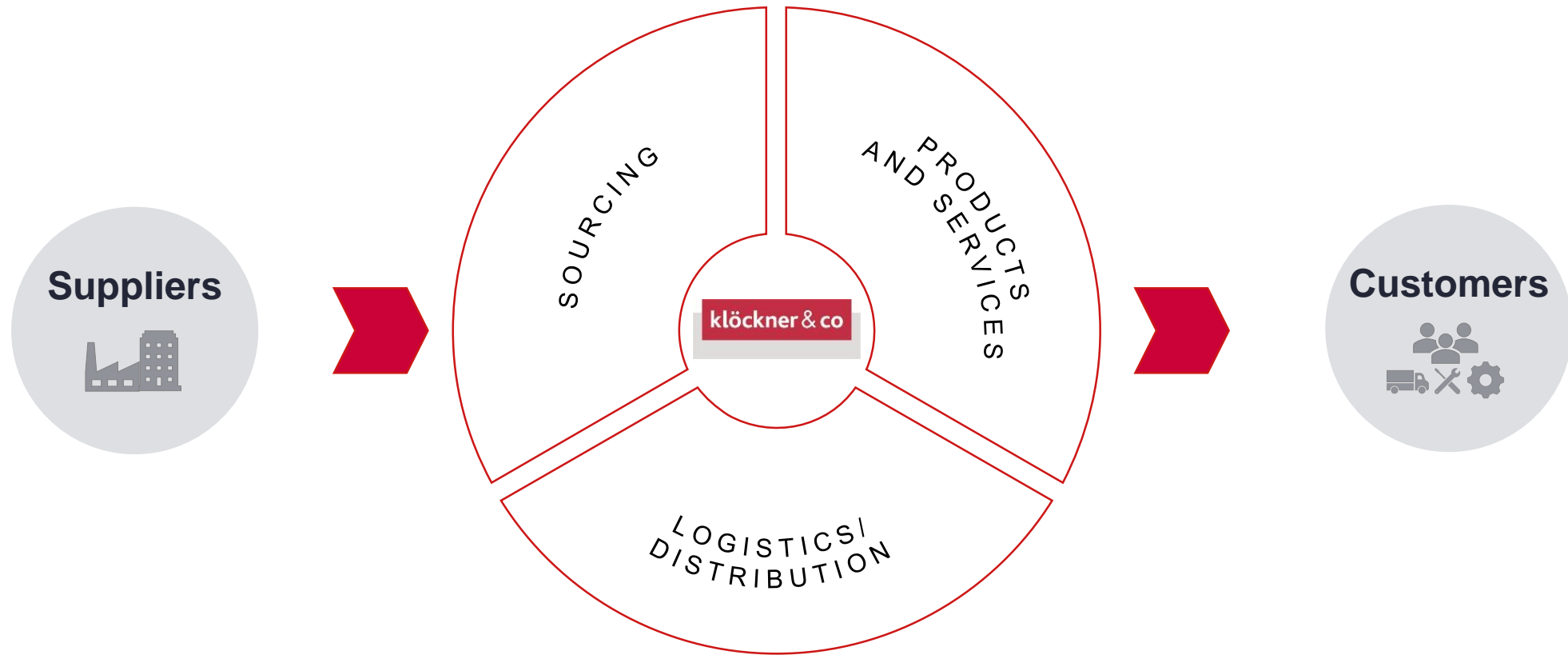
CUSTOMERS



8,500

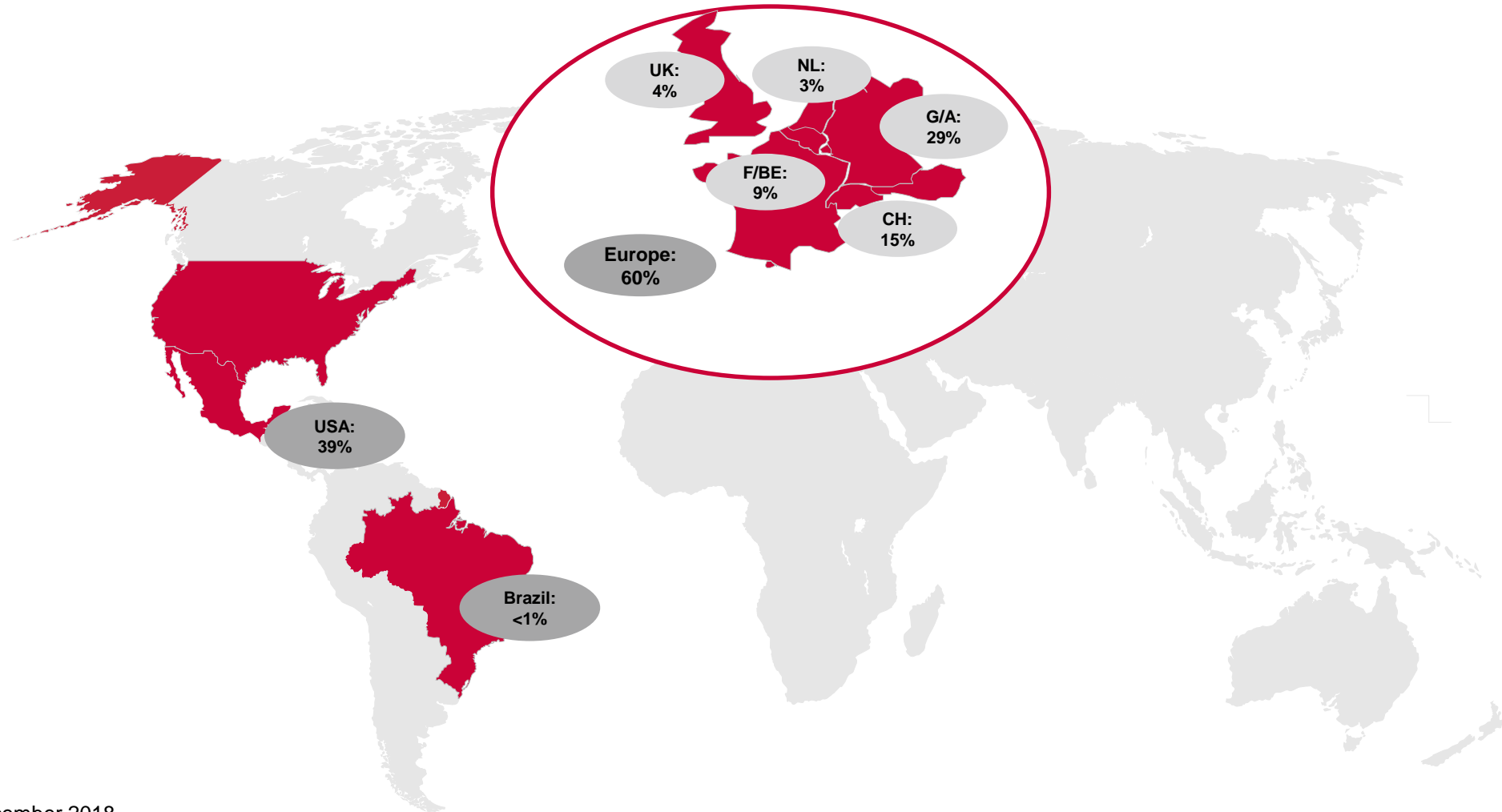
EMPLOYEES

01 Everything from one source



Klöckner & Co value chain

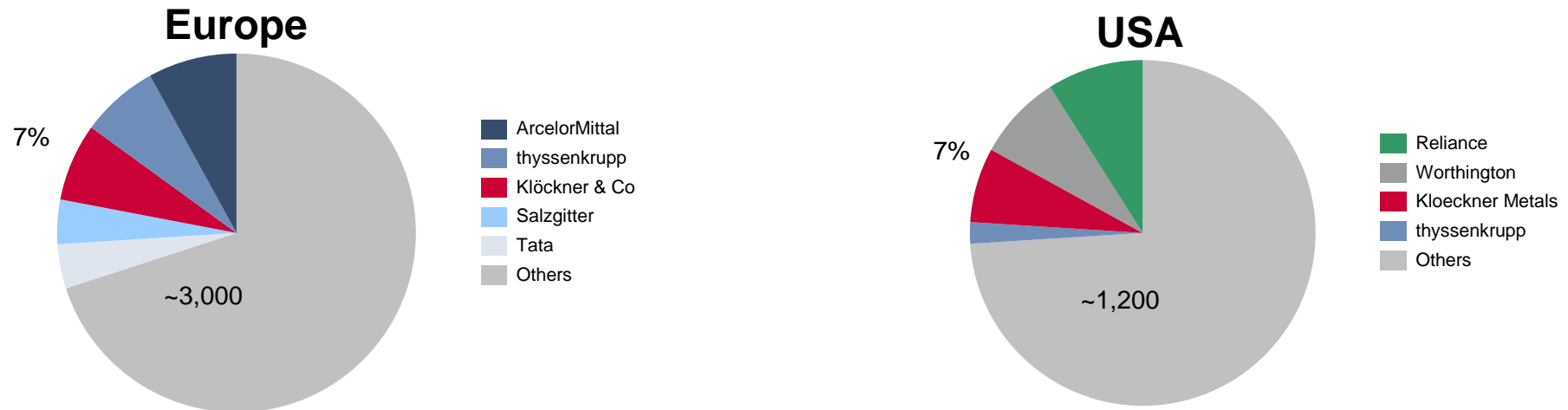
01 Global reach – local presence



Sales; as of December 2018.

01 Market shares of Klöckner & Co 2018

Leading player in fragmented markets

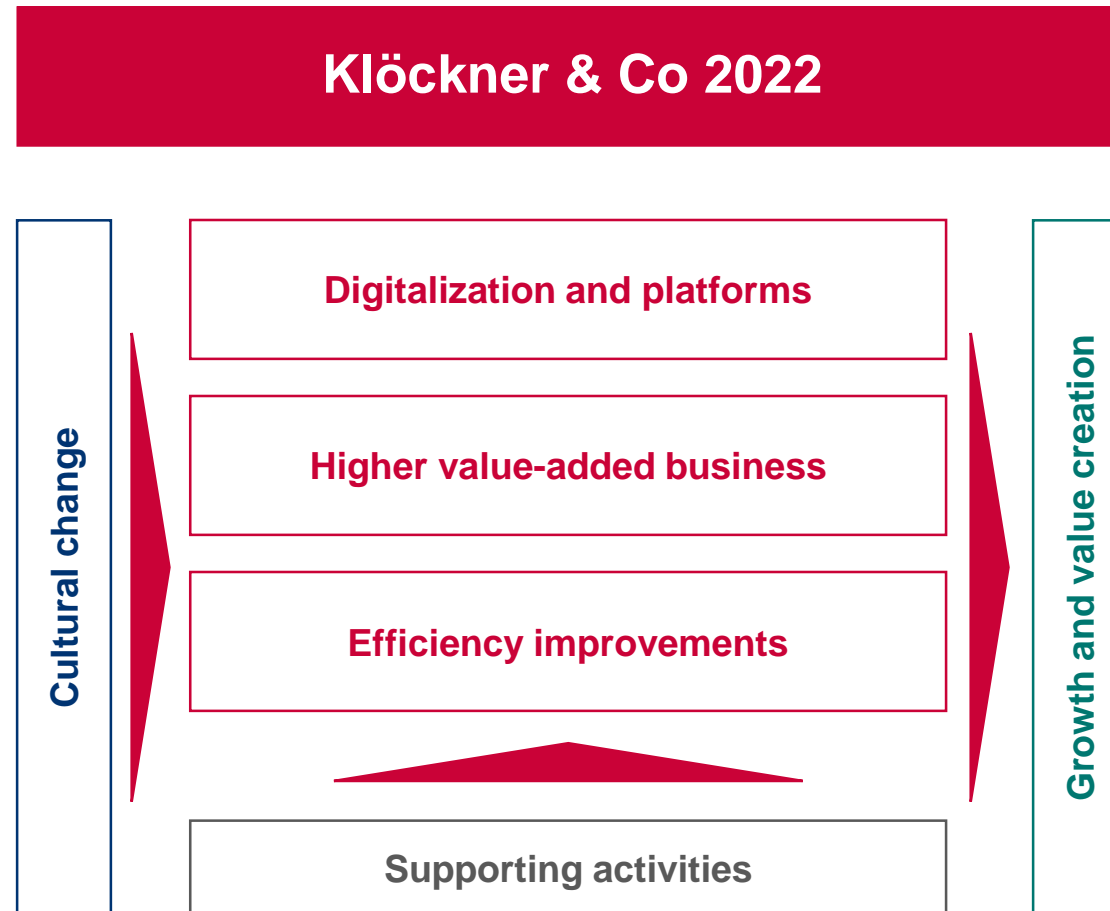


Source: Eurometal, Purchasing Magazine, Service Center News, MSCI.

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02 Strategy “Klöckner & Co 2022”



02 Update on digitalization: kloeckner.i & XOM Materials



- **Sales share** via digital channels increased from 20% in Q2 2018 to **29%** in Q2 2019
- Successful **digital consulting business** – first project with DAX30-company completed – many more projects in the pipeline
- **>30** merchants under contract at Kloeckner Marketplace – well known Wire & Fencing company Vandeloo as newest vendor partner

- **40** vendors under contract, **>380** registered customers and **9,600** products
- Large **international steel producer Severstal** onboarded
- **Increasing market reach:** Vendors combining overall revenue of **€38bn**
- **After going live in USA** further US-vendor leads added to the pipeline
- Expansion of product offerings in **plastics**
- **Next steps:** Integration of 3rd party platform, e.g. for transport and credit risk insurance

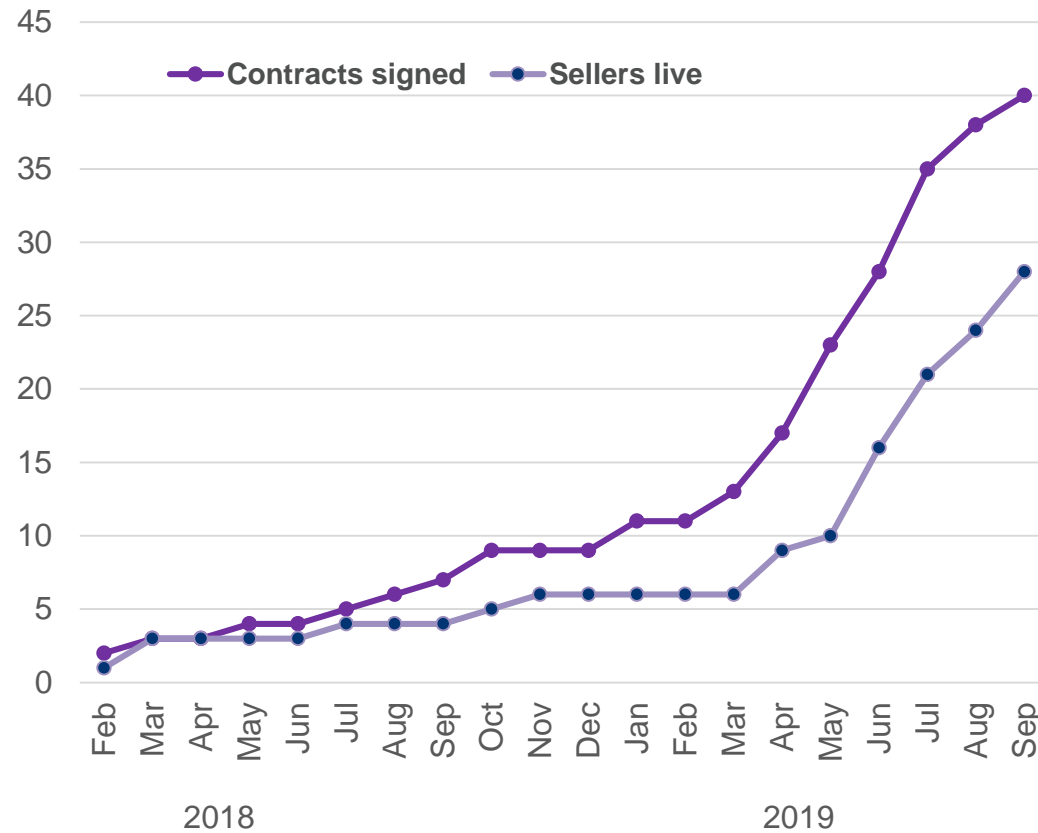


02 XOM Materials – Remodeling the basic structure of materials trading

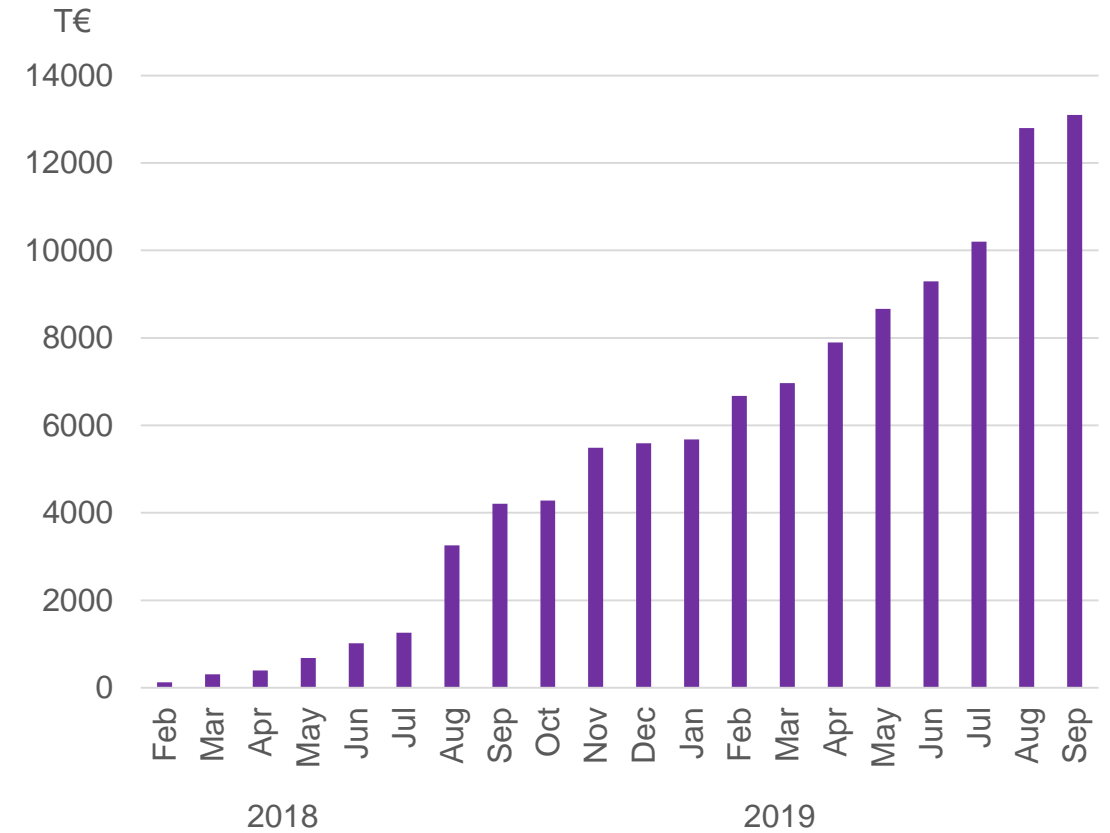


02 Strongly increasing number of sellers will push GMV further

Contracts and sellers



GMV since launch

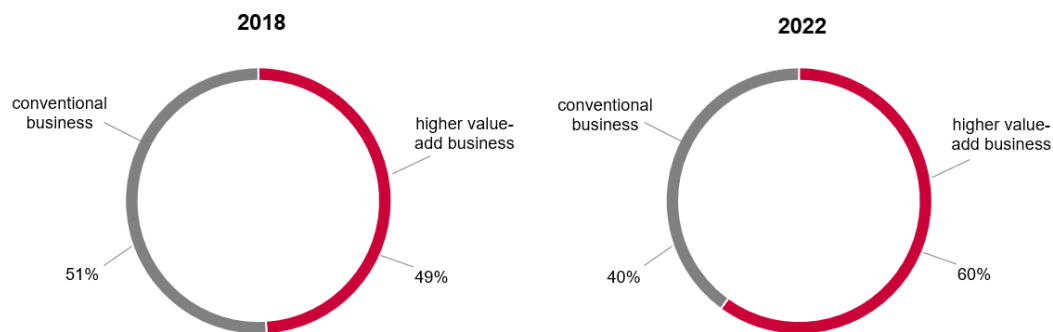


02 Update on HVAB & efficiency improvement

Higher value-added business

US business

- **PVD*)** orders booked and shipped for Starbucks with January as a new record month
- New **tube laser** (Dallas facility) delivered in February and business already secured
- New **fiber laser** delivered to Charlotte in April
- **Value-chain take-up case:** Roll and weld stainless steel tanks in Los Angeles

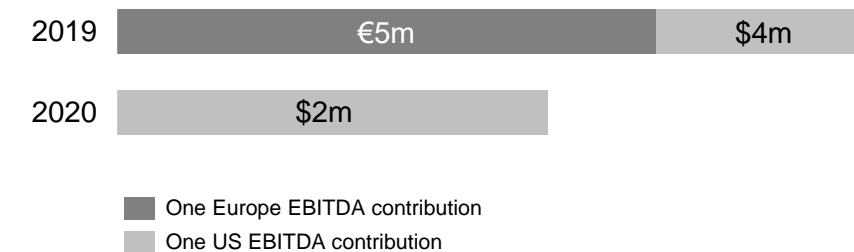


Efficiency improvement

One Europe & One US

- **One Europe**
 - EBITDA contribution of **€1m in 2019** and €30m per year from end of 2019 onwards
- **One US**
 - EBITDA contribution of **\$2m in 2019** and \$15m per year from end of 2020 onwards

EBITDA contribution targets



*) Physical Vapor Deposition.

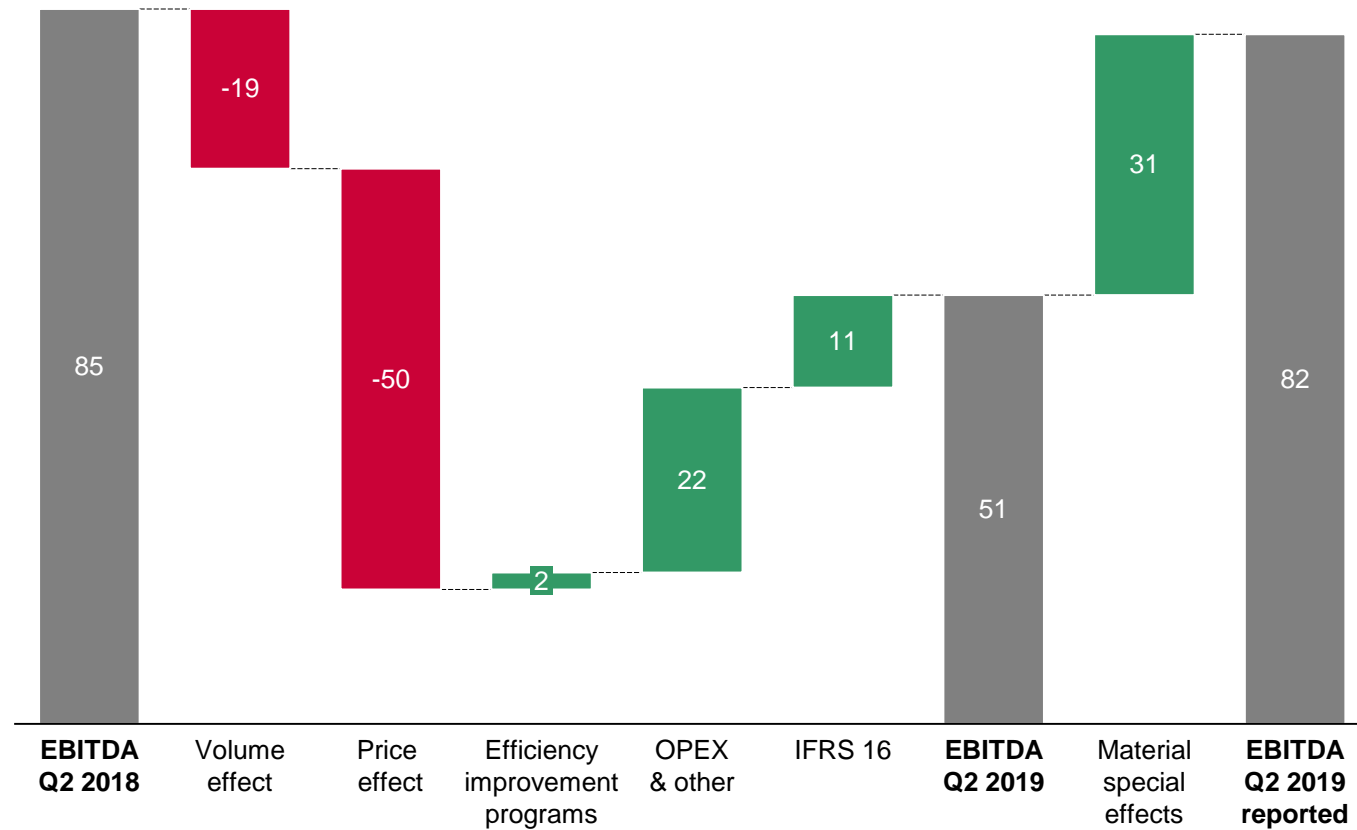
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03 Details of Q2 2019

	Q2 2019	Q2 2018	Delta	
Shipments (Tt)	1,479	1,605	-7.9%	Shipments considerably below last year's level due to weak auto-business, negative market sentiment in Germany and portfolio changes in France
Sales (€m)	1,682	1,789	-6.0%	Sales decreased substantially due to decreasing volumes
Gross profit (€m)	304	364	-16.4%	Gross profit down due to negative windfalls in the US, margin pressure and weak volumes in Germany
EBITDA (€m)	51	85	-39,6%	EBITDA reported amounted to €82m incl. material special effects of €31m
Oper. CF (€m)	140	-12	+€152m	Cash flow from operating activities improved strongly due to strict NWC management
Digital sales	29%	20%	+9%pts	Digital sales share up mainly due to successful new features and strong expansion in the USA

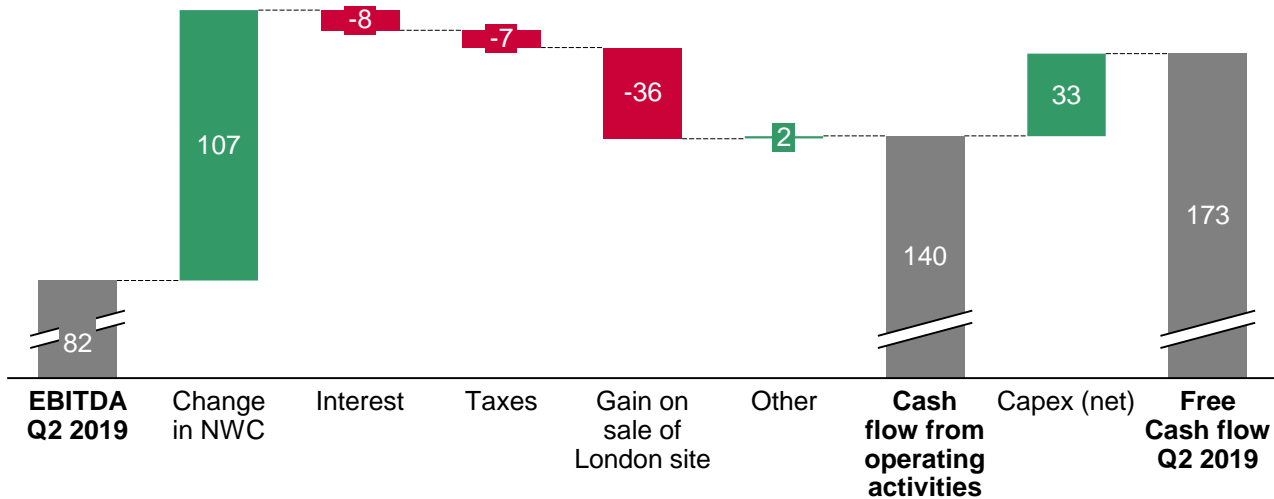
03 EBITDA in Q2 2019



- Negative **volume** and **price effect** of in total €69m mainly due to yoy negative windfall effects in the US, weaker automotive business and weaker market sentiment in Germany
- Main driver for **OPEX** improvement were lower personnel expenses
- **Material special effects**: €36m gain through property sale in London, -€5m restructuring costs
- **EBITDA margin** before material special effects of 3.0%

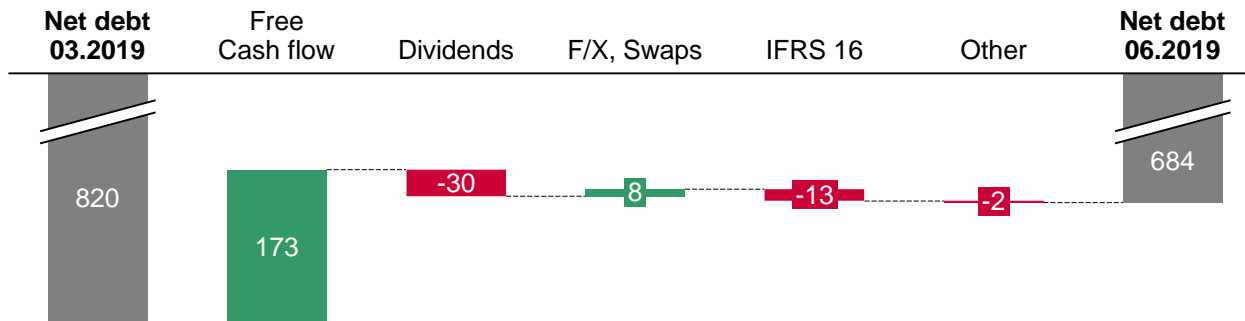
03 Cash flow and net debt development

Cash flow Q2 2019 (€m)



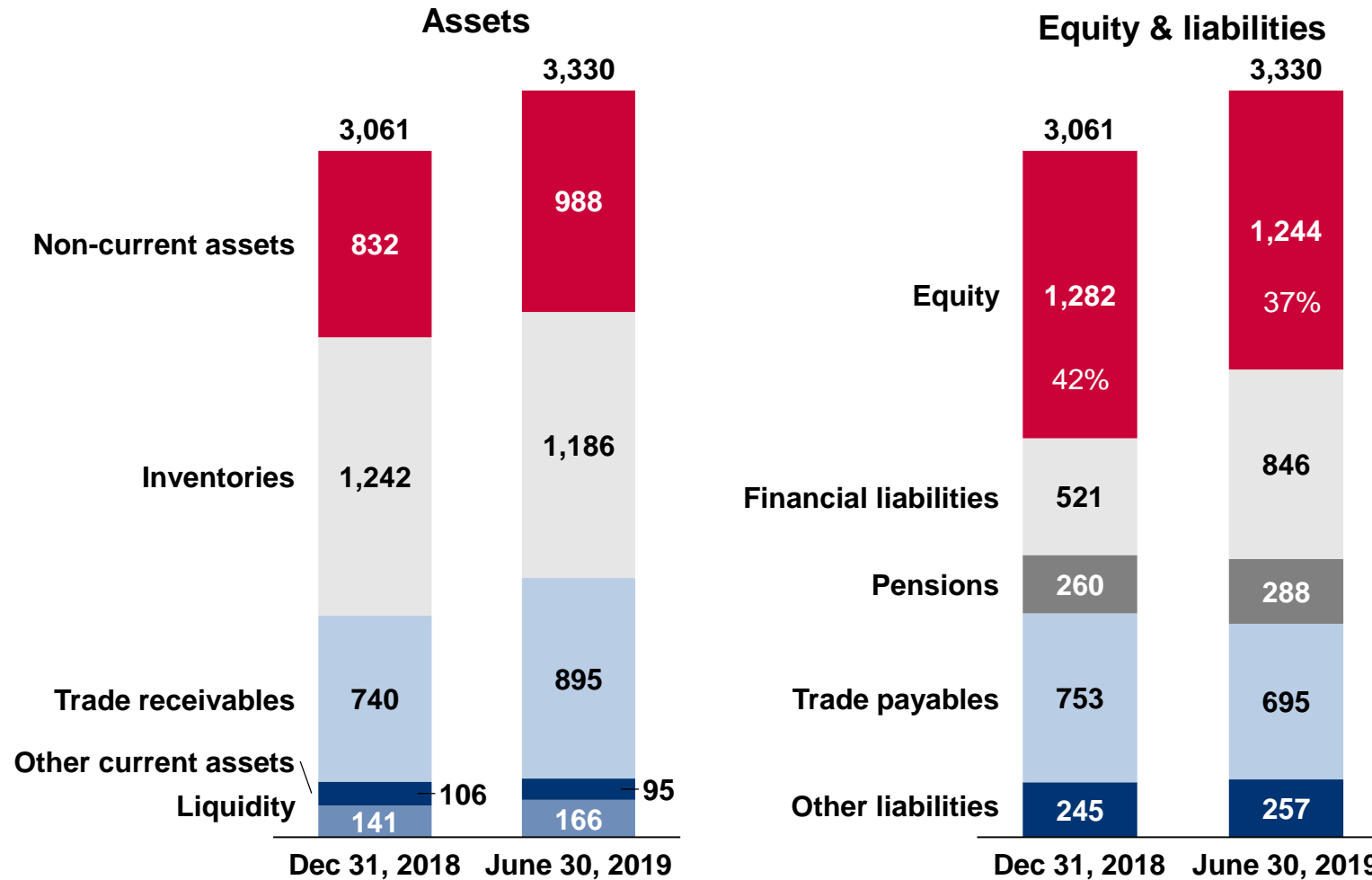
- **Strict NWC management** ends up in significant NWC decrease
- **Net capex** of €33m include proceeds from sale of London site

Net financial debt 03.2019 vs. 06.2019 (€m)



- **Net financial debt decreased** from €820m to €684m driven by NWC and cash proceeds from the sale of the London site

03 Strong balance sheet



- **Equity ratio** further healthy at 37%
- **Net debt** of €684m incl. IFRS 16 Leases (impact of €194m)
- **Gearing*** at 55%
- **NWC** at €1,386m (FY2018: €1,229m)

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

03 Maturity profile – well-balanced & diversified funding portfolio

Facility	Committed (€m)	Drawn amount (€m, IFRS*)	
		Q2 2019	FY 2018
Syndicated Loan	300	0	0
ABS Europe	300	225	110
ABS/ABL USA	483	185	172
Convertible 2016 ¹⁾	148	140	138
Bilateral Facilities ²⁾	168	90	78
Leases ³⁾	210	210	26
Total Debt	1,609	850	524
Cash		166	141
Net Debt		684	383

*) Including interest accrued, excluding deferred transaction costs.

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

2) Mainly Switzerland.

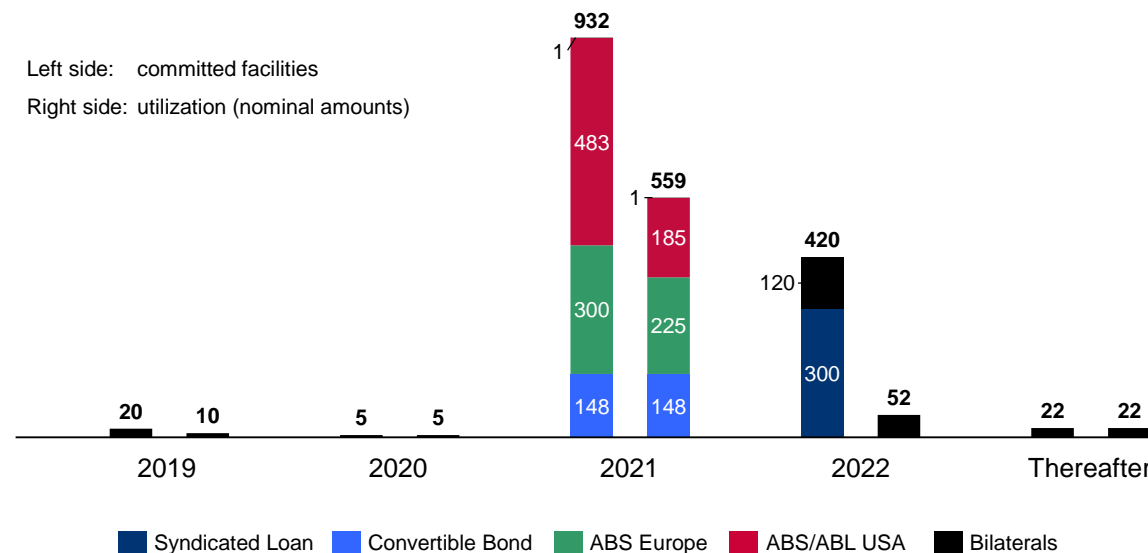
3) First time application of IFRS 16 in Q1 2019. FY 2018 as reported (based on IAS 17 and not adjusted for IFRS 16).

4) Adj. equity: Equity attributable to shareholders of Klöckner & Co SE less goodwill from acquisitions subsequent to May 23, 2019. Covenant level €600m.

Gearing: Net debt/adj. equity. Covenant level 165%.

€m	Q2 2019
Adjusted equity ⁴⁾	1,237
Net debt	684
Gearing ⁴⁾	55%

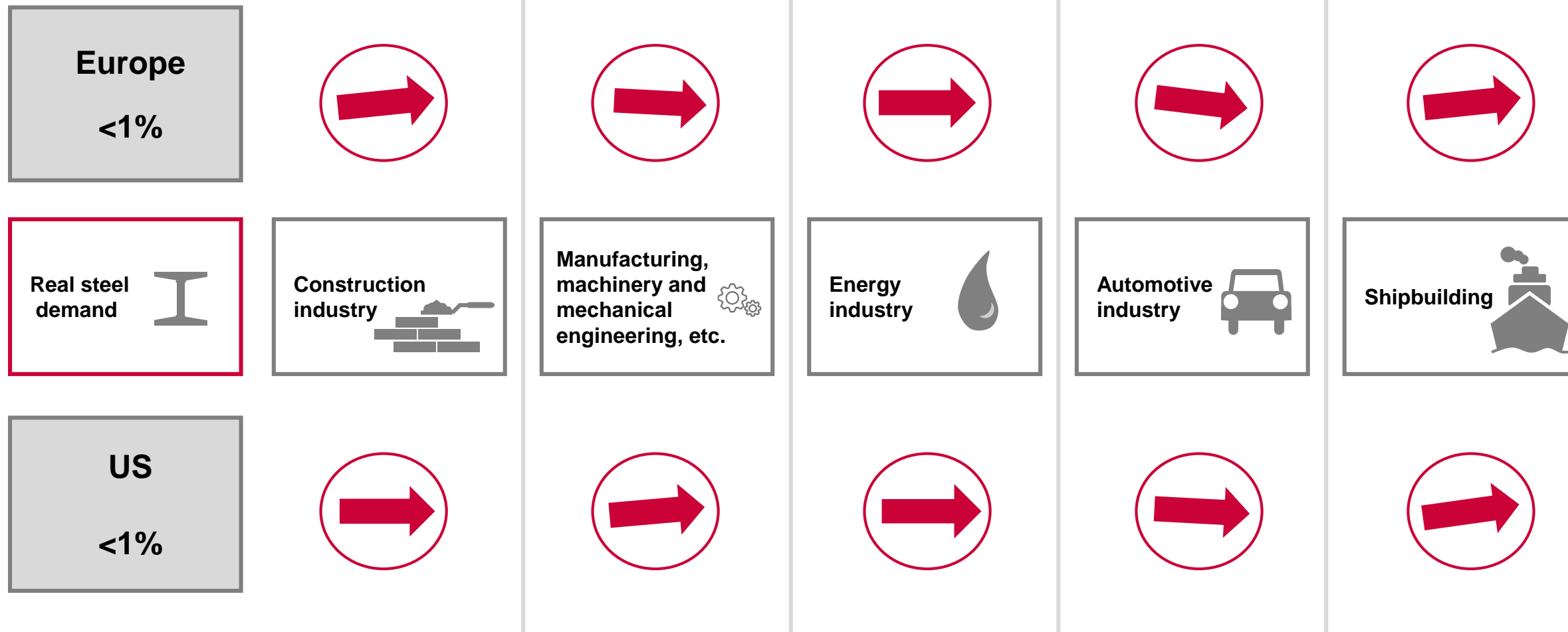
Maturity profile of financial instruments (excl. leasing) in €m



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04 Region specific business outlook 2019



04 Outlook



Slightly higher **sales** anticipated (qoq)

EBITDA expected to be between €25m and €35m



Shipments and **sales** are expected to slightly decline yoy

EBITDA expectation of €140m-€160m before material special effects

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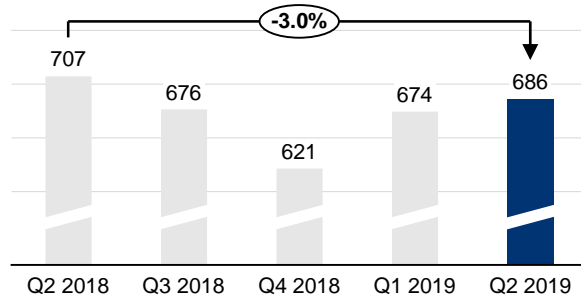
05 Quarterly and FY results

(€m)	Q2 2019	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)	1,479	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	1,682	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)	50	61	28	2	-89	-114	-70	-45	13	19	-3	-18	-31	2	-172	-83	-50	556	28
Gross profit	304	303	301	332	364	331	300	310	339	367	319	329	362	304	1,328	1,316	1,315	1,237	1,261
% margin	18.1	17.8	18.6	18.9	20.3	20.4	20.2	19.8	20.6	22.9	22.8	23.0	23.8	22.0	19.6	20.9	22.9	19.2	19.4
EBITDA rep.	82	34	30	59	82	56	33	47	63	77	37	71	72	16	227	220	196	24	191
% margin	4.9	2.0	1.9	3.4	4.6	3.4	2.2	3.0	3.9	4.8	2.6	5.0	4.8	1.2	3.3	3.5	3.4	0.4	2.9
EBITDA rep. (curr. eff.)	2	1	3	1	-8	-5	-3	-2	1	1	0	-1	-1	0	-9	-3	-1	10	1
EBIT	49	2	8	38	60	35	9	25	41	54	-4	48	49	-8	141	130	85	-350	98
Financial result	-11	-10	-10	-8	-10	-7	-9	-8	-8	-8	-10	-8	-7	-8	-35	-33	-33	-49	-59
EBT	37	-9	-2	30	51	28	1	17	33	46	-14	40	42	-16	107	97	52	-399	39
Income taxes	-9	-1	-5	-8	-18	-7	29	-4	-9	-10	2	-9	-9	2	-38	5	-14	50	-17
Net income	28	-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	0	1	1	0	0	0	1	0	0	1	1	-2	0
Net income KCO	28	-10	-7	22	33	21	30	12	23	36	-12	31	32	-14	69	101	37	-347	22
EPS basic (€)	0.28	-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 (€)	0.27	-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	684	820	383	569	552	472	330	435	486	475	444	438	435	383	383	330	444	385	472
NWC	1,386	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

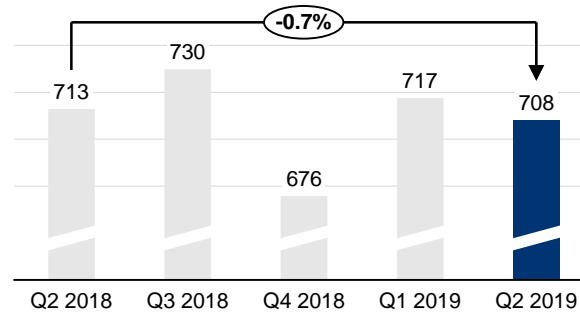
05 Segment performance

KM US

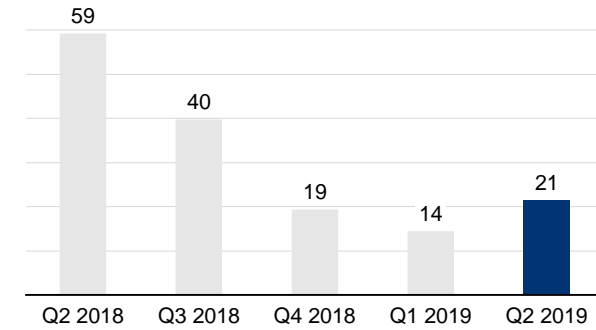
Shipments (Tto)



Sales (€m)

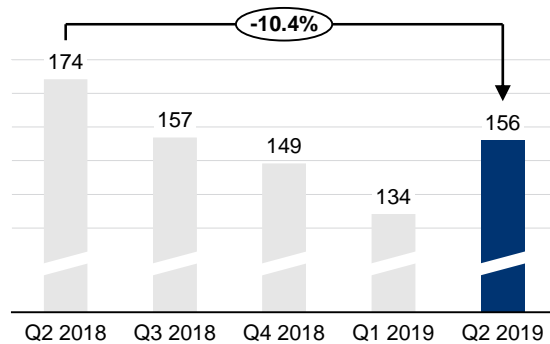


EBITDA adj*) (€m)

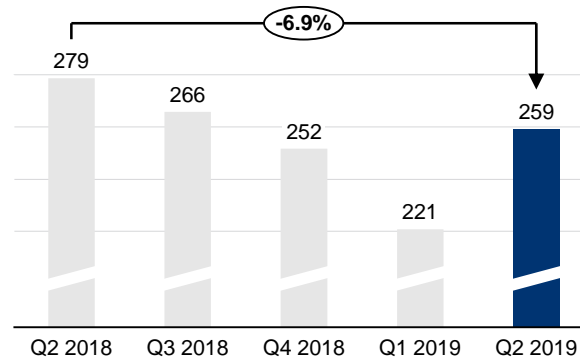


KM Switzerland

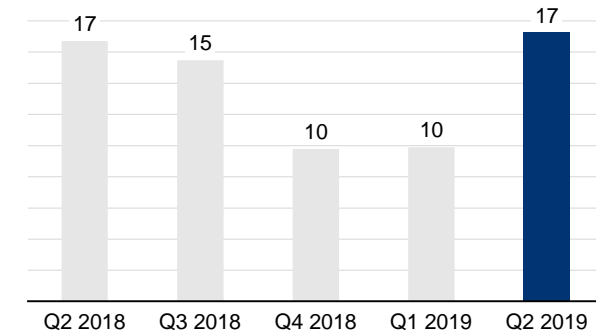
Shipments (Tto)



Sales (€m)



EBITDA adj**) (€m)



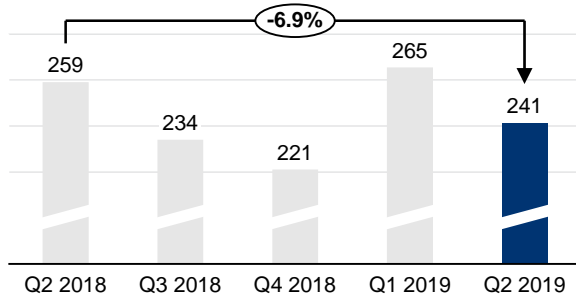
*) adjusted for Deepwater Horizon Oil Spillage Claim Settlement gain in Q2 2018.

**) adjusted for BPO expenses in Q2 2018.

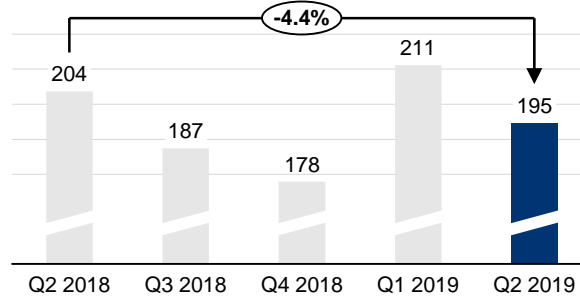
05 Segment performance

KM Services

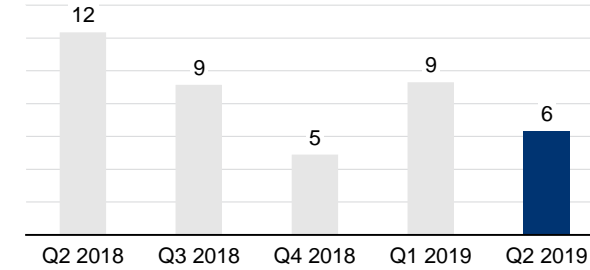
Shipments (Tto)



Sales (€m)

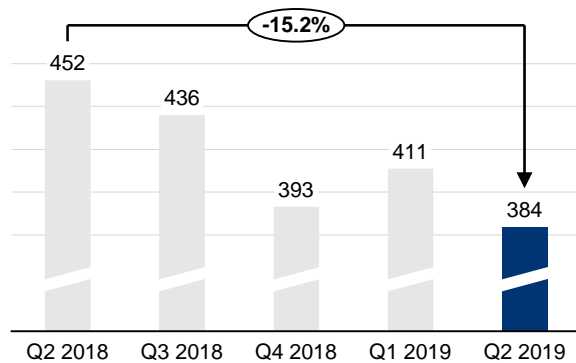


EBITDA adj (€m)

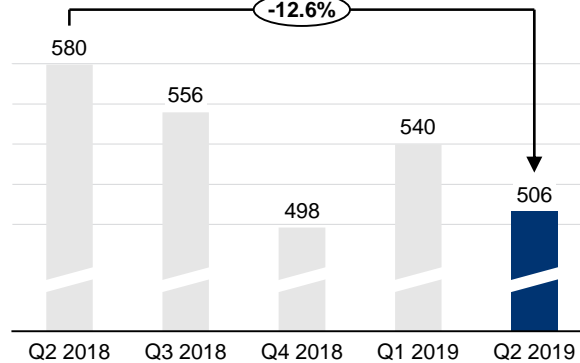


KM Distribution

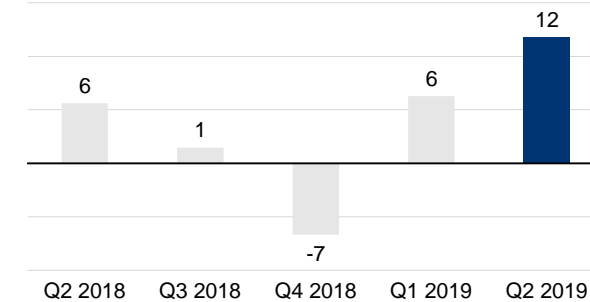
Shipments (Tto)



Sales (€m)



EBITDA adj* (€m)



*) adjusted for BPO expenses in Q2 2018 and severances and gain on sale of London site in Q2 2019

05 IFRS 16 impact

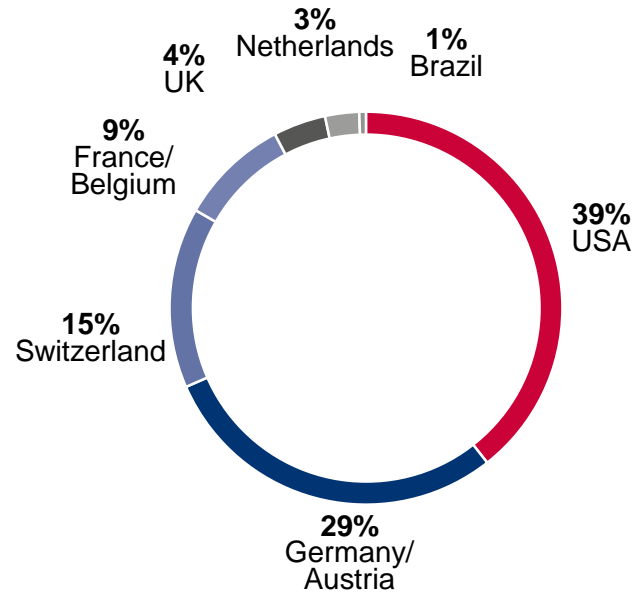
IFRS 16 effect in 2019 (estimates)

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 – 45	↗	Principal payments on IFRS 16 lease liabilities included in cash flow from financing activities

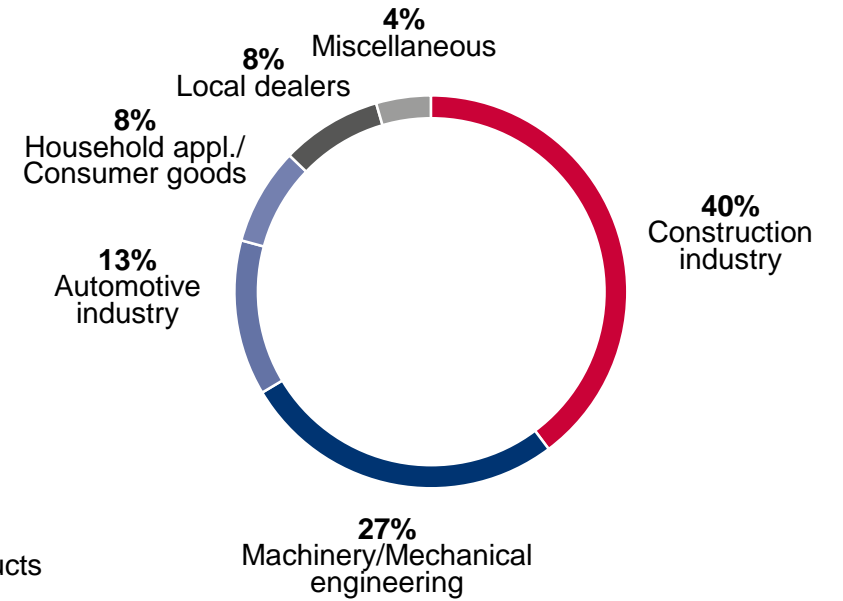
Main impact consists of considerable **EBITDA and free cash flow increase**

05 Sales by markets, products and industries

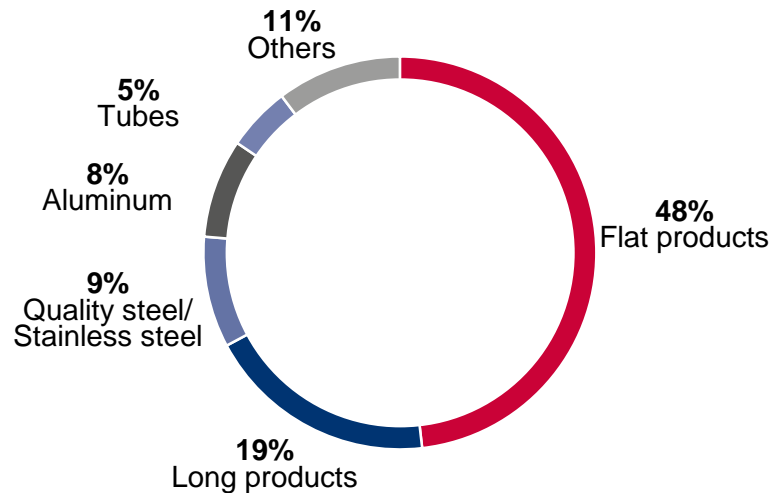
Sales by markets



Sales by industry



Sales by products

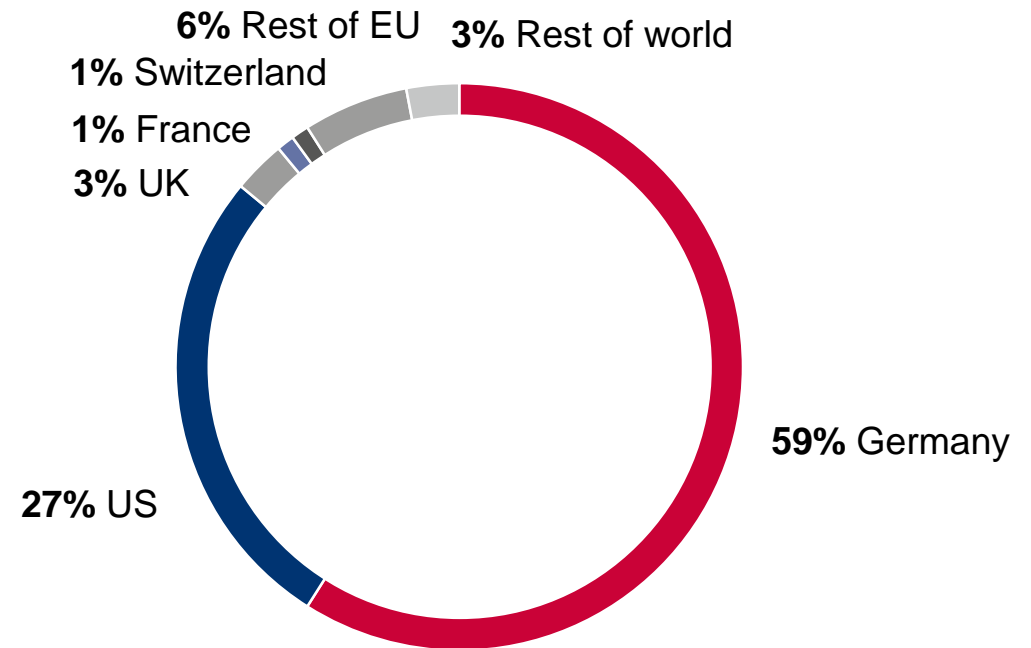


As of December 31, 2018.

05 Current shareholder structure

Geographical breakdown of identified institutional investors

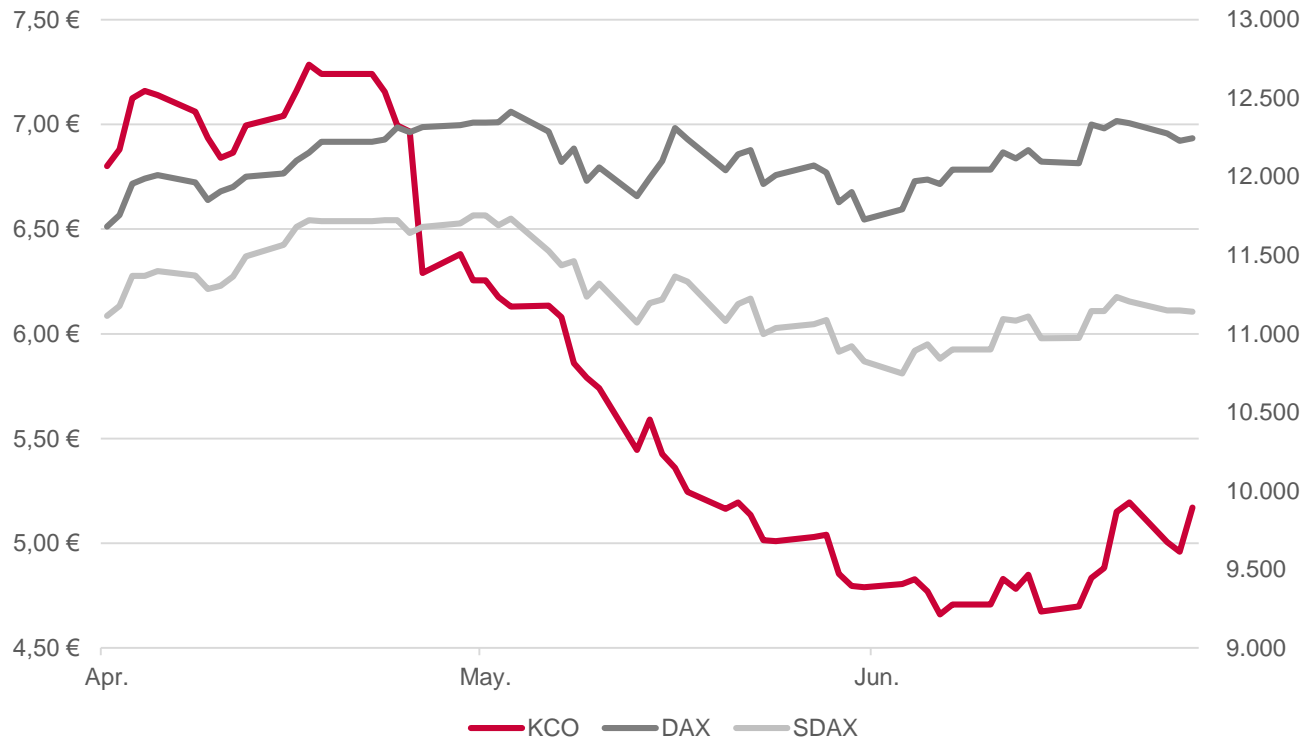
- Identified institutional investors account for 65%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 53%
- Retail shareholders represent 29%



As of June 2019.

05 Share price performance in Q2 2019

Share performance Klöckner & Co SE in Q2 2019



- In the second quarter of 2019 the Klöckner & Co share price improved firstly and reached its quarterly high at €7.29 on April 17
- The share price decreased sharply after the release of the ad hoc-announcement on April 25 and fell gradually to its quarterly low of €4.66 on June 6
- In second half of June it could improve again. The share went out of trading at a price of €5.27 on June 28

05 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 would pay 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 payment 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

05 Sustainability strategy



EMPLOYEES

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



RESPONSIBLE
CONDUCT

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



ENVIRONMENT

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**.



DIGITALIZATION

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**.



CUSTOMERS

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.

05 Current shareholder structure

Voting Rights Announcements according to WpHG (Security Trading Act)*

Date of publication	Subject to compulsory notification	Portion of voting stock
09/02/2016	Swoctem GmbH / Friedhelm Loh	25.25%
04/03/2015	Franklin Mutual Series Funds	3.07%
17/05/2019	Franklin Mutual Advisors, LLC **)	5.00%
22/05/2019	Claas Edmund Daun	3.05%

*) The table lists all shareholders, whose Klöckner & Co SE voting shares **exceed** one of the notification thresholds under section 21 clause 1 WpHG as of Sept. 24, 2019.

***) Including attributed voting rights held by Franklin Mutual Series Funds.

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Financial calendar

October 30, 2019	Q3 quarterly statement 2019
March 10, 2020	Annual financial statements 2019
May 5, 2020	Q1 quarterly statement 2020
May 20, 2020	Annual General Meeting 2020
August 14, 2020	Half-yearly financial report 2020
November 3, 2020	Q3 quarterly statement 2020