

Exane BNPP Basic Materials & Natural Resources Conference 2019

London, March 27, 2019

Gisbert Rühl | CEO

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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.

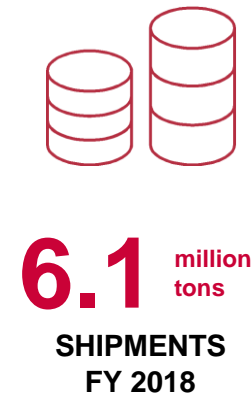
Evaluating statements are unified and are presented as follows:

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

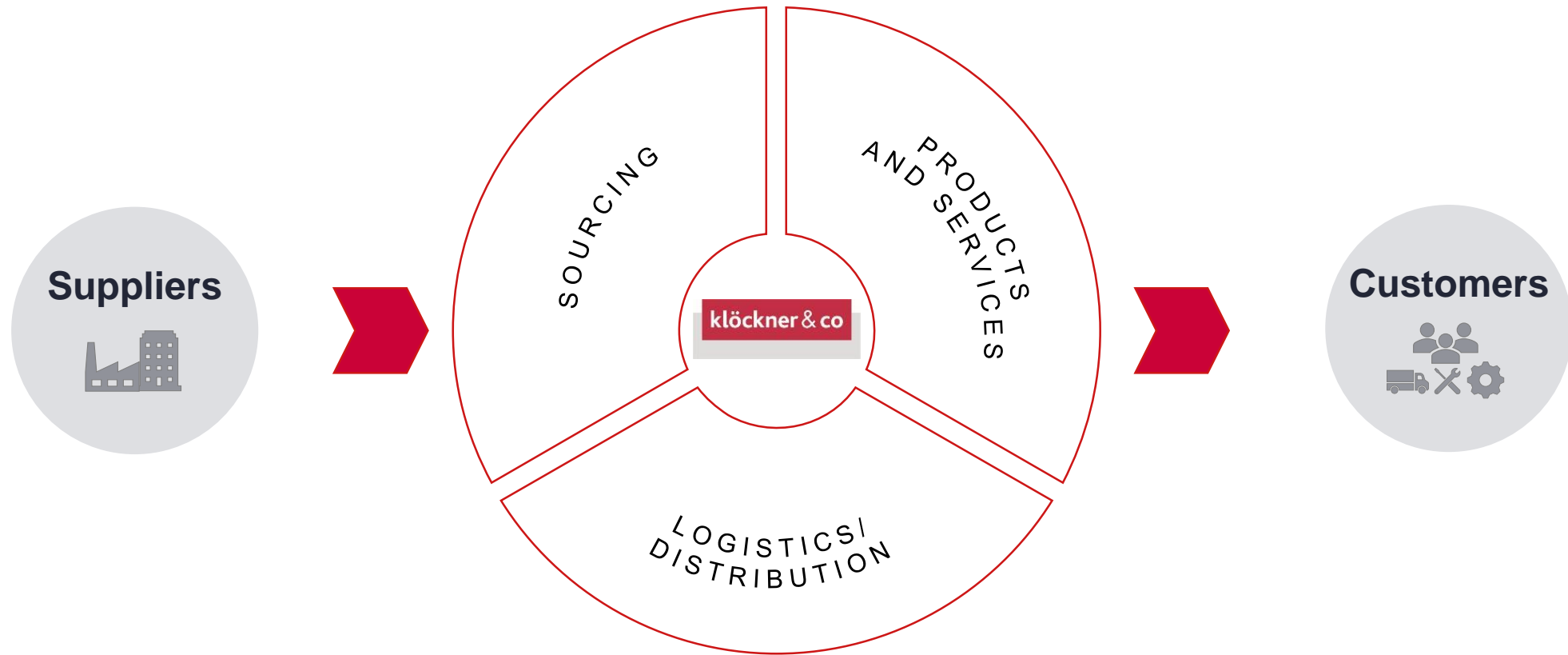
Agenda

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

01 Klöckner & Co SE at a glance

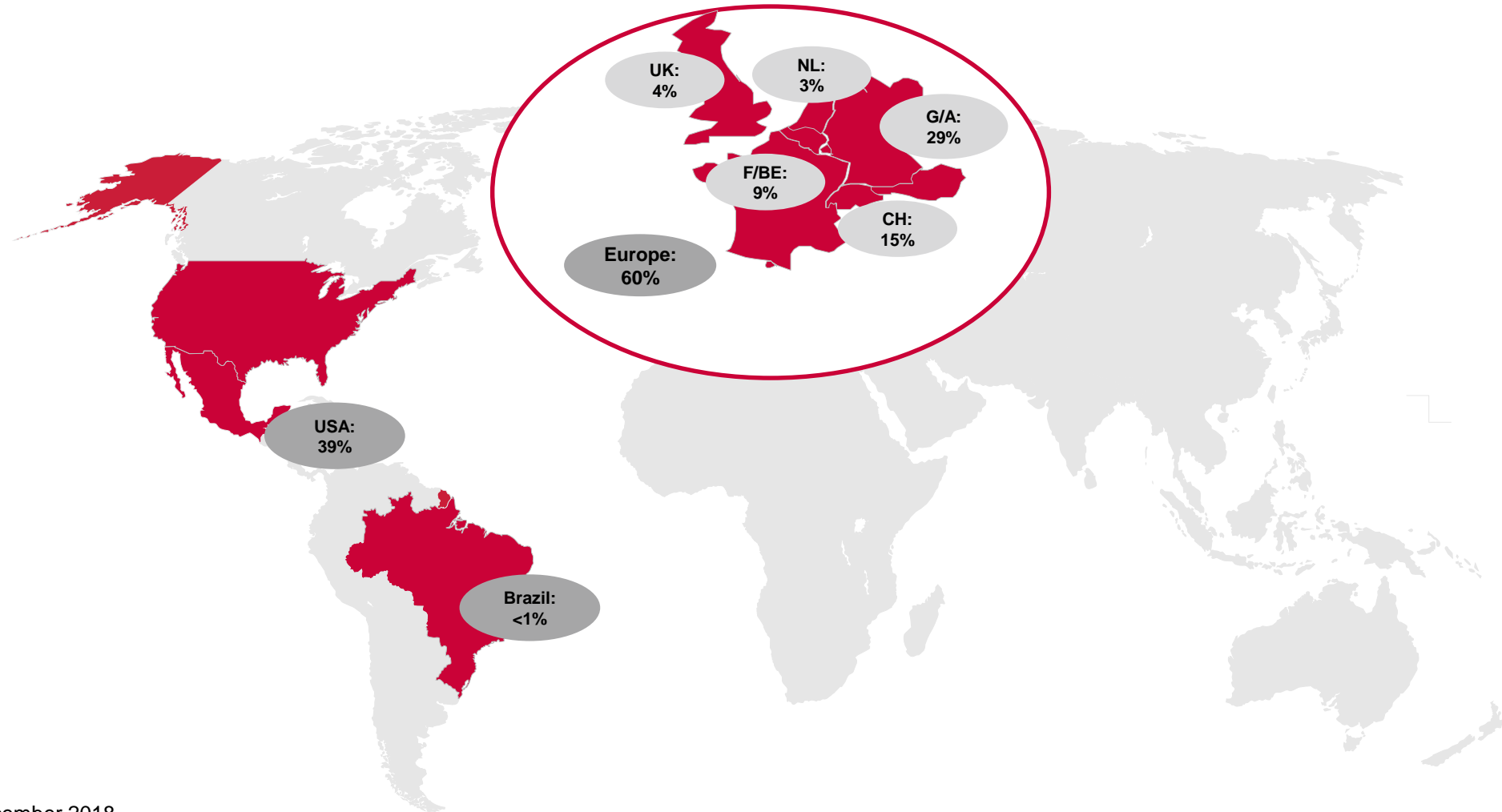


01 Everything from one source



Klöckner & Co value chain

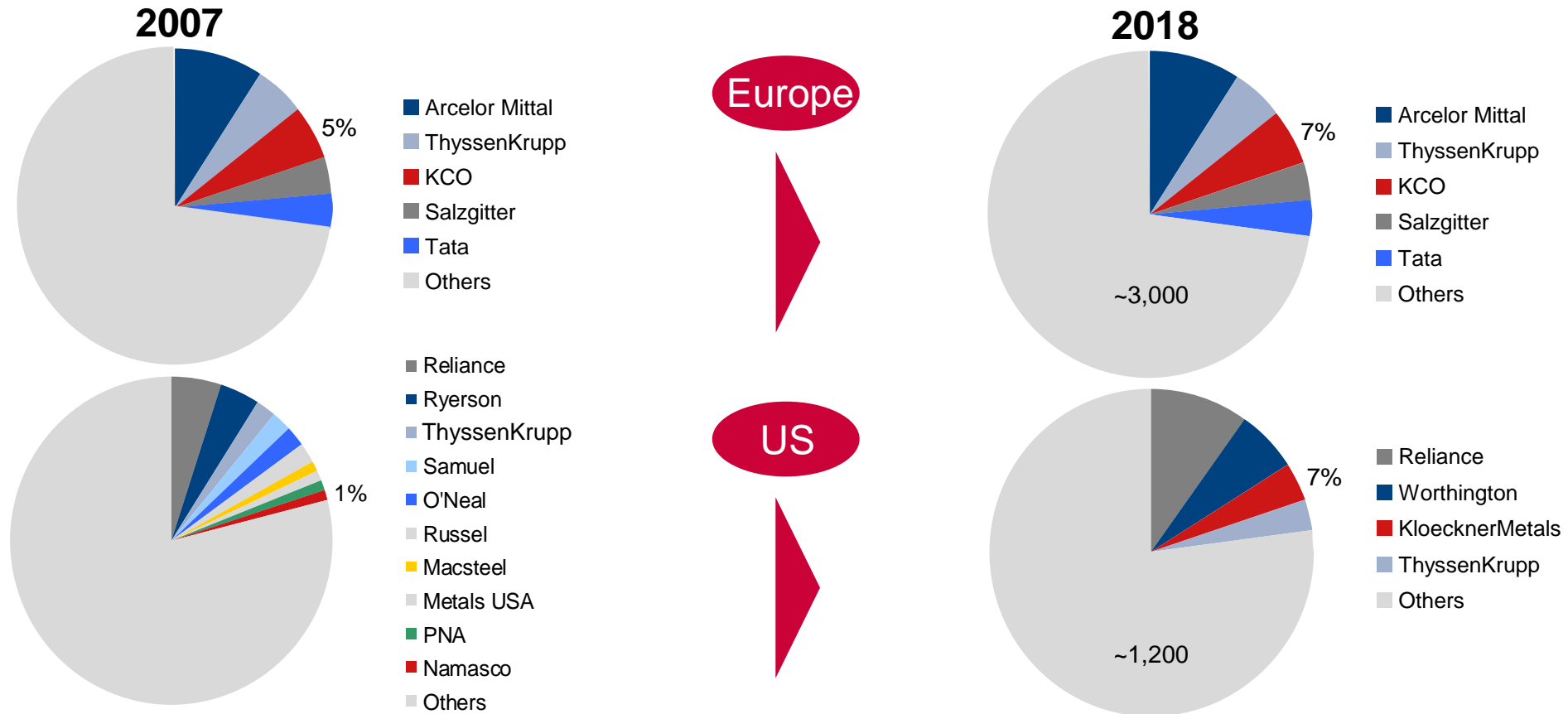
01 Global reach – local presence



Sales; as of December 2018.

01 Market shares of Klöckner & Co

Position in the **US** service-center-market **significantly improved** whereas market share in **Europe remained stable** despite heavy restructuring measures



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

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02 The fundamentals of steel distribution remain challenging

Customers



- Generally **not bound to any supplier** because of the generic nature especially of commodity steel (low switching costs)
- Often **under price pressure** especially where steel is making up a major part of their costs

Competition



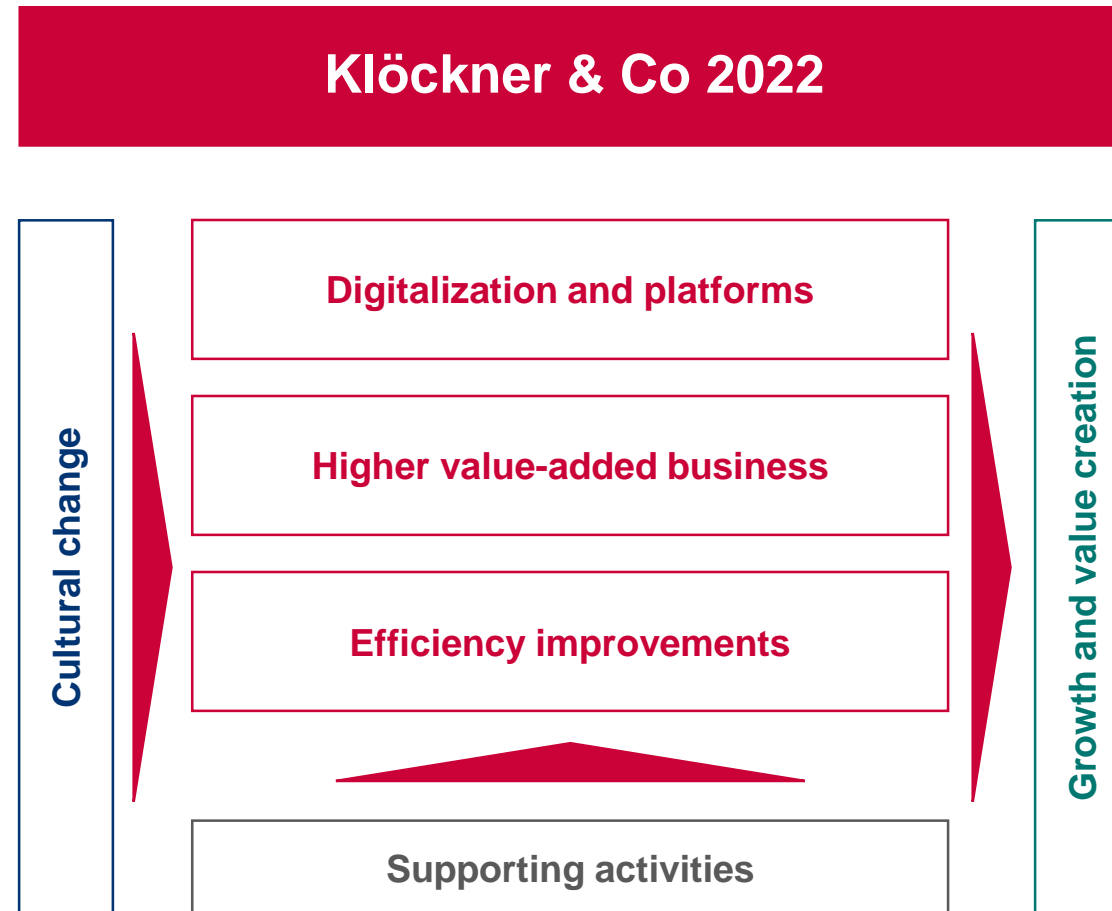
- Steel distribution **markets remain fragmented**. Even larger acquisition activity in the US has primarily resulted in fewer owners; capacity has been – with the exception of Kloeckner Metals – consolidated to a lesser degree
- **Competition** especially for commodity steels **mainly on price**, availability and reliability are enablers
- **Mill-backed distributors** in Europe have a market share strategy in order to **utilize assets** instead of focusing on profitability

Global steel markets

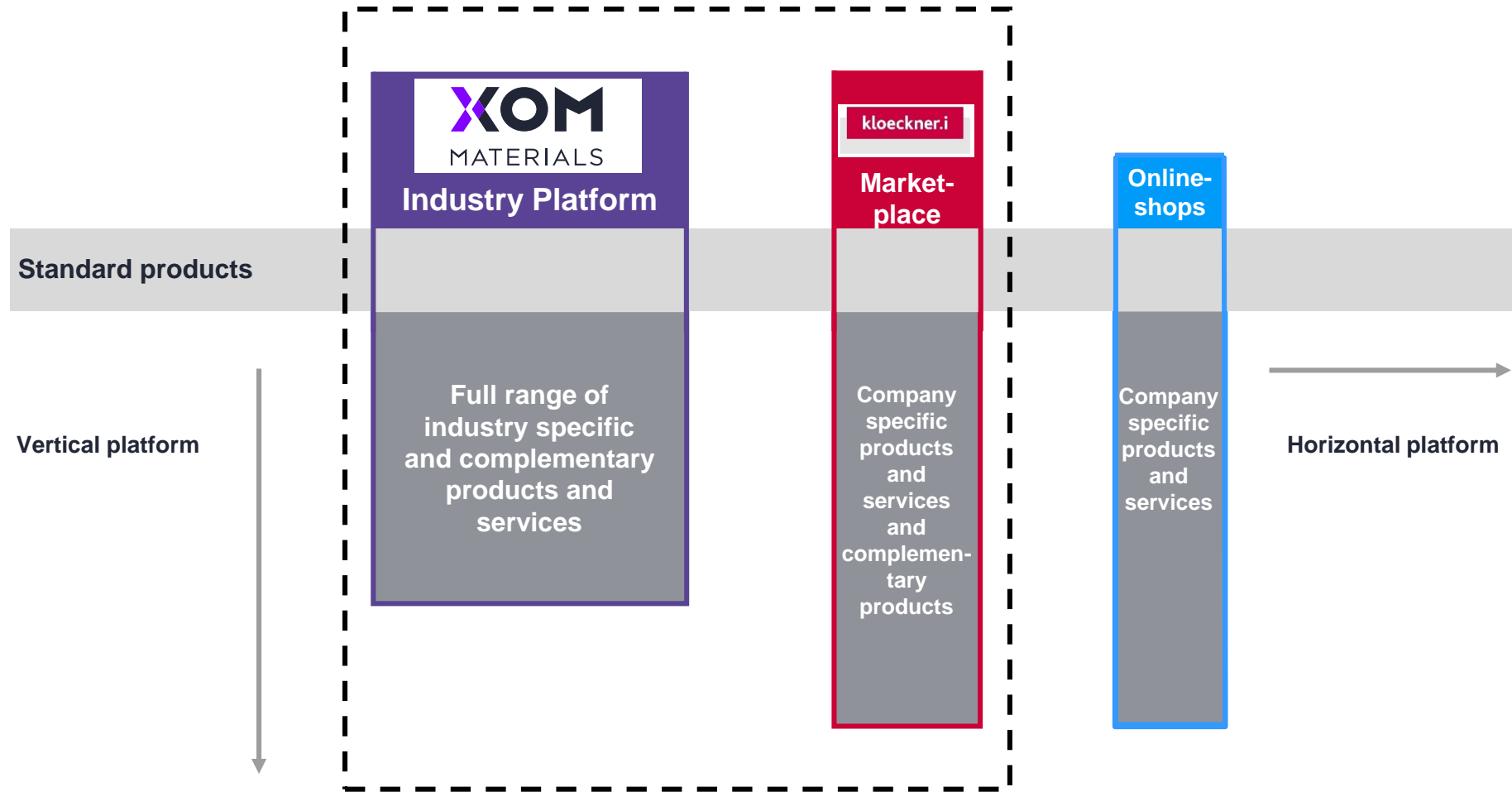


- Global steel demand is expected to **grow only slowly** going forward
- **Overcapacity** in the steel industry spread across the world, but most pronounced in China is **likely to stay** for the foreseeable future

02 Strategy “Klöckner & Co 2022”



02 Very well positioned in Digital Platform Landscape



02 kloeckner.i as digital enabler – not only for Klöckner & Co



- Around **90 employees** in Berlin
- Rollout of **online shops** finished
- Online shops transformed to **“Marketplace”** for vendors of complementary products
 - Already **29 vendors live** on Klöckner & Co Marketplace in Europe
 - **Asset light expansion** in further products and regions
- Since the beginning of 2019 offering **digital consulting services** to external companies
 - **High demand** for digital consulting in all industries
 - **Unique combination** of digital and industrial know-how
 - **Partnership** with **Axel Springer hy**, trailblazer of digitalization
 - **One-stop shop** for analysis, cultural change, strategy, company building, platform building, investing, and venturing

02 XOM Materials with successful start in Europe and the US



- **Permission granted** by the Federal Cartel Office to operate the platform
- **Successful go live** in Europe and the US
- Orders worth **around €7m** executed by now
- Already **220 customers** and **13 vendors** under contract
- Close to **50 employees** in Berlin (HQ), Duisburg, Atlanta and sales representatives in **Spain and Czechia**
- Closing of **first financing round** within reach

02 XOM facilitates transactions between all participants



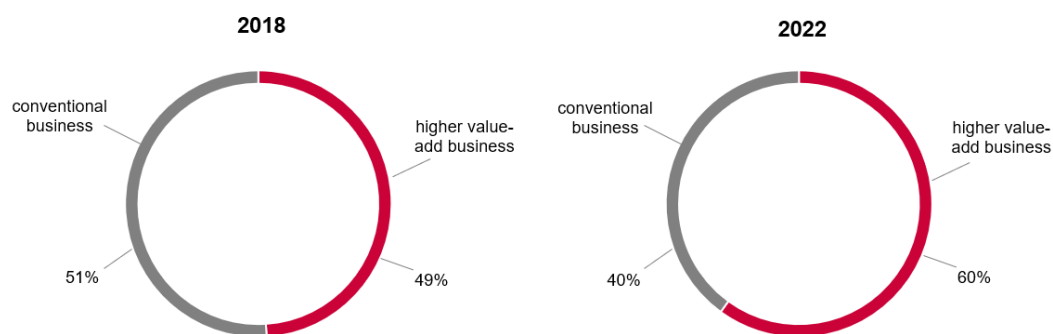
*) Higher Value Add.

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** will be delivered to Charlotte in April
- **Value-chain take-up case:** Roll and weld stainless steel tanks in Los Angeles

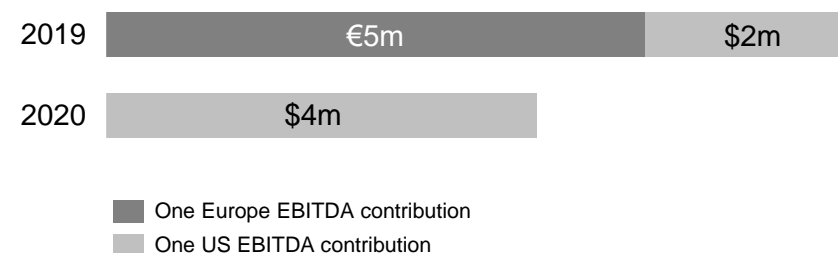


Efficiency improvement

One Europe & One US

- Both programs **overachieved** targets for 2018
- **One Europe**
 - EBITDA contribution of **€16m in 2018** and €30m per year from end of 2019 onwards
- **One US**
 - EBITDA contribution of **\$8m in 2018** and \$15m per year from end of 2020 onwards

EBITDA contribution targets



*) Physical Vapor Deposition.

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03 Highlights FY 2018

FY
2018

Sales
€6,790m

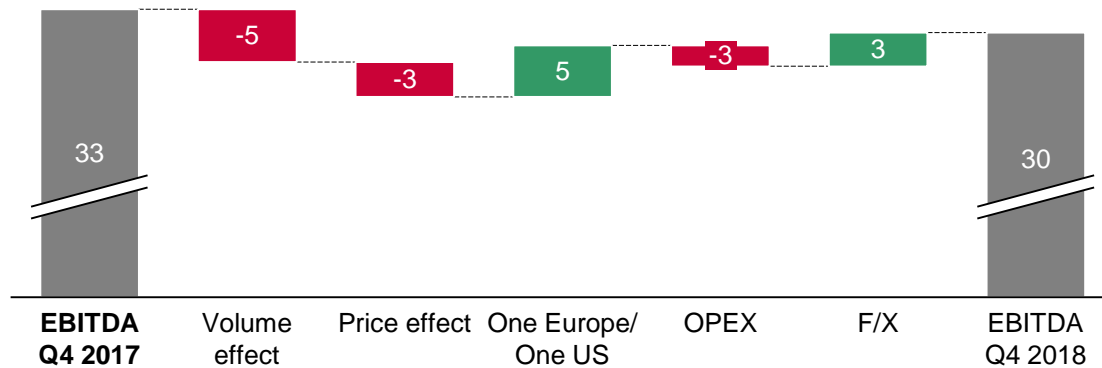
EBITDA
€227m

Digital sales
25%

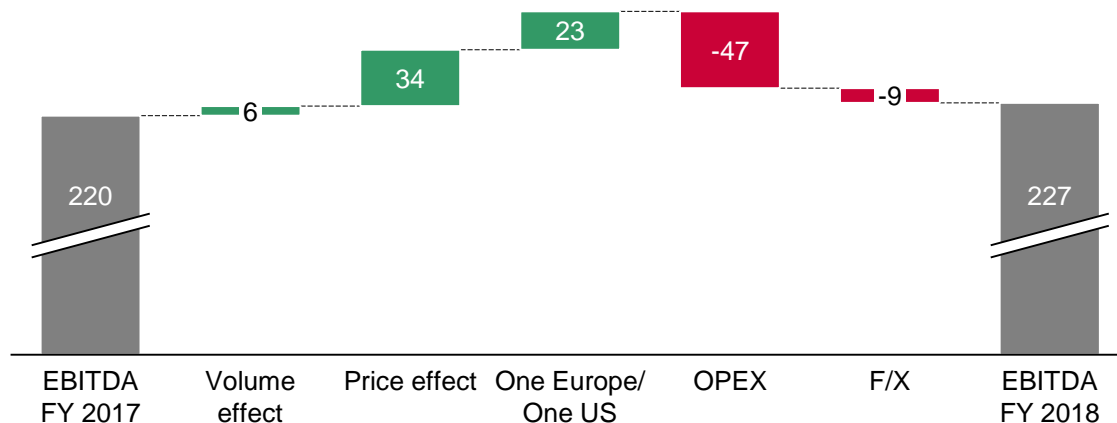
- ▶ Shipments with 6.1mt on last year's level
- ▶ Sales increased by 7.9% yoy to €6.8bn due to higher price level
- ▶ Gross profit up from €1,316m in 2017 to €1,328m in 2018
- ▶ Gross profit margin decreased to 19.6% after 20.9% in 2018
- ▶ EBITDA of €227m as forecasted slightly above last year's level of €220m
- ▶ Sales share via digital channels increased from 17% in Q4 2017 to 25% in Q4 2018
- ▶ FY guidance: EBITDA Ifl significantly below last year's level and incl. IFRS 16 slightly above 2018

03 EBITDA in FY 2018

Q4 yoy (€m)



FY yoy (€m)



Comments Q4

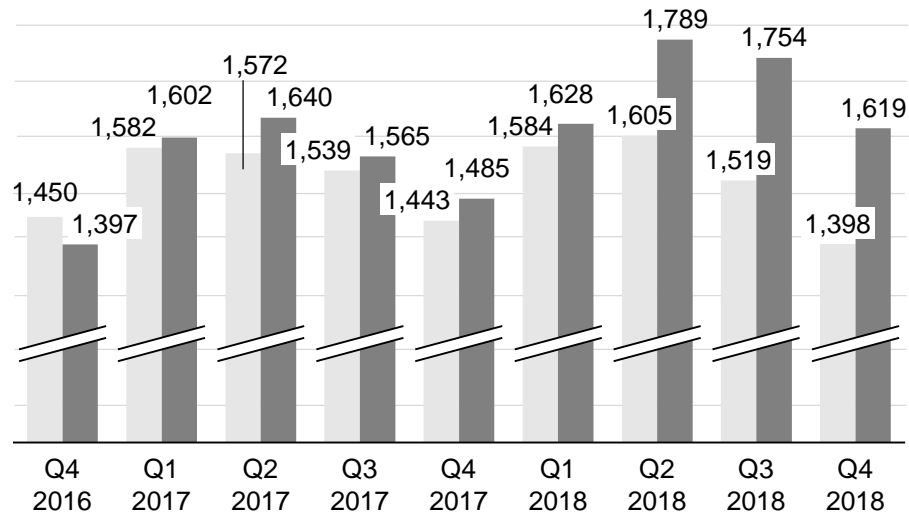
- Negative **volume** and **price effect** of in total €8m mainly due to weaker automotive business
- EBITDA contribution of **One Europe** and **One US** of €5m
- **OPEX** increased mainly driven by shipping cost and supplies
- **EBITDA margin** 1.9%

Comments FY

- Strong positive **price effect** due to high prices in the US (Section 232)
- EBITDA contribution of **One Europe** and **One US** of €23m
- **OPEX** increased mainly driven by higher personnel expenses and shipping cost in the USA
- **EBITDA margin** 3.3%

03 Shipments/sales and gross profit

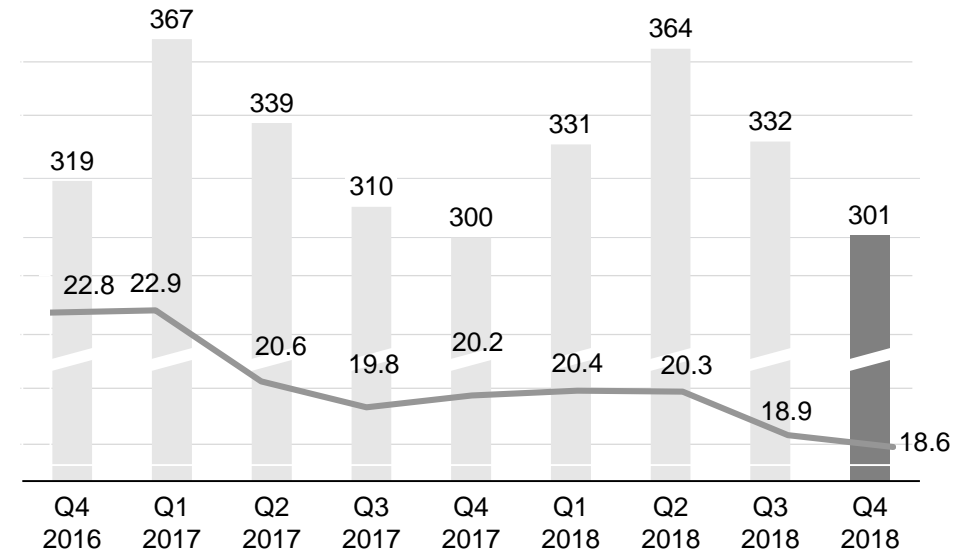
Shipments (Tto)/sales (€m)



■ Shipments ■ Sales

- **Shipments** down due to lower volumes in Europe despite healthy demand in the US
- **Sales** increased yoy due to on average higher sales prices

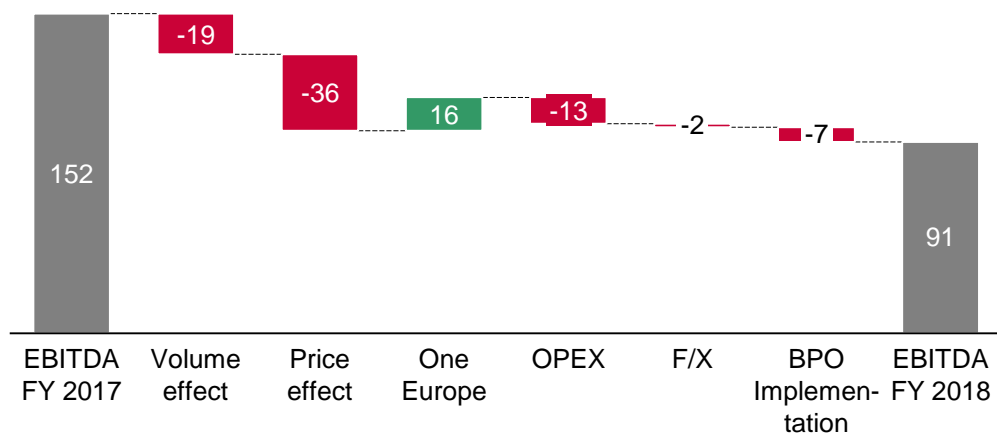
Gross profit (€m)/gross margin (%)



- **Gross profit** Q4 stable yoy
- **Margin** with 18.6% down qoq and yoy due to higher average inventory cost

03 Segment performance FY 2018

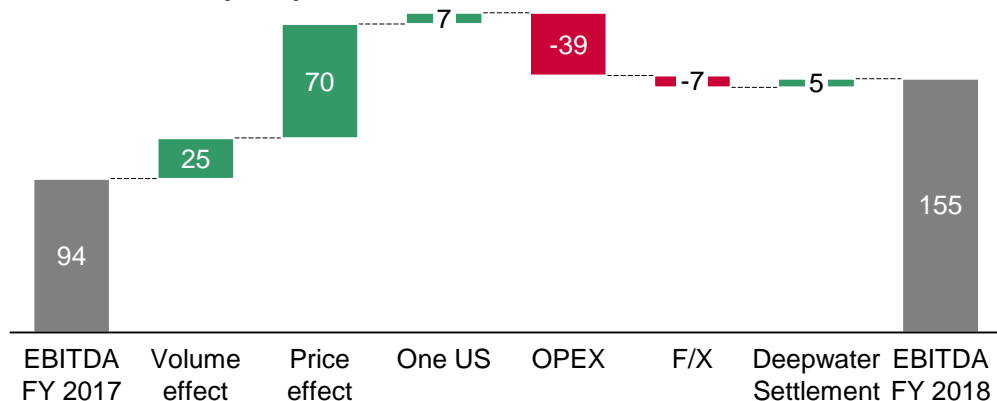
Europe (€m)



Europe

- **Volume effect** -€19m and **price effect** -€36m – both mainly due to weaker automotive business
- **BPO expense** mainly related to severance provisions
- **EBITDA margin** 2.2%

Americas (€m)

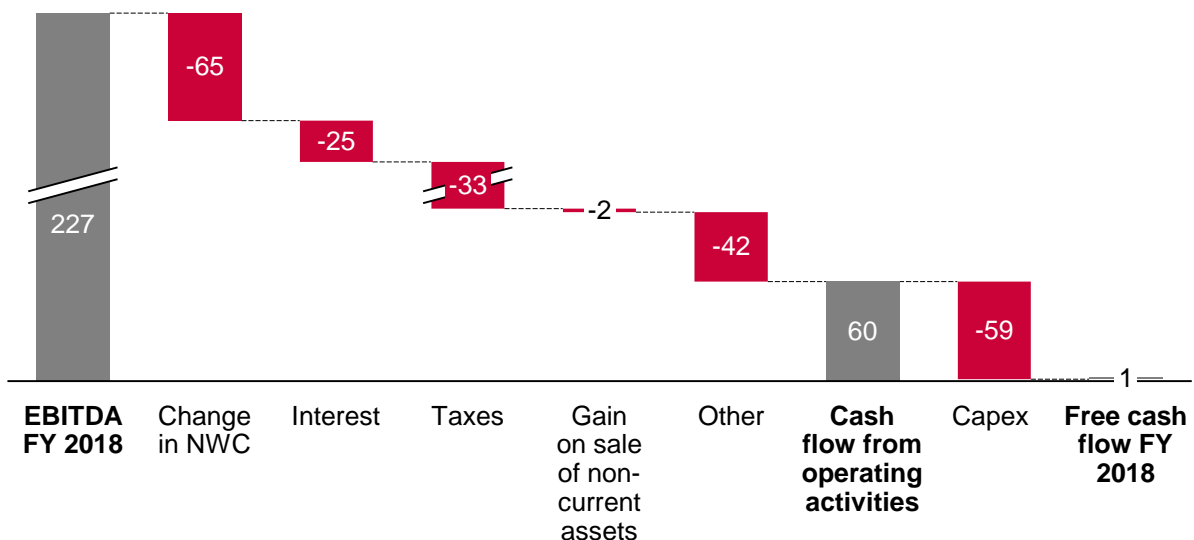


Americas

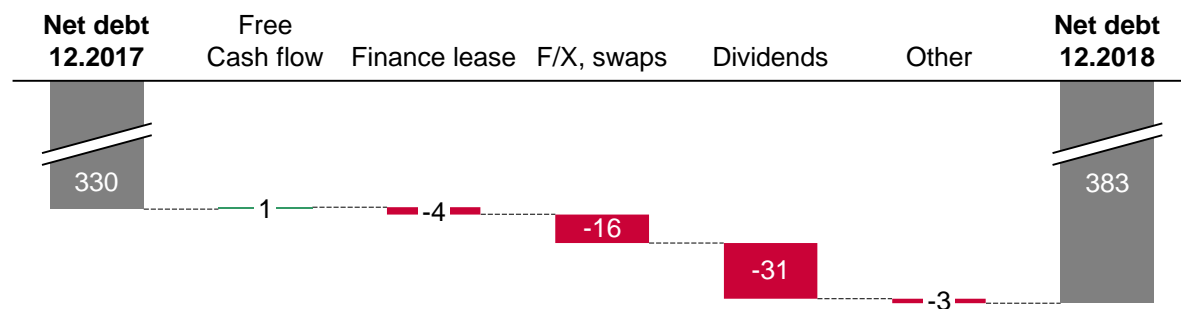
- **Volume effect** of €25m and **price effect** of €70m
- **OPEX** at -€39m mainly due to personnel and shipping-related costs
- **Settlement gain** from 2010 Deepwater Horizon Settlement
- **EBITDA margin** 5.7%

03 Cash flow and net debt development

Cash flow FY 2018 (€m)



Net financial debt 12/2017 vs. 12/2018 (€m)



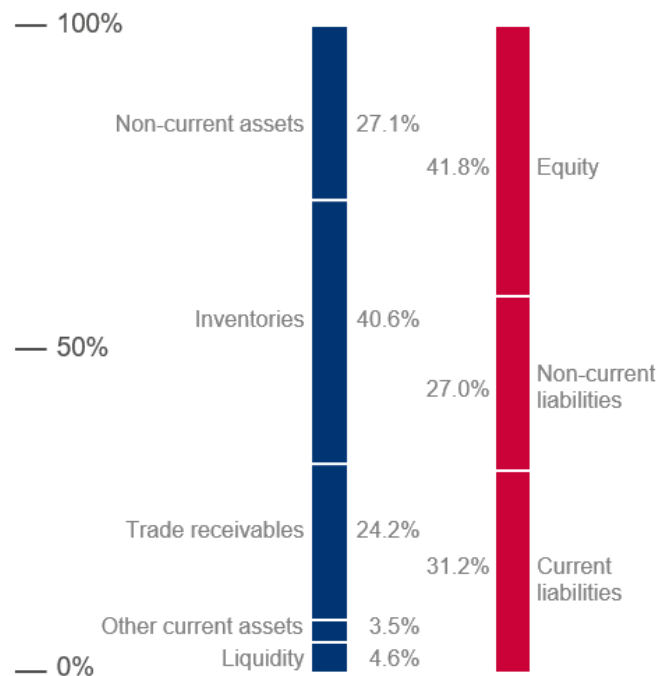
Comments

- **Net working capital** increase of €65m
- **“Other”** mainly relates provisions (pensions, social plans/redundancy programs, etc.)
- **Cash flow from operating activities** +€60m
- **Free cash flow** positive with €1m

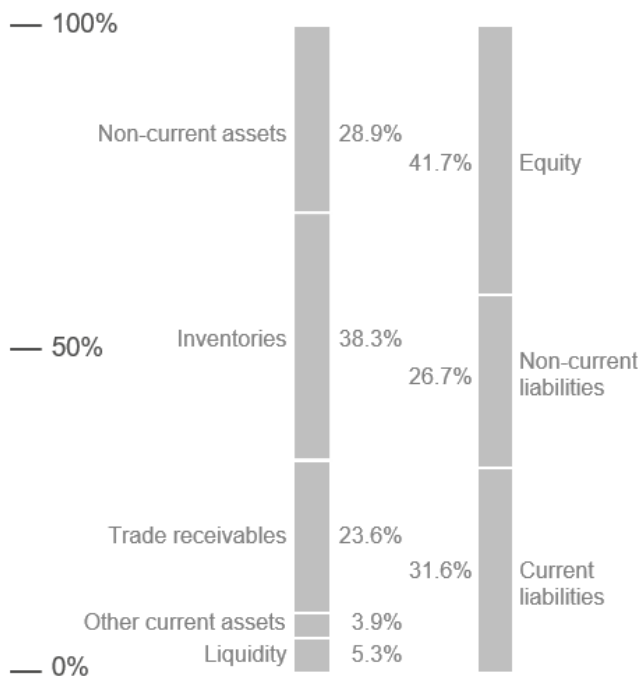
- **Net financial debt** increased due to dividends of €31m and also due to F/X translation effects and settlement of F/X swaps of in total €16m
- **Finance lease** relates to a finance lease for equipment (high bay rack) in France

03 Strong balance sheet

BALANCE SHEET TOTAL
December 31, 2018: €3,061 million



BALANCE SHEET TOTAL
December 31, 2017: €2,886 million



Comments

- Equity ratio further healthy at 42%
- Net debt of €383m
- Leverage 1.7x
- Gearing* at 31%
- NWC at €1,229m

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

03 Maturity profile – well-balanced & diversified funding portfolio

Facility	Committed (€m)	Drawn amount (€m, IFRS*)	
		FY 2018	FY 2017
Syndicated Loan	300	0	0
ABS Europe	300	110	79
ABS/ABL USA	480	172	157
Convertible 2016 ¹⁾	148	138	135
Bilateral Facilities ²⁾	171	78	91
Finance Leases	26	26	22
Total Debt	1,425	524	484
Cash		141	154
Net Debt		383	330

*) Including interest accrued, excluding deferred transaction costs.

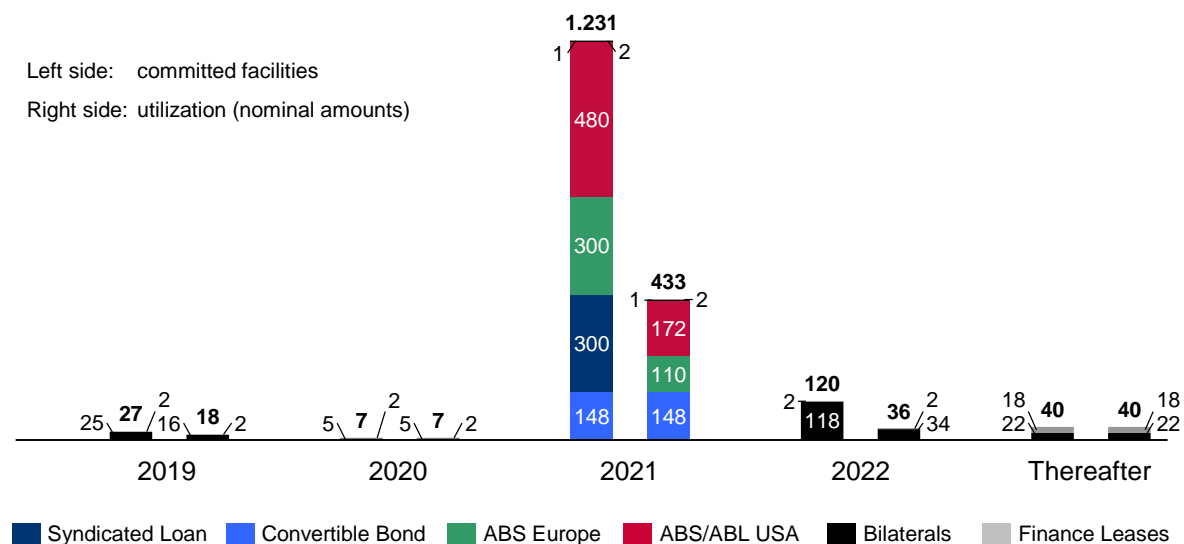
1) Principal €148m, equity component €18m at issuance (September 8, 2016).

2) 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 2018
Adjusted equity	1,255
Net debt	383
Leverage	1.7x
Gearing ³⁾	31%

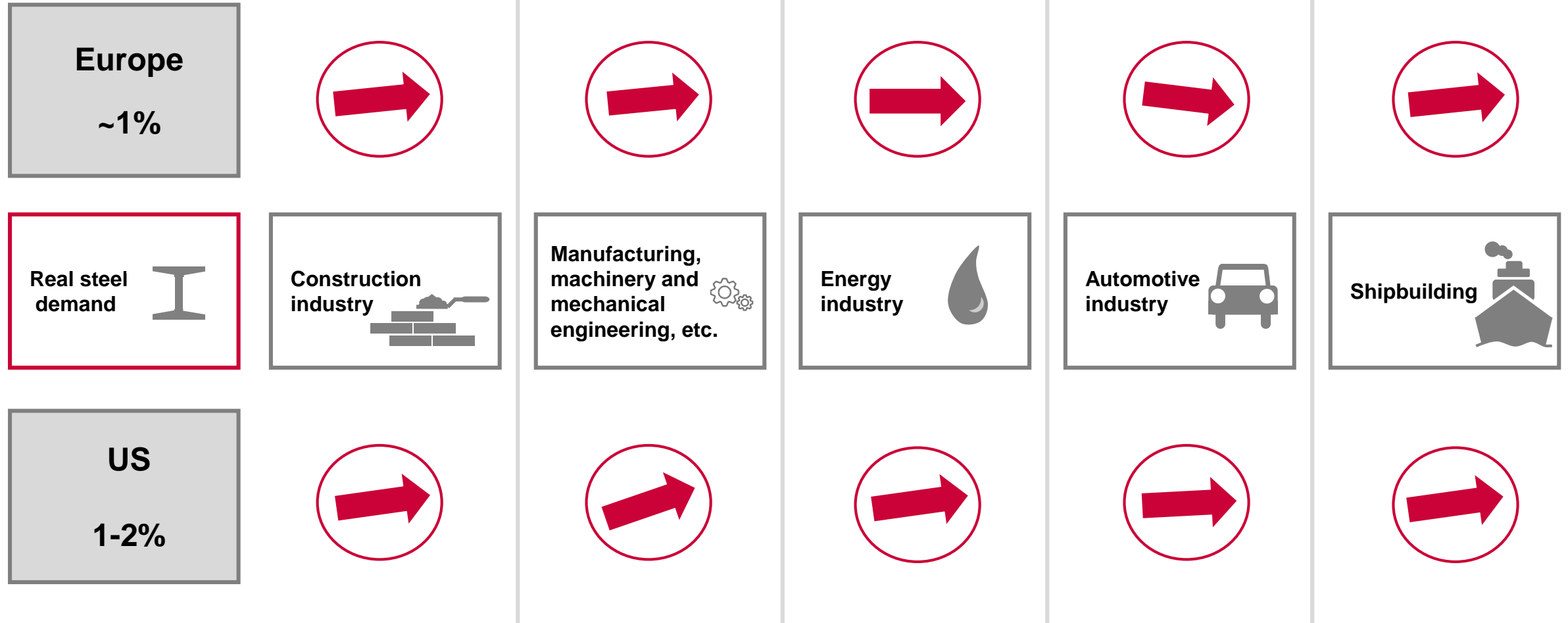
Maturity profile of committed facilities & drawn amounts (€m)



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04 Region specific business outlook 2019



04 Outlook

Q1
2019

- ▶ Seasonally higher **sales** anticipated
- ▶ Reported **EBITDA** to be between €20-30m (incl. IFRS 16)

FY*
2019

- ▶ Considerably higher **sales** anticipated due to higher average price level
- ▶ **EBITDA** Ifl significantly below last year's level and incl. IFRS 16 slightly above 2018

*for expected IFRS 16 effects see appendix.

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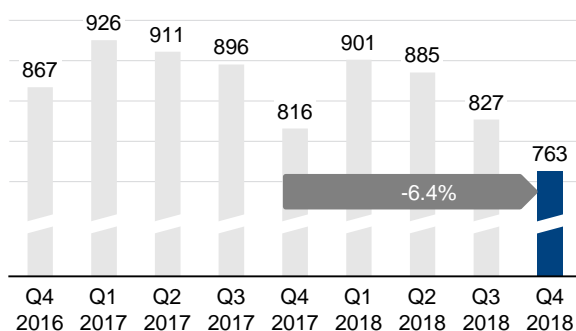
05 Quarterly and FY results

(€m)	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)	1,398	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	1,619	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)	28	2	-89	-114	-70	-45	13	19	-3	-18	-31	2	-172	-83	-50	556	28
Gross profit	301	332	364	331	300	310	339	367	319	329	362	304	1,328	1,316	1,315	1,237	1,261
% margin	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.	30	59	82	56	33	47	63	77	37	71	72	16	227	220	196	24	191
% margin	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.)	3	1	-8	-5	-3	-2	1	1	0	-1	-1	0	-9	-3	-1	10	1
EBIT	8	38	60	35	9	25	41	54	-4	48	49	-8	141	130	85	-350	98
Financial result	-10	-8	-10	-7	-9	-8	-8	-8	-10	-8	-7	-8	-35	-33	-33	-49	-59
EBT	-2	30	51	28	1	17	33	46	-14	40	42	-16	107	97	52	-399	39
Income taxes	-5	-8	-18	-7	29	-4	-9	-10	2	-9	-9	2	-38	5	-14	50	-17
Net income	-7	22	33	21	30	13	24	36	-12	31	33	-14	69	102	38	-349	22
Minority interests	0	0	0	0	0	1	1	0	0	0	1	0	0	1	1	-2	0
Net income KCO	-7	22	33	21	30	12	23	36	-12	31	32	-14	69	101	37	-347	22
EPS basic (€)	-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 (€)	-0.07	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	383	569	552	472	330	435	486	475	444	438	435	383	383	330	444	385	472
NWC	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

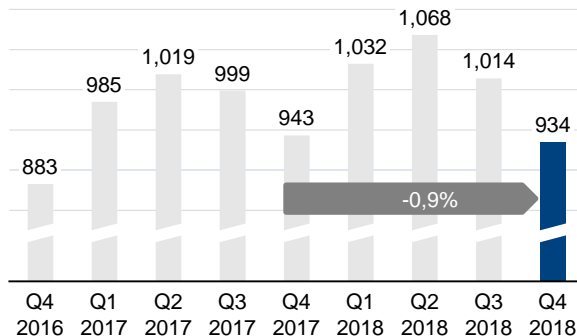
05 Segment performance

Europe

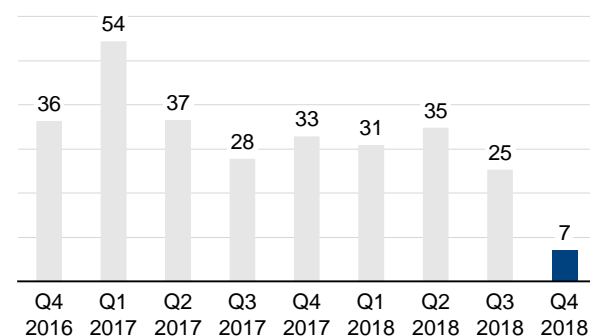
Shipments (Tto)



Sales (€m)

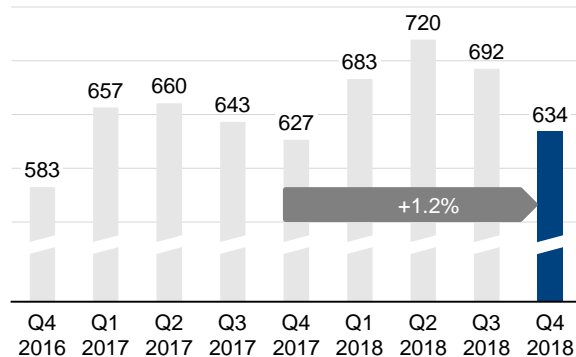


EBITDA adj*) (€m)

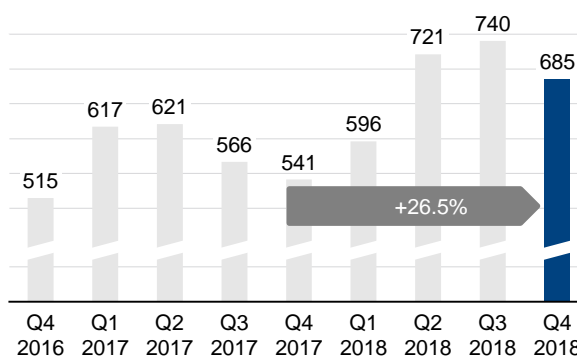


Americas

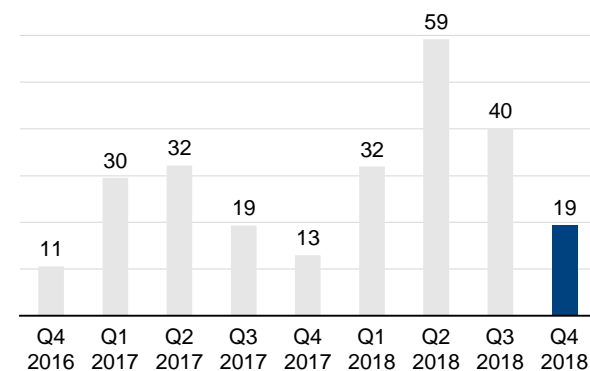
Shipments (Tto)



Sales (€m)



EBITDA adj**) (€m)










*) adjusted for BPO expenses in Q2 2018.

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

05 IFRS 16 impact

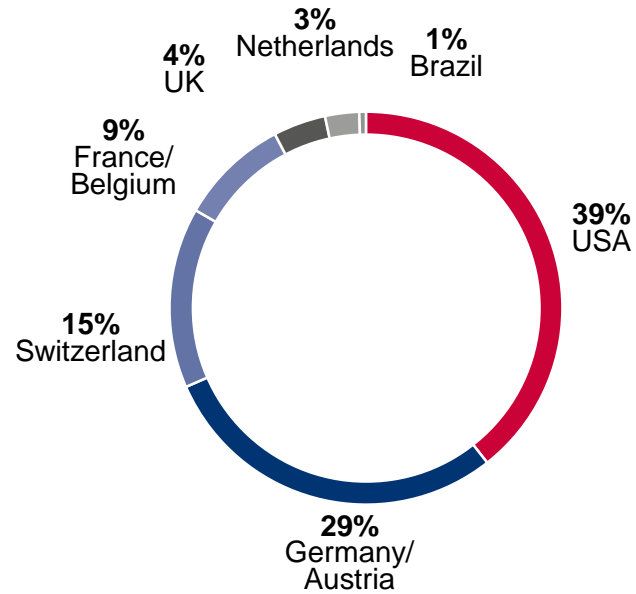
IFRS 16 effect in 2019 (estimates)

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 finance cost
Operating and free cash flow	~ 40		Principal payments on IFRS 16 lease liabilities included in cash flow from financing activities

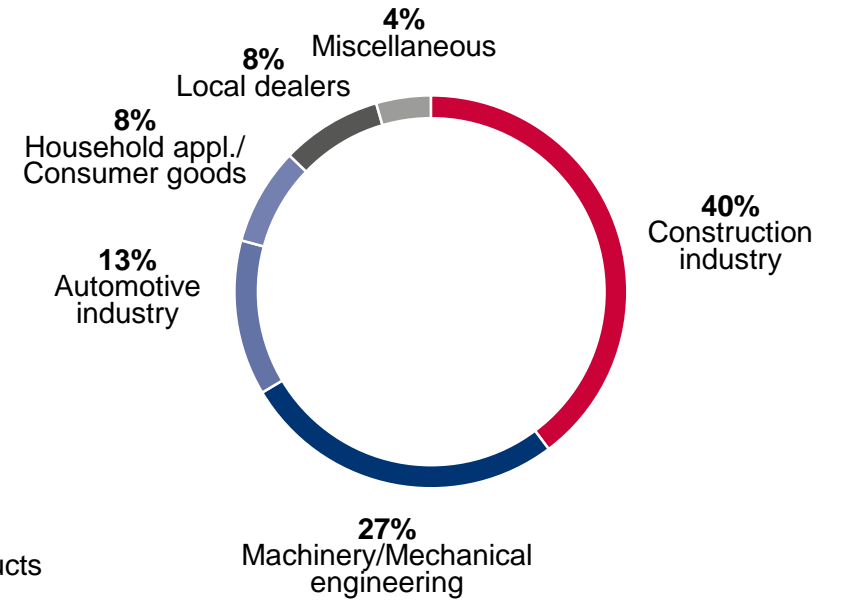
Main impact consists of considerable **EBITDA and free cash flow increase**

05 Sales by markets, products and industries

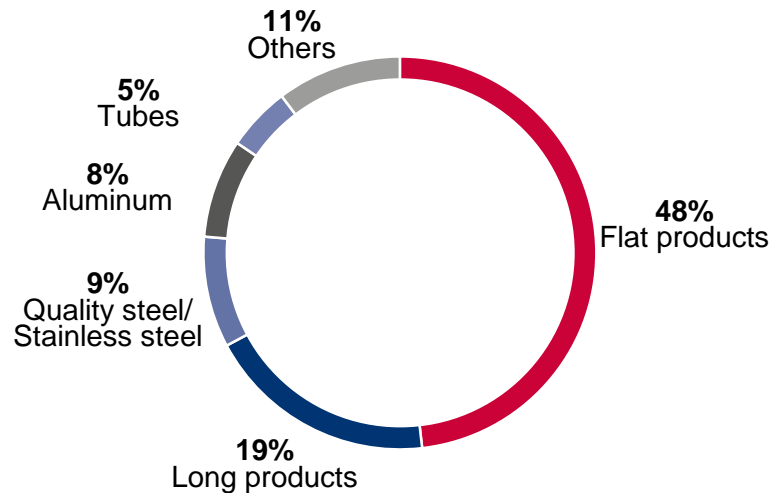
Sales by markets



Sales by industry



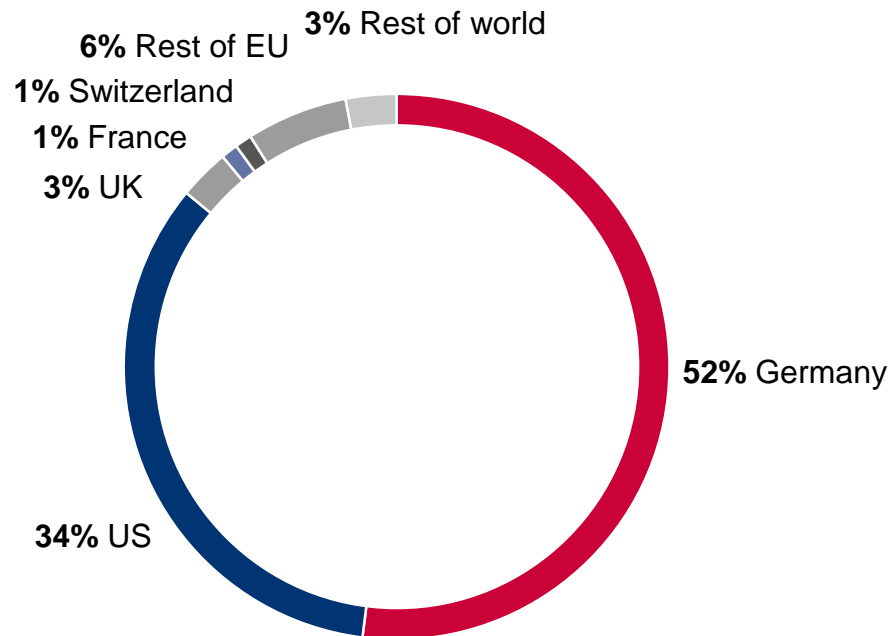
Sales by products



As of December 31, 2018.

05 Current shareholder structure

Geographical breakdown of identified institutional investors



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%

05 Share price performance in FY 2018

Share performance Klöckner & Co SE in FY 2018



- In the first half of 2018, the Klöckner & Co share price moved mainly sideways, reaching its annual high of €11.62 on April 23
- The share repeatedly suffered price setbacks thereafter
- In October, the share price fell sharply and reached its low for the year of €5.98 on December 27 in a negative capital market environment due to the deteriorating economic outlook and more pessimistic steel price expectations
- The share traded at a price of €6.06 on the last trading day of 2018 (December 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 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.

05 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.

05 Current shareholder structure

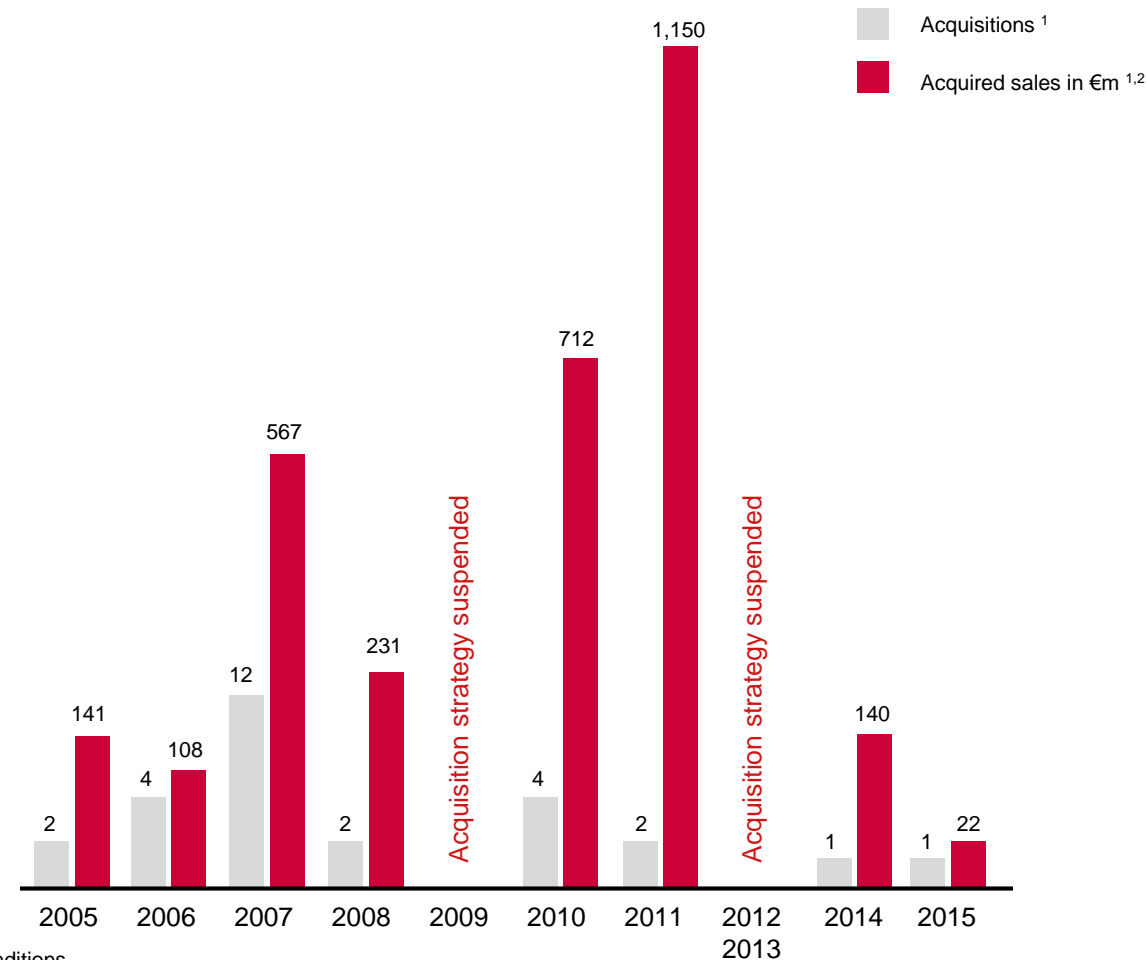
Voting Rights Announcements according to WpHG (Security Trading Act)*

Date of publication	Subject to compulsory notification	Portion of voting stock
19/11/2018	LSV Asset Management	3.12%
09/02/2016	Swoctem GmbH / Friedhelm Loh	25.25%
04/03/2015	Franklin Mutual Series Funds	3.07%
18/03/2014	Franklin Mutual Advisors	5.35%
02/02/2012	Dimensional Holdings Inc. / Dimensional Fund Advisors LP	3.06%

*) 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 Jan. 7, 2019.






05 Strong Growth: 26 acquisitions since the IPO

Country	Acquired ¹⁾	Company	Sales (FY) ²⁾
2015			1 acquisition
USA	Oct. 2015	American Fabricators	€22m
2014			1 acquisition
CH	2 nd quarter 2014 ³⁾	Riedo	€140m
2011			2 acquisitions
Brazil	May 2011	Frefer	€150m
USA	April 2011	Macsteel	€1bn
2010			4 acquisitions
USA	Dec 2010	Lake Steel	€50m
USA	Sep 2010	Angeles Welding	€30m
GER	Mar 2010	Becker Stahl-Service	€600m
CH	Jan 2010	Bläsi	€32m
2008			2 acquisitions
US	Mar 2008	Temtco	€226m
UK	Jan 2008	Multitubes	€5m
2007			12 acquisitions
2006			4 acquisitions



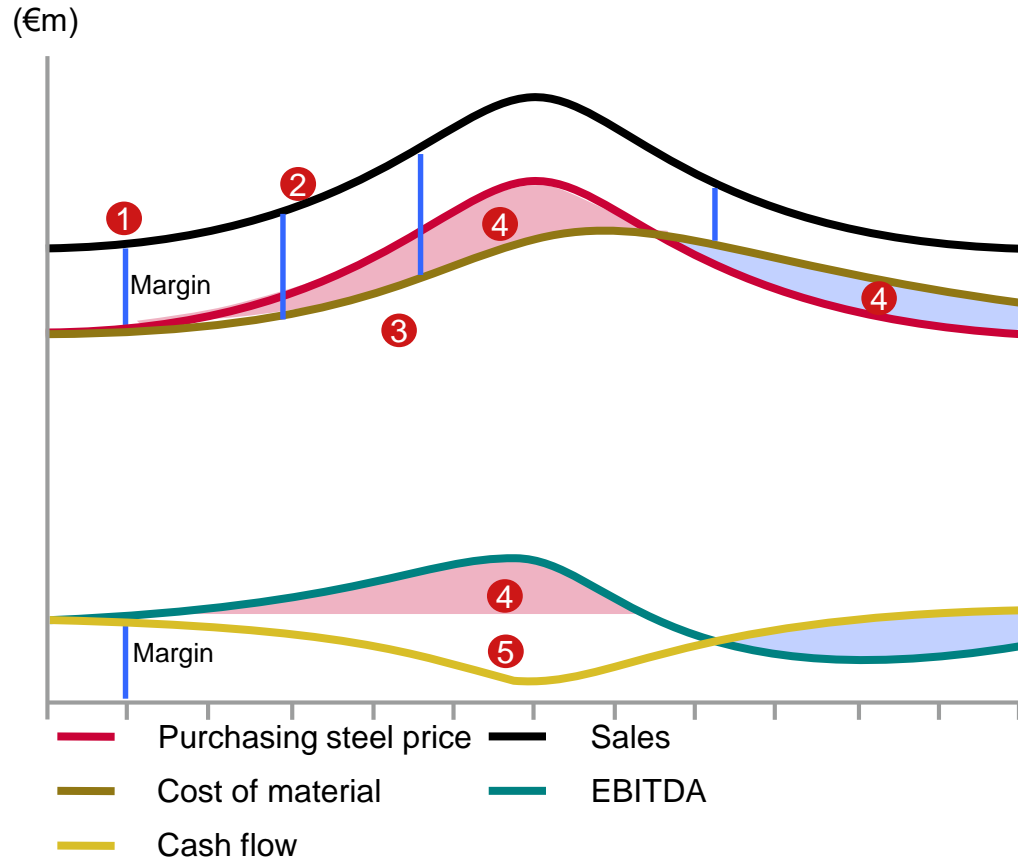
¹ Date of announcement ² Sales in the year prior to acquisitions ³ The transaction is still subject to normal closing conditions but has already been approved, with a different transaction structure, by the Swiss Competition Commission.

05 Overview of the main digital portals and tools

	<p>Kloeckner Connect</p> <p>Kloeckner Connect is a portal combining all services we provide. Find all the digital solutions at first glance.</p>	<p>Benefits for the customer:</p> <ul style="list-style-type: none">✓ Portal which connects all relevant information on our digital products and services✓ It informs about online tools, interfaces and intl. networks
	<p>Contract Portal/ Part Manager</p> <p>It supplies information on all current and historical contracts and allows materials to be called-off.</p>	<p>Benefits for the customer:</p> <ul style="list-style-type: none">✓ All Klöckner contracts at a glance✓ View individual material stock✓ Look into future and historical material call-offs
	<p>Onlineshop/ Marketplace</p> <p>Onlineshop makes ordering steel more comfortable than ever – no matter where or when.</p>	<p>Benefits for the customer:</p> <ul style="list-style-type: none">✓ Abandon time and place bound ordering✓ Instant quotes; easy order, reorder, bulk order✓ Lower transaction costs/ lower stock
	<p>Kloeckner Direct</p> <p>US customers are granted transparency in terms of stock availability at specific branches. Currently updated to a comprehensive onlineshop.</p>	<p>Benefits for the customer:</p> <ul style="list-style-type: none">✓ Direct view into the branches stock and availability✓ Quote generation easy and convenient – online, saves time✓ Create and send a request for a quote
	<p>Order Transparency Tool</p> <p>This tool grants access to all information concerning the current and historical orders.</p>	<p>Benefits for the customer:</p> <ul style="list-style-type: none">✓ Complete overview of all open and closed orders✓ Check the status of future deliveries✓ Intuitive and user friendly interface

05 Steel cycle and EBITDA/cash flow relationship

Theoretical relationship*)

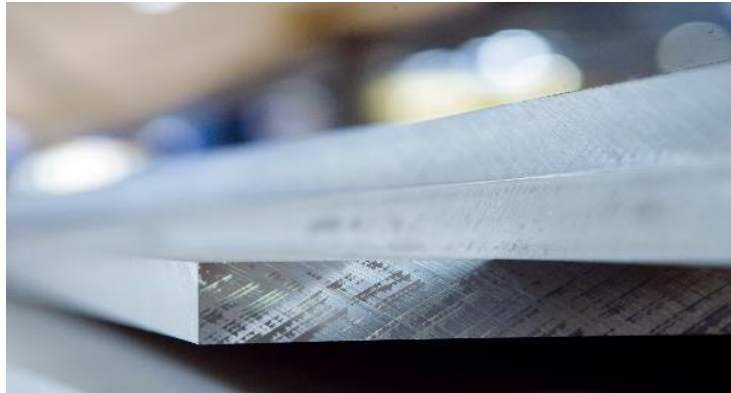


*) Assuming stable inventory volumes

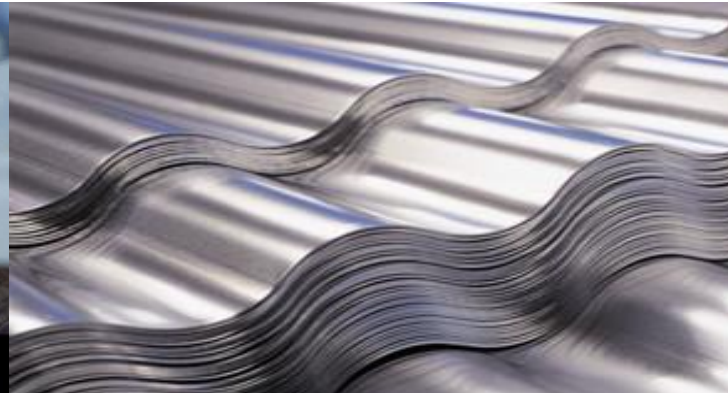
Comments

- 1 Klöckner (**generally**) **buys** products at spot prices **and sells** products at spot prices plus margin
- 2 **Sales** increase as a function of the steel price inflation environment; **But:** Customers negotiate in times of **increasing prices** (→ **negotiation sales delay** leads to **lagging** the **real steel price development**), customers do not accept negotiations in times of **decreasing prices** and demand passing prices immediately (**no lag**)
- 3 **Cost of material** are based on an **average cost method** for inventory and therefore **lag** the **steel price** increase. Moreover, procurement prices were negotiated roughly three months before sale takes place
- 4 This time lag creates accounting **windfall profits (windfall losses in a decreasing steel price environment)** inflating (deflating) EBITDA
- 5 Assuming stable inventory volume **cash flow** is impacted by higher **NWC needs**

05 Products



Flat Products



Stainless / Aluminum / Quality



Hollow Sections



Long Products



Tubes



Coils

05 Services



Cut to length, forming



Surface treatment



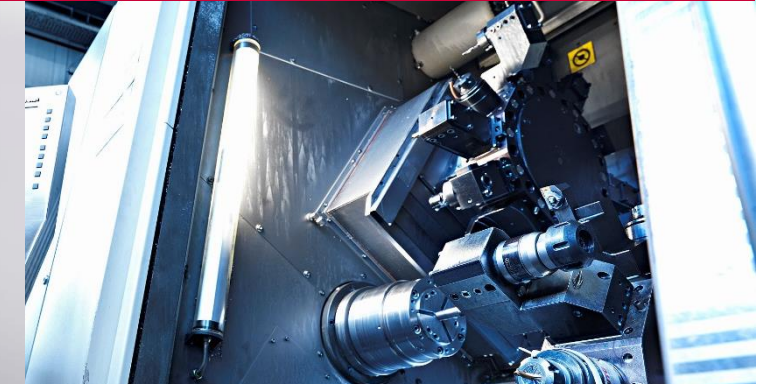
Laser and flame cutting



Rolling/ cutting/ slitting of coils



3d laser and 3d printing



Mechanical machining

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

April 30, 2019

Q1 quarterly statement 2019

May 15, 2019

Annual General Meeting 2019

July 31, 2019

Half-yearly financial report 2019

October 30, 2019

Q3 quarterly statement 2019