



Commerzbank German Investment Seminar 2020

New York, January 14, 2020

Gisbert Rühl | CEO

John Ganem | Member of the Management Board



Disclaimer

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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.

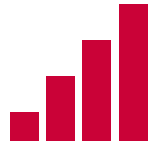
Evaluating statements are unified and are presented as follows:

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

Agenda

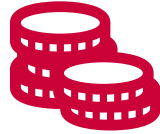
1. **Overview**
2. Update on strategy
3. Highlights and financials
4. Outlook
5. Appendix

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

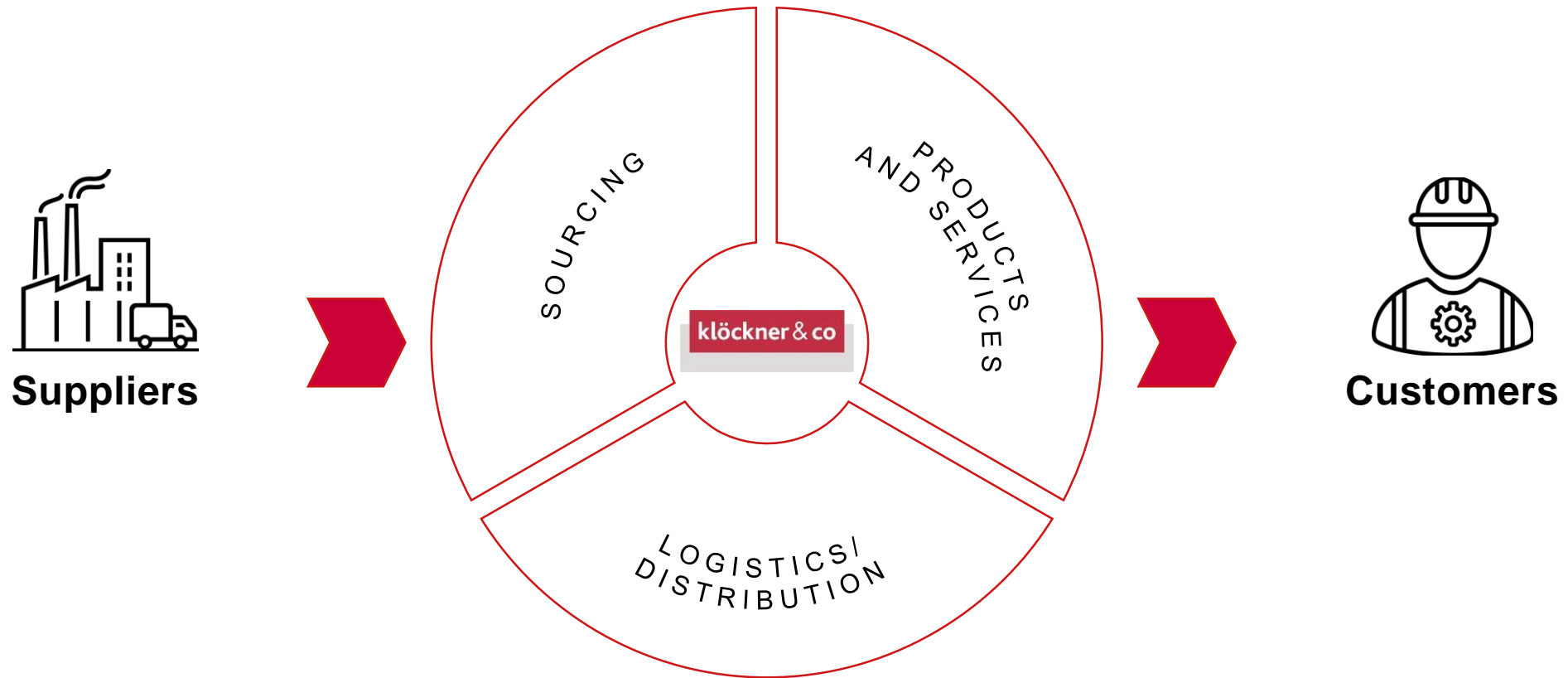
CUSTOMERS



8,400

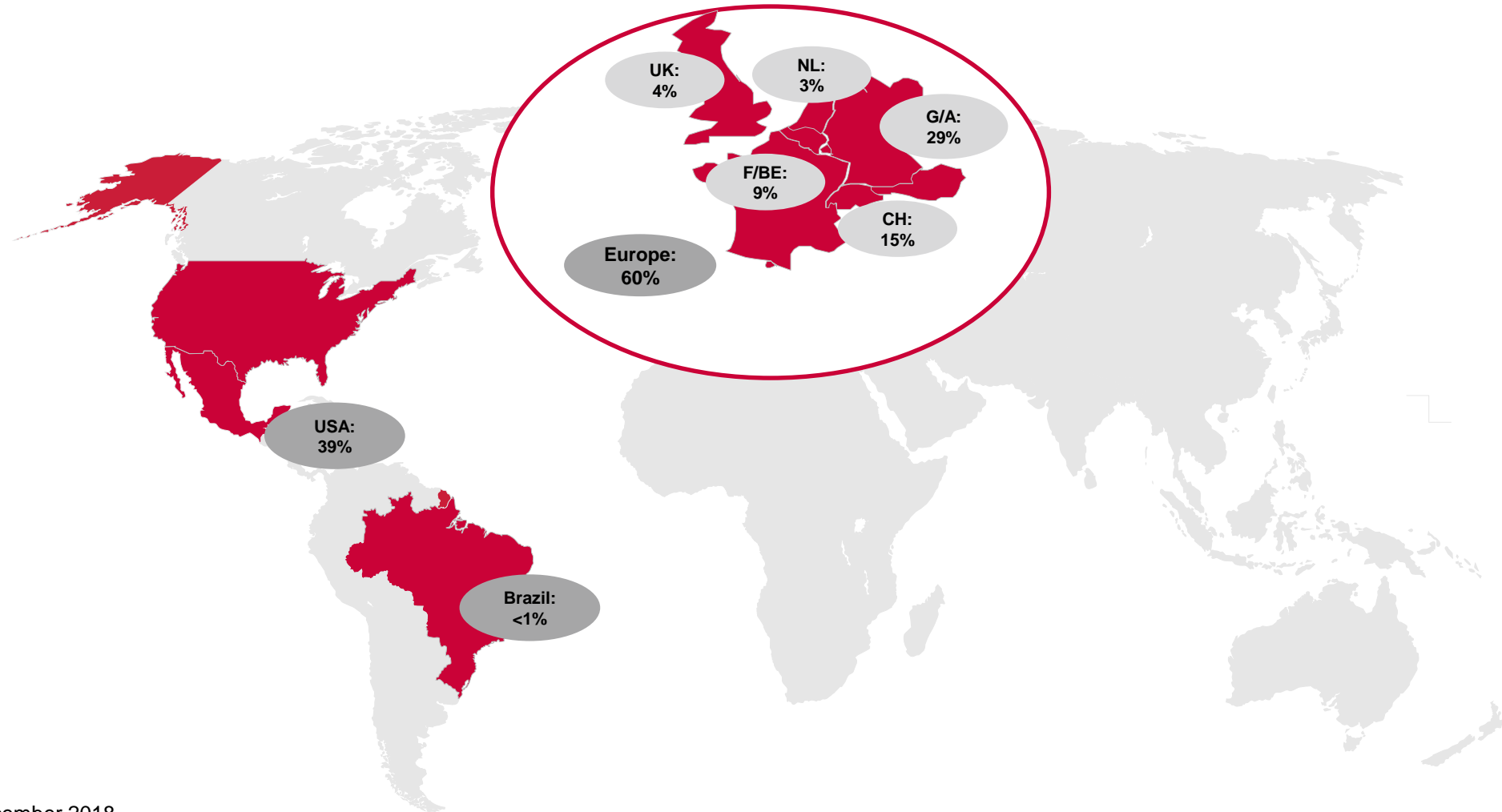
EMPLOYEES

01 Everything from one source



Klöckner & Co value chain

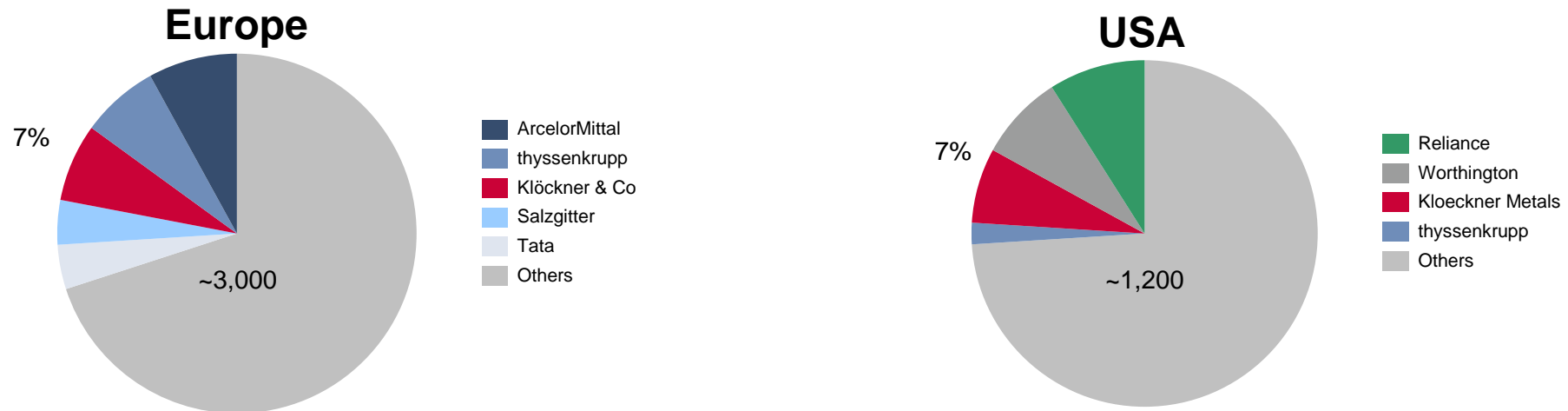
01 Global reach – local presence



Sales; as of December 2018.

01 Market shares of Klöckner & Co 2018

Leading player in fragmented markets

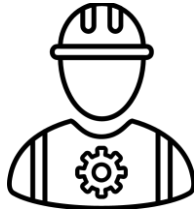


Source: Eurometal, Purchasing Magazine, Service Center News, MSCI.

Agenda

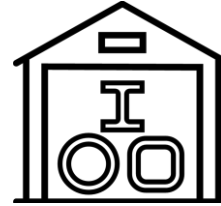
1. Overview
- 2. Update on strategy**
3. Highlights and financials
4. Outlook
5. Appendix

02 The fundamentals of steel distribution remain challenging



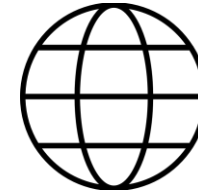
Customers

- 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**
- Competition mainly on **price and availability**
- **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 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 Current linear steel supply chain is highly inefficient and intransparent

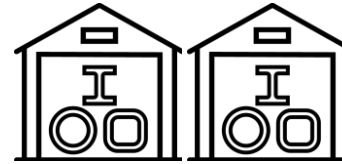


No effective information
and data exchange
on available inventory,
lead times etc.

Klöckner & Co



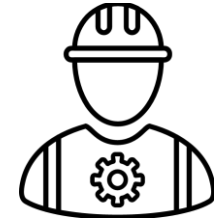
Other distributors



Stockholding

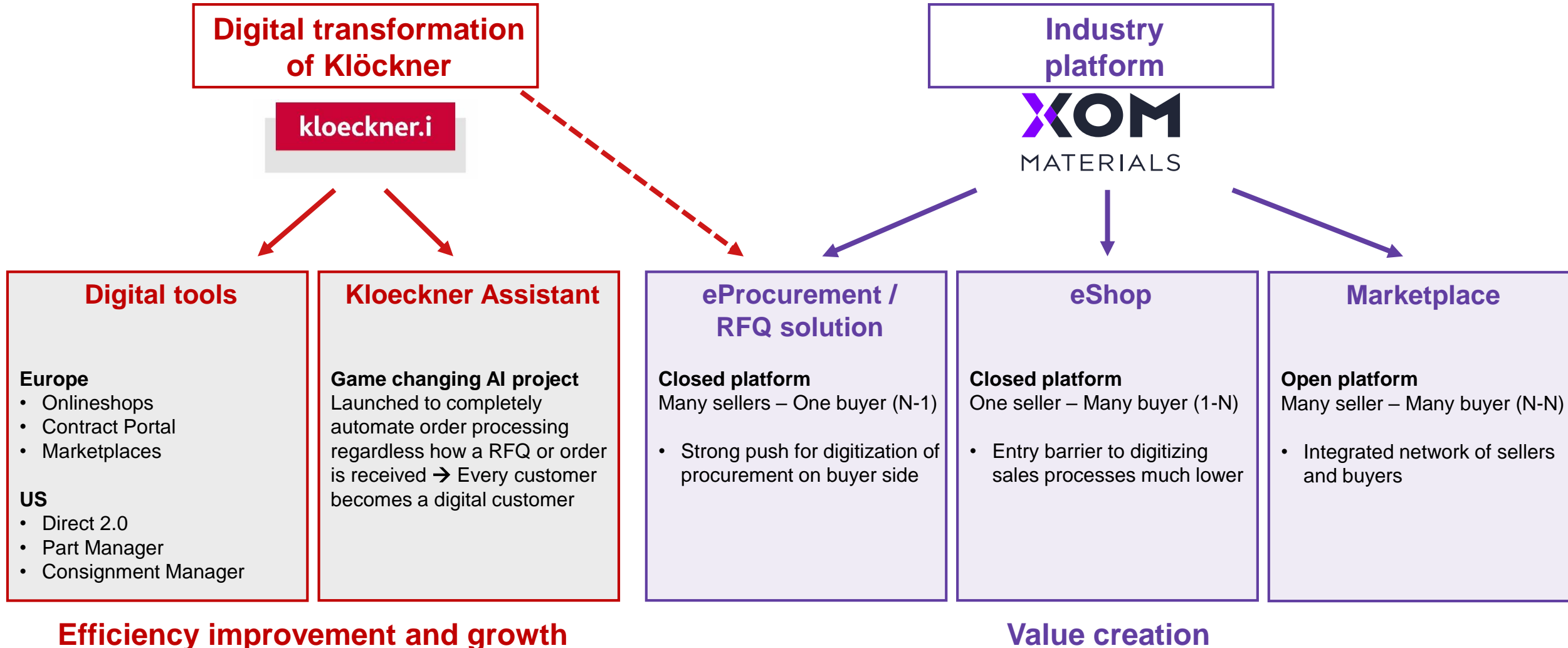


No effective information
and data exchange
on available inventory,
lead times etc.



Long delivery times, incorrect deliveries and high inventory levels

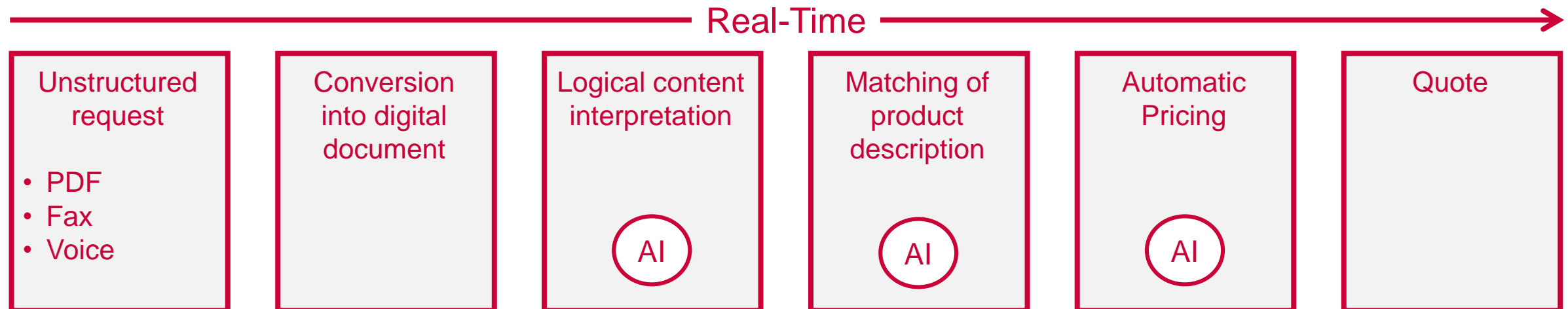
02 Digital transformation and platform business



02 Kloeckner Assistant – Process evolution

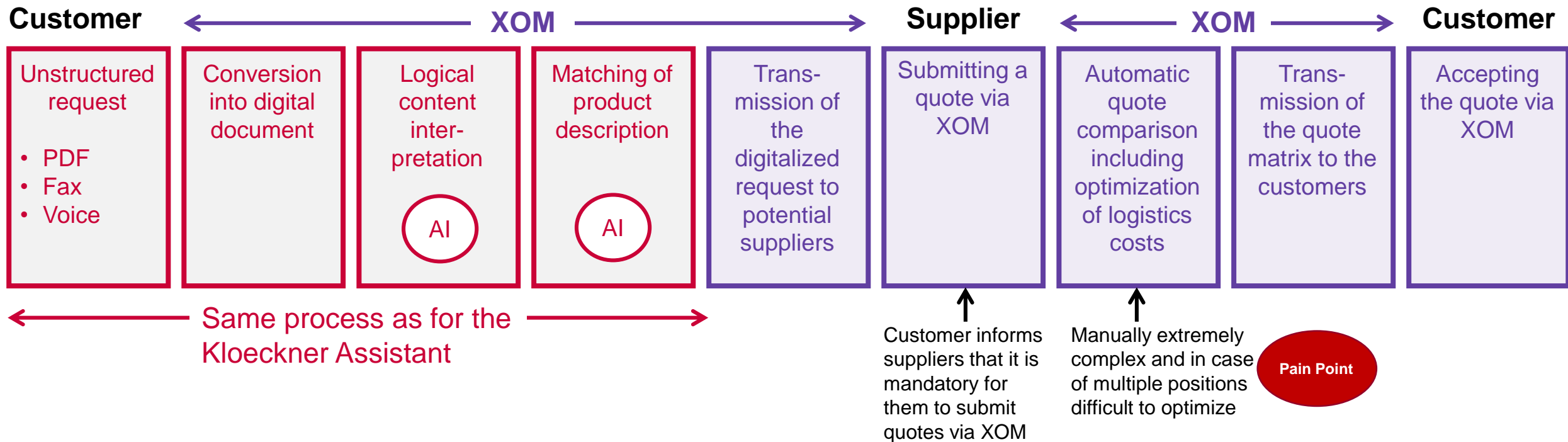
Kloeckner Assistant shortens a process that takes currently sometimes days with high administrative effort finally to practically real-time

- By this, the goal of Klöckner's digitalization strategy to clearly **differentiate** from competition will be achieved
- This also makes the **commodity business attractive again**, especially in the USA, where production and distribution/SSC are separated
- Step by step implementation creates **benefits from the start**, even if level of automatization is low in the beginning



02 XOM eProcurement

- **XOM eProcurement** shortens and facilitates material procurement significantly (also for Klöckner)
- Auction-based purchasing process with automated price comparison including logistics costs
- Step by step implementation creates **benefits from the start**, even if level of automatization is low in the beginning



02 eProcurement functionality also basis for XOM's scaling

- Essential challenge for scaling a digital platform is to solve the **“hen & egg”-problem**
- Even more complicated in steel and metal distribution due to the fact that in particular commodity steel distribution is a **multi-local market**. As a consequence all digital platforms in the industry failed so far
- **XOM eProcurement solves a pain-point** for the customer by which he forces his suppliers onto the platform, whereby the customer himself does not need to adjust its purchasing process. At the same time, the submission of quotes by suppliers will be facilitated by XOM
- The supplier pays a %-fee per transaction volume. For the customer procurement via XOM is free of charge

XOM only needs to convince the buyer/customer side who does not have any additional costs and who does not need to adapt its purchasing process, and in addition **facilitates and optimizes its procurement significantly**

02 In China the future of steel distribution is already reality

- Specialized B2B marketplaces have taken over in **China**, which is already home to the largest eCommerce market in the world
- While unicorns like **Alibaba** and **Tencent** are the big story in terms of generalized eCommerce outlets, several Chinese startups have risen up over roughly the past decade to **solve the fragmentation problem** inherent in B2B industries
- The two marketplace giants in steel trading are **Ouyeel** and **Zhaogang**, which have raised \$431.9m and \$379.4m, respectively. These leaders represent the aggregation of a big market of fragmented distributors and have cemented their place at the top



Source: Applico.

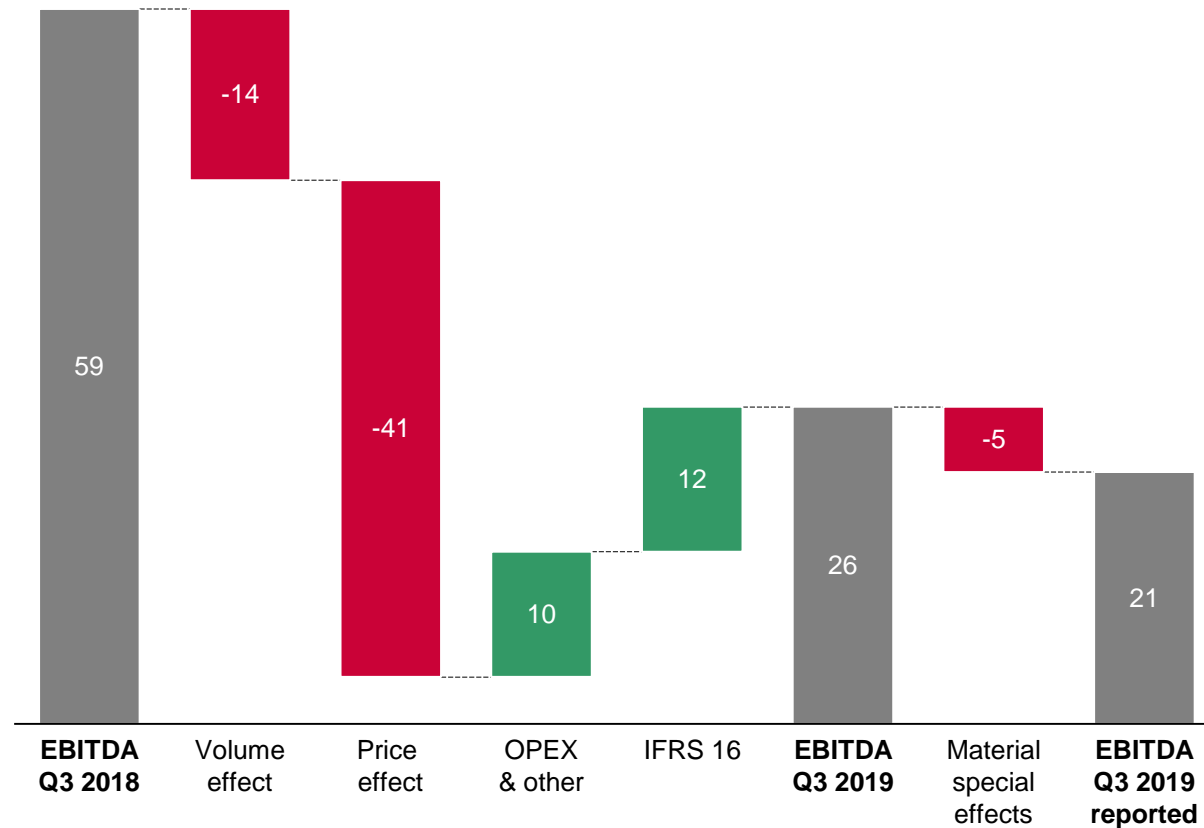
Agenda

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

03 Details of Q3 2019

	Q3 2019	Q3 2018	Delta	
Shipments (Tto)	1,420	1,519	-6.5%	Negative market sentiment especially in Germany and in the US as well as portfolio changes in France
Sales (€m)	1,565	1,754	-10.8%	Weaker volumes and in addition lower price level
Gross profit (€m)	284	332	-14.6%	Negative windfall effects in the US, margin pressure and weaker volumes
EBITDA (€m)	26	59	-56.7%	Reported EBITDA of €21m incl. material special effects of -€4.8m
Oper. CF (€m)	82	-5	+€87m	Strict NWC management
Digital sales	30%	22%	+8%pts	Expansion in the USA

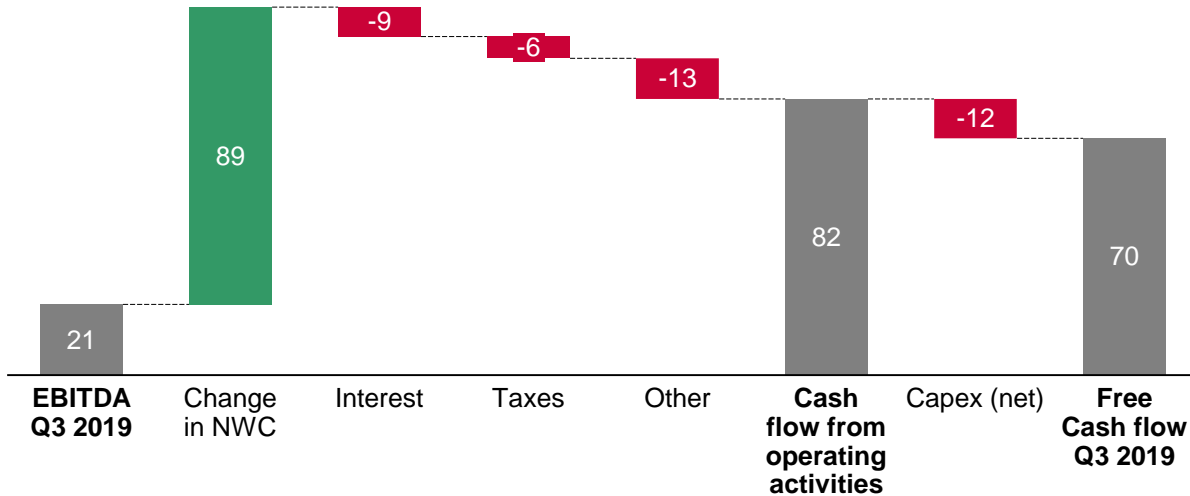
03 EBITDA (€m) in Q3 2019



- Negative **volume** and **price effect** of in total €55m mainly due to yoy negative windfall effects in the US, weaker automotive and machinery business and negative market sentiment in Germany and in the US
- Main driver for **OPEX** improvement were lower personnel expenses
- **Material special effects**: €2m gain from insurance compensation in the US, €7m restructuring costs (France and Holding)
- **EBITDA margin** before material special effects of 1.6%

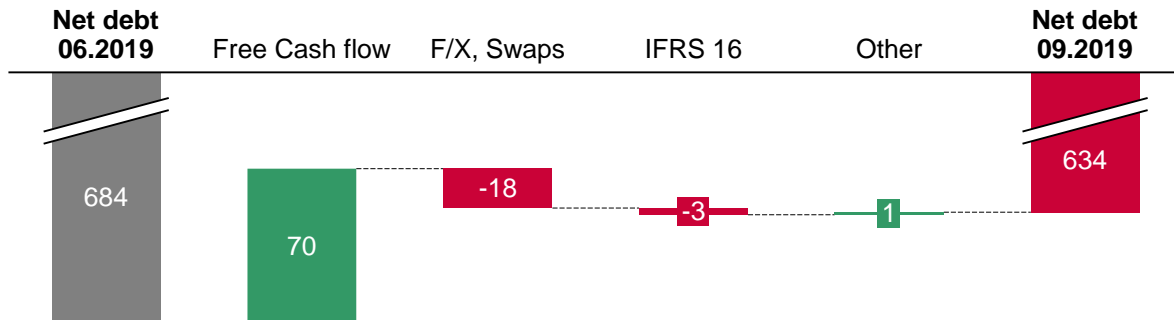
03 Cash flow and net debt development

Cash flow Q3 2019 (€m)



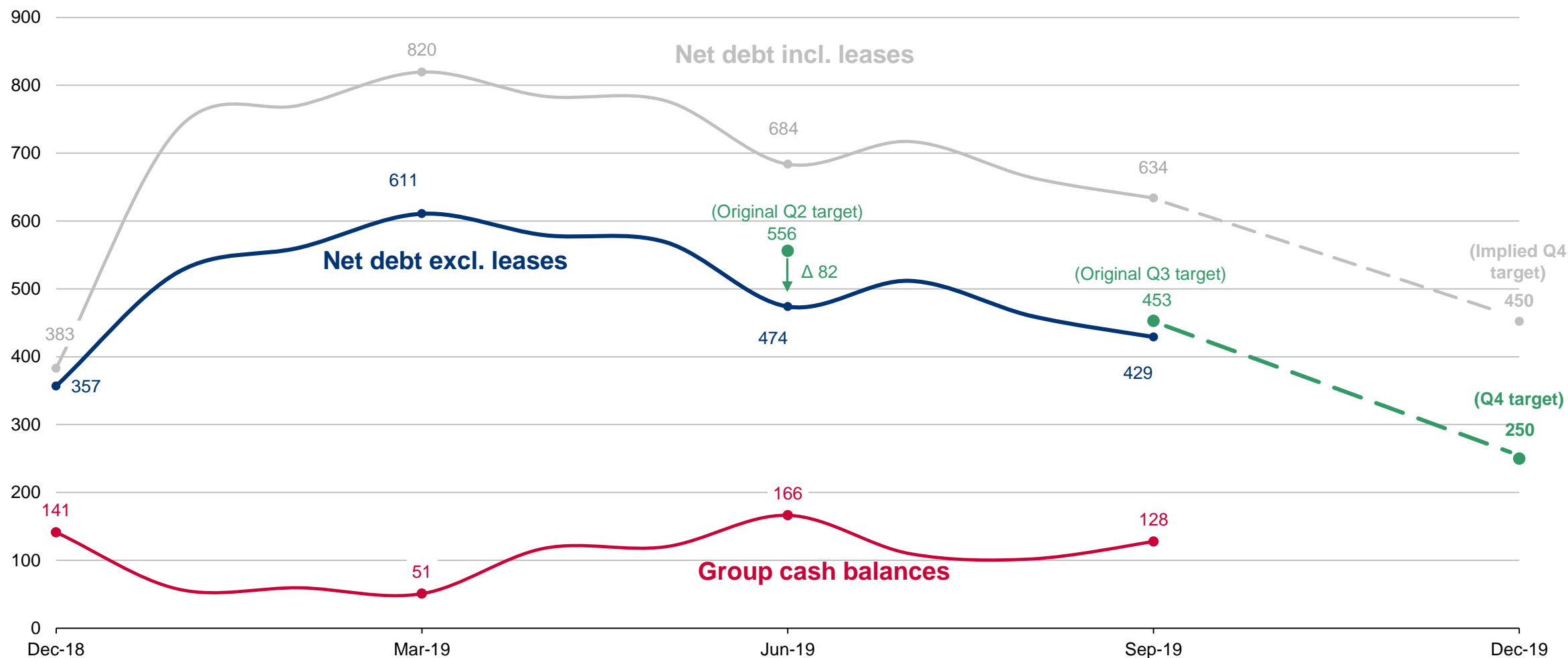
- **Strict NWC management** results in significant NWC decrease
- **Other** of -€13m include changes in other operating assets and liabilities (mainly supplier bonuses)

Net financial debt 06.2019 vs. 09.2019 (€m)

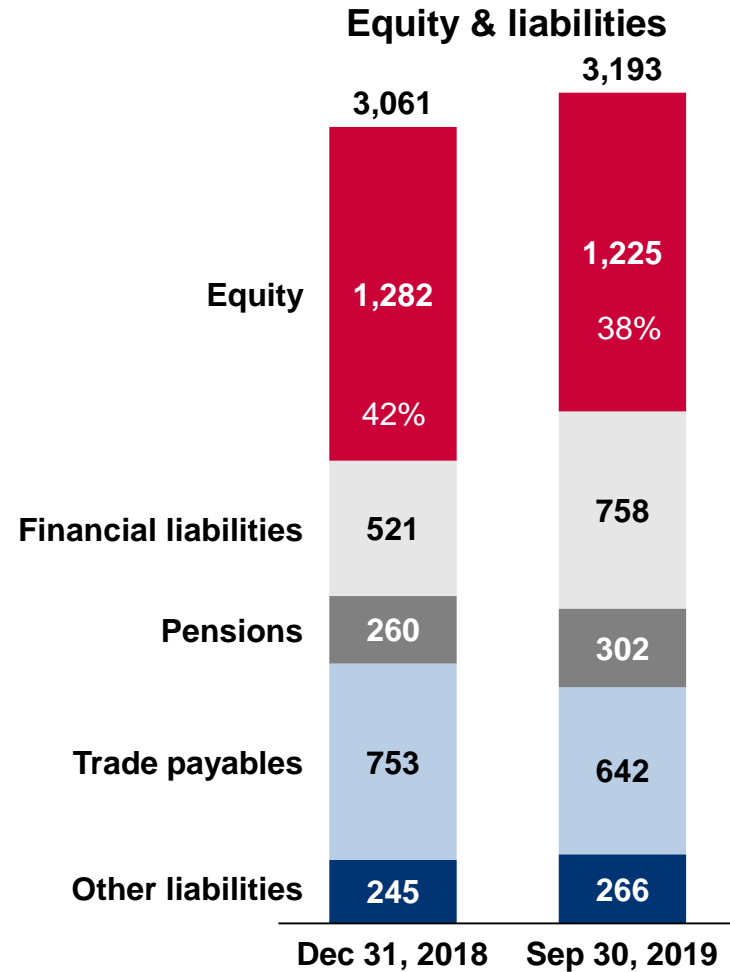
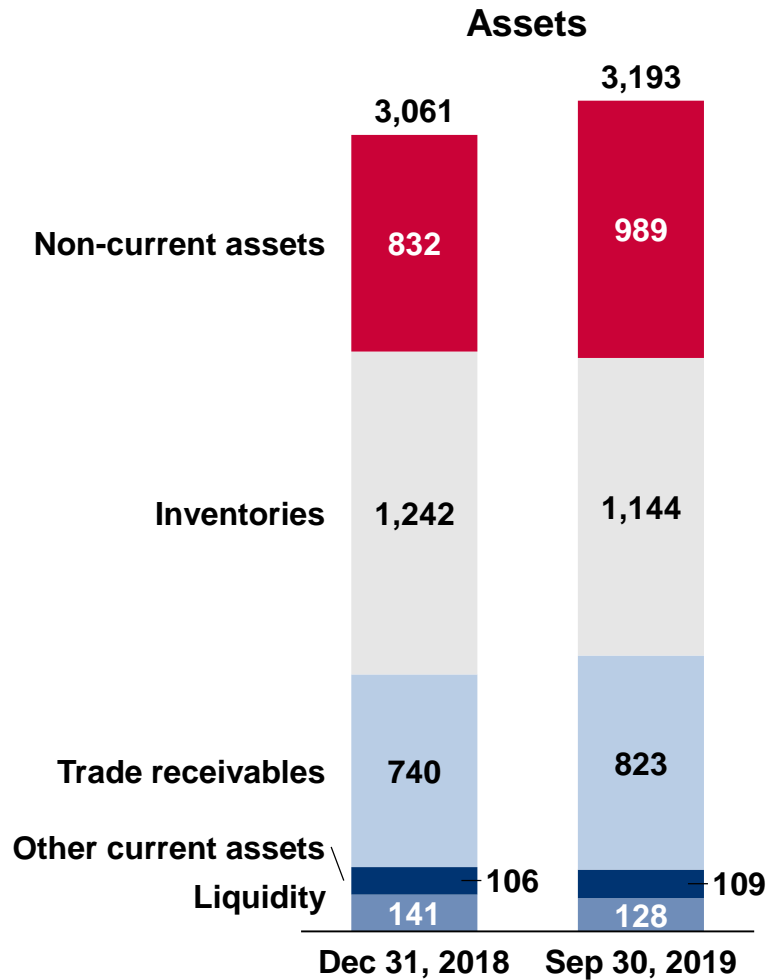


- **Net financial debt decreased** from €684m to €634m driven by strict NWC management

03 Cash and net debt development (€m)



05 Strong balance sheet



- **Equity ratio** further healthy at 38%
- **Net debt** of €634m incl. IFRS 16 Leases (impact of €178m)
- **Gearing***) at 52%
- **NWC** at €1,325m (FY 2018: €1,229m)

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

05 Maturity profile – well-balanced & diversified funding portfolio

Facility	Committed (€m)	Drawn amount (€m, IFRS ^{*)}	
		Q3 2019	FY 2018
Syndicated Loan	300	0	0
ABS Europe	300	160	110
ABS/ABL USA	505	178	172
Convertible 2016 ¹⁾	148	140	138
Bilateral Facilities ²⁾	171	79	78
Leases ³⁾	204	204	26
Total Debt	1,628	761	524
Cash		128	141
Net Debt		634	383

*) Including interest accrued, excluding deferred transaction costs.

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

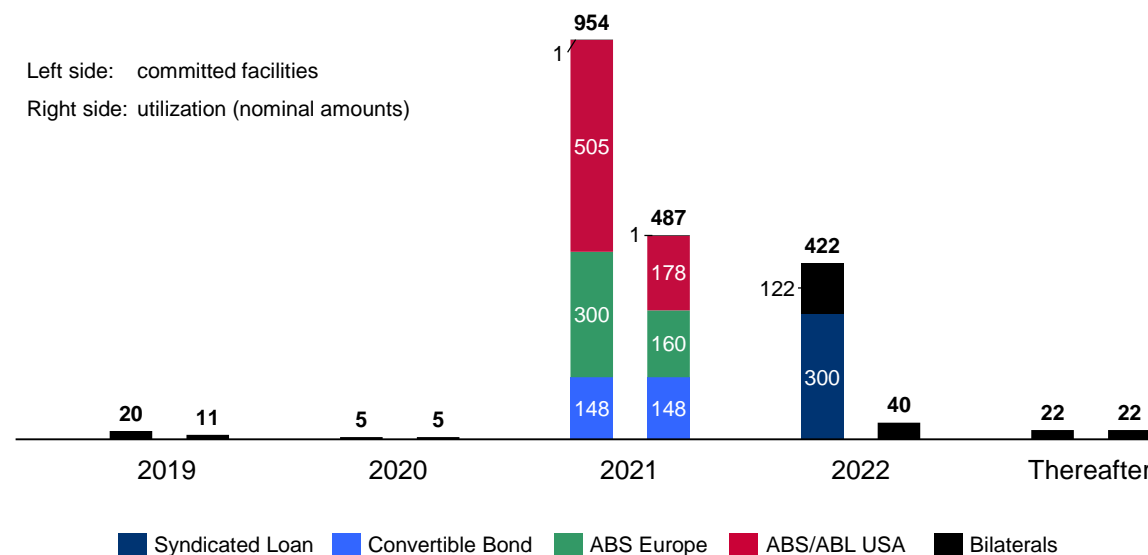
2) Mainly Switzerland.

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

€m	Q3 2019
Adjusted equity	1,217
Net debt	634
Gearing ⁴⁾	52%

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

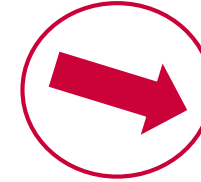
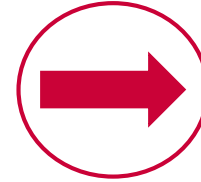


Agenda

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


04 Region specific business outlook 2019

Europe
-1.5 to -0.5%



Real steel demand 

Construction industry 

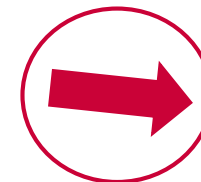
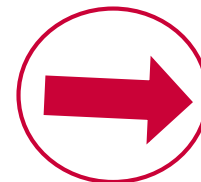
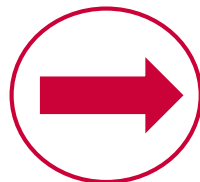
Manufacturing, machinery and mechanical engineering, etc. 

Energy industry 

Automotive industry 

Shipbuilding 

US
-0.5 to 0.5%



04 Outlook



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

EBITDA expectation of €120m-€130m before material special effects

Agenda

1. Overview
2. Update on strategy
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4. Outlook
- 5. Appendix**

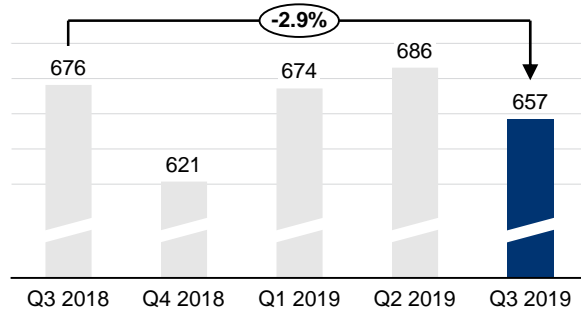
05 Quarterly and FY results

(€m)	Q3 2019	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	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014
Shipments (Tto)	1,420	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	6,107	6,135	6,149	6,476	6,598
Sales	1,565	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	6,790	6,292	5,730	6,444	6,504
Sales (currency effect)	38	50	61	28	2	-89	-114	-70	-45	13	19	-3	-18	-31	-172	-83	-50	556	28
Gross profit	284	304	303	301	332	364	331	300	310	339	367	319	329	362	1,328	1,316	1,315	1,237	1,261
% margin	18.1	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	19.6	20.9	22.9	19.2	19.4
EBITDA rep.	21	82	34	30	59	82	56	33	47	63	77	37	71	72	227	220	196	24	191
% margin	1.3	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	3.3	3.5	3.4	0.4	2.9
EBITDA rep. (curr. eff.)	1	2	1	3	1	-8	-5	-3	-2	1	1	0	-1	-1	-9	-3	-1	10	1
EBIT	-13	49	2	8	38	60	35	9	25	41	54	-4	48	49	141	130	85	-350	98
Financial result	-11	-11	-10	-10	-8	-10	-7	-9	-8	-8	-8	-10	-8	-7	-34	-33	-33	-49	-59
EBT	-24	37	-9	-2	30	51	28	1	17	33	46	-14	40	42	107	97	52	-399	39
Income taxes	1	-9	-1	-5	-8	-18	-7	29	-4	-9	-10	2	-9	-9	-38	5	-14	50	-17
Net income	-23	28	-10	-7	22	33	21	30	13	24	36	-12	31	33	69	102	38	-349	22
Minority interests	0	0	0	0	0	0	0	0	1	1	0	0	0	1	0	1	1	-2	0
Net income KCO	-23	28	-10	-7	22	33	21	30	12	23	36	-12	31	32	69	101	37	-347	22
EPS basic (€)	-0.23	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	0.68	1.01	0.37	-3.48	0.22
EPS diluted (€)	-0.23	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	0.66	0.96	0.37	-3.48	0.22
Net debt	634	684	820	383	569	552	472	330	435	486	475	444	438	435	383	330	444	385	472
NWC	1,325	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	1,229	1,132	1,120	1,128	1,321

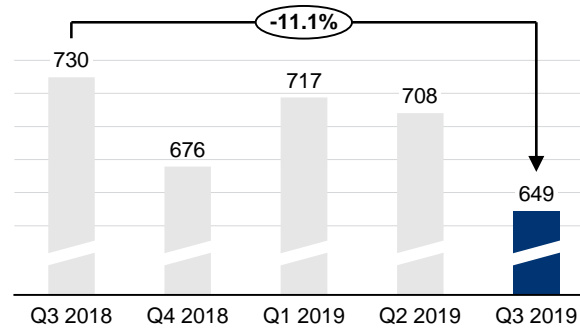
05 Segment performance

KM US

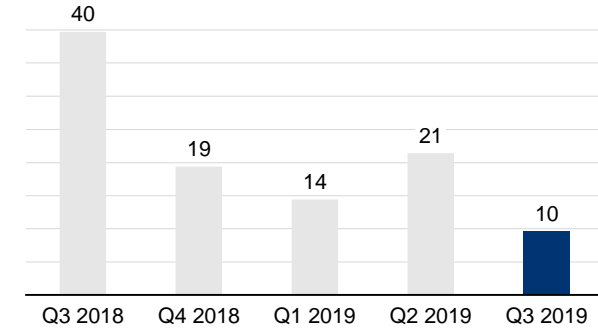
Shipments (Tto)



Sales (€m)

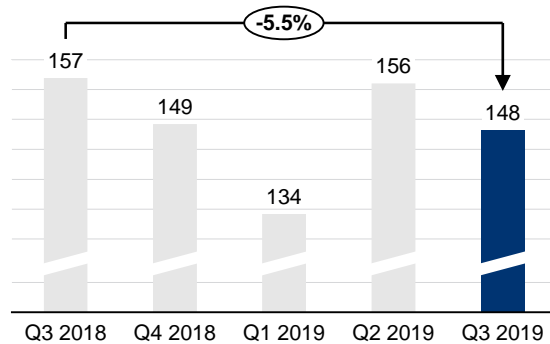


EBITDA adj* (€m)

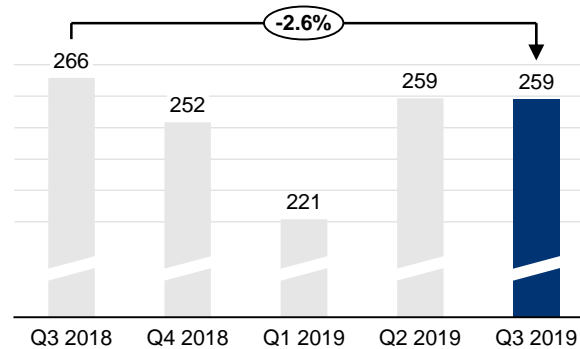


KM Switzerland

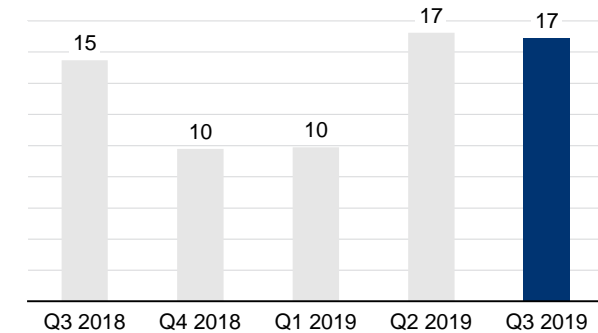
Shipments (Tto)



Sales (€m)



EBITDA (€m)

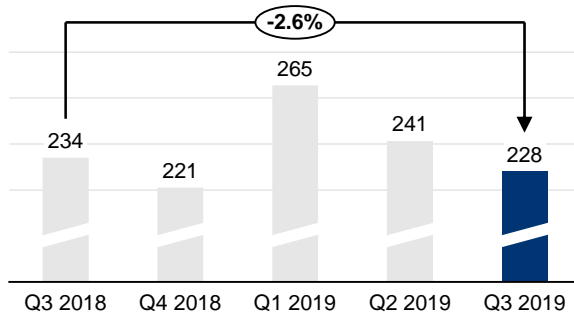


*) adjusted for insurance compensation in Q3 2019.

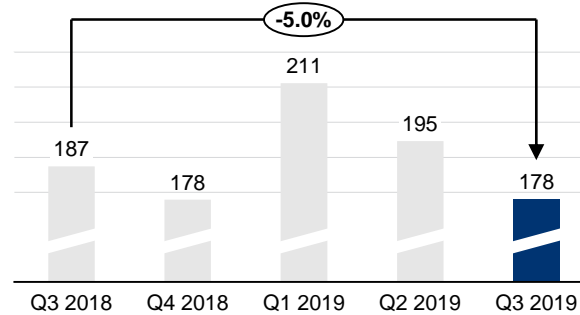
05 Segment performance

KM Services

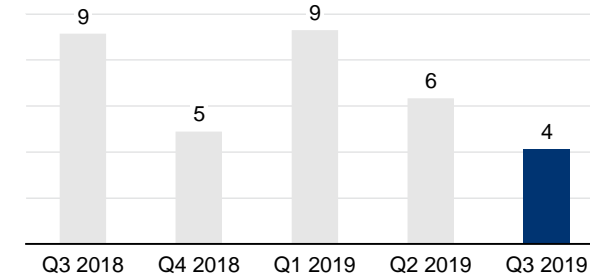
Shipments (Tto)



Sales (€m)

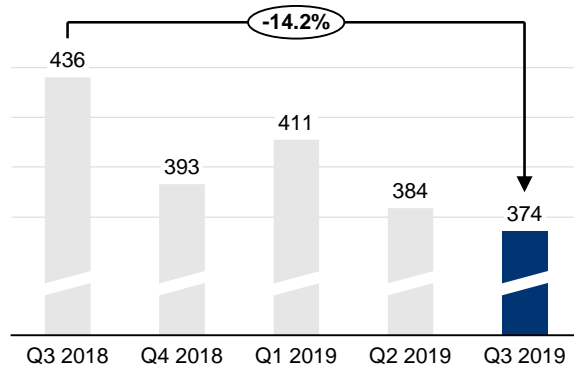


EBITDA adj (€m)

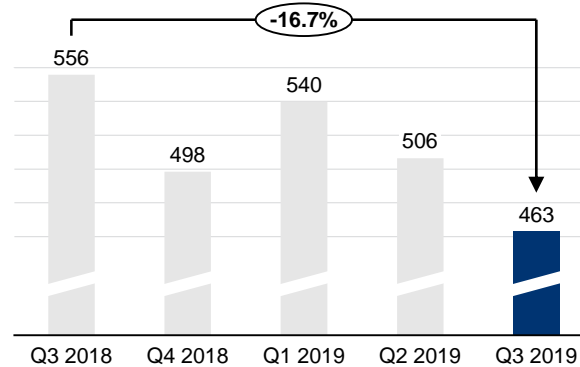


KM Distribution

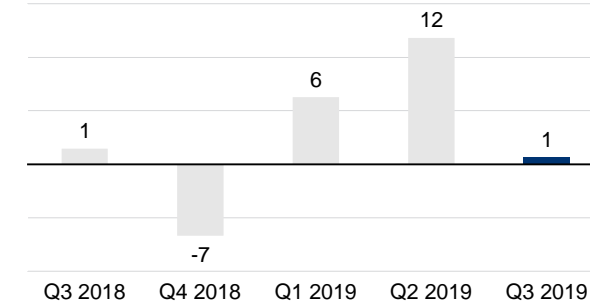
Shipments (Tto)



Sales (€m)










EBITDA adj* (€m)



*) adjusted for restructuring expenses in Q2 and in Q3 2019 and for a gain on the sale of London site in Q2 2019.

05 IFRS 16 impact

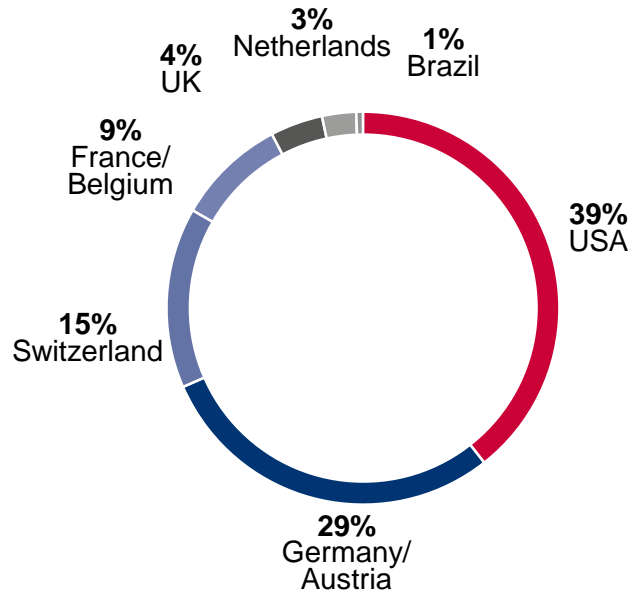
IFRS 16 effect in 2019 (estimates)

Key Figure	€m	Tendency	Comment
Sales	-		No impact
OPEX	~45		Recognition of lease expenses as depreciation and interest costs; exception: short-term leases and low-value assets, remaining material costs
EBITDA	~45		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		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

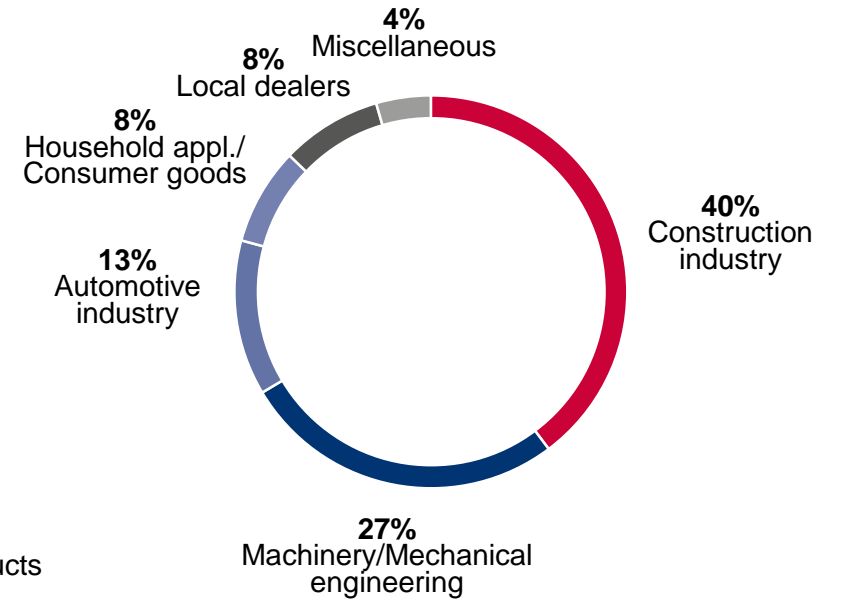
Main impact consists of considerable **EBITDA and Free Cash flow increase**

05 Sales by markets, products and industries

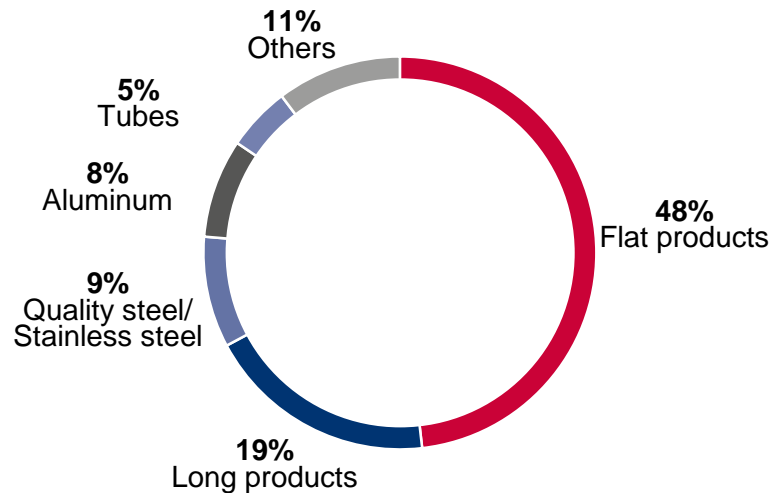
Sales by markets



Sales by industry



Sales by products

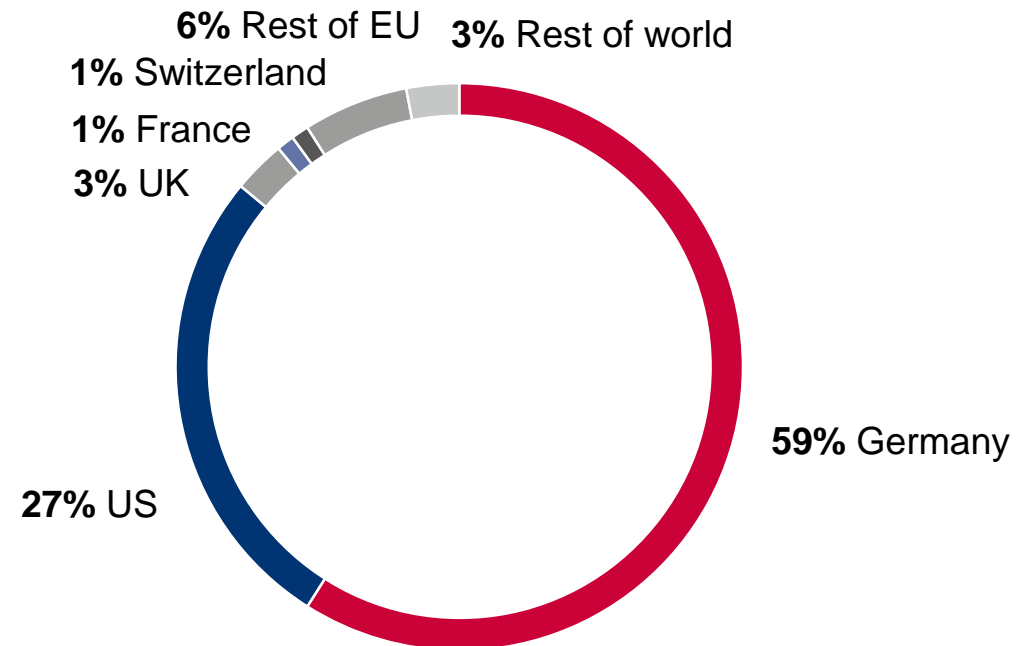


As of December 31, 2018.

05 Current shareholder structure

Geographical breakdown of identified institutional investors

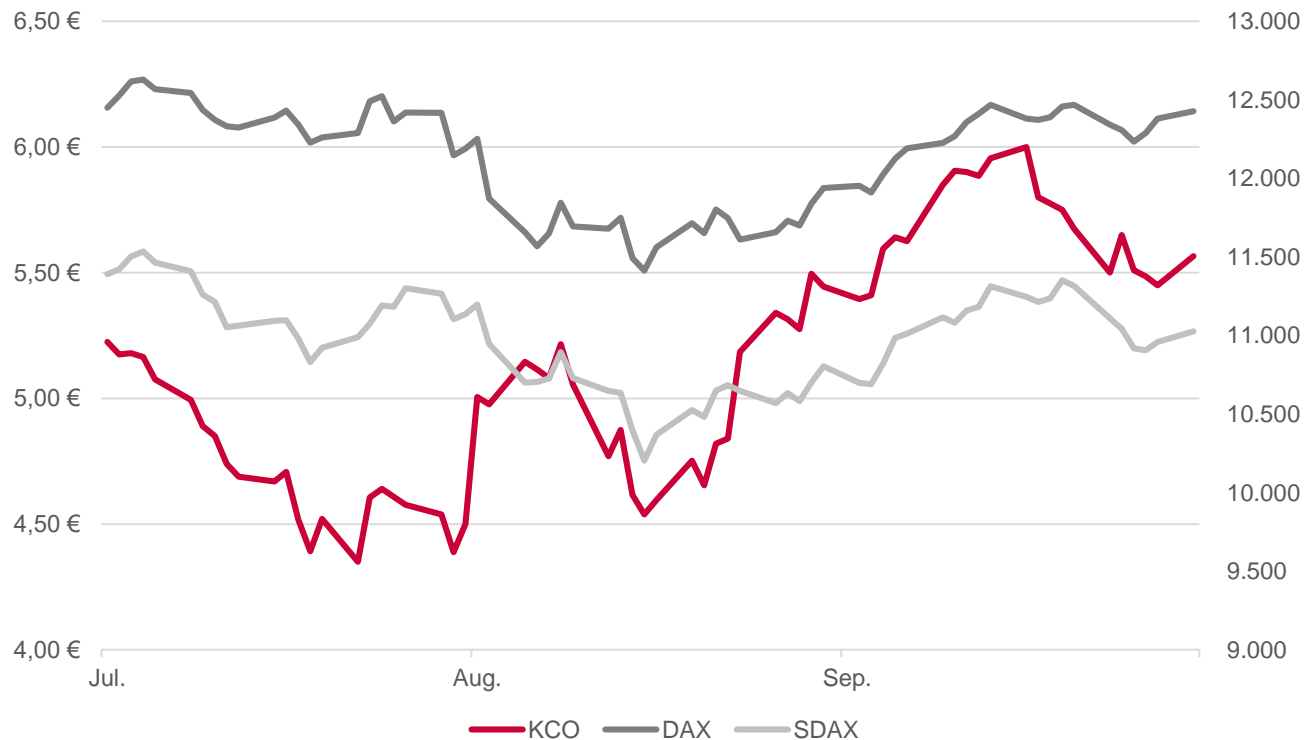
- Identified institutional investors account for 65%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 53%
- Retail shareholders represent 29%



As of June 2019.

05 Share price performance in Q3 2019

Share performance Klöckner & Co SE in Q3 2019



- In the third quarter of 2019 the Klöckner & Co share price reached its quarterly low at €4.35 on July 22
- In second half of August it could improve again and reached its quarterly high at €6.00 on September 16
- The share went out of trading at a price of €5.57 on September 30

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%
22/11/2019	Dimensional Holdings Inc.	3.14 %

*) The table lists all shareholders holding 3 % or more voting rights in Klöckner & Co SE due to the most recent voting rights notification as of December 4, 2019 (Section 33 German Securities Trading Act (WpHG) respectively section 21 WpHG former version). Apart from the voting rights held by the shareholder itself, also voting rights attributed to him pursuant to section 34 WpHG (respectively section 22 WpHG former version) are included in the calculation of the share of voting rights. The table only contains the respective parent company being subject to the notification obligation, even if it made a notification also on behalf of any of its subsidiaries. Financial instruments according to Section 38 WpHG are not included in the table.

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

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Financial calendar

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