



Klöckner & Co SE Roadshow

DZ Bank

August 26, 2020 in Vienna

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Internal Communications & Sustainability

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.

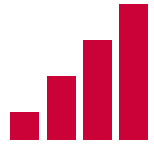
Evaluating statements are unified and are presented as follows:

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

Agenda

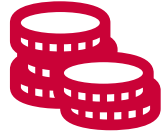
1. **Overview**
2. Update on strategy
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01 Klöckner & Co SE at a glance



6.3 € billion

SALES
FY 2019



5.6 million
tons

SHIPMENTS
FY 2019



124 € million

EBITDA*)
FY 2019



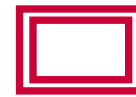
~160

LOCATIONS



13

COUNTRIES



200,000 PRODUCTS



60

SUPPLIERS



>100,000

CUSTOMERS

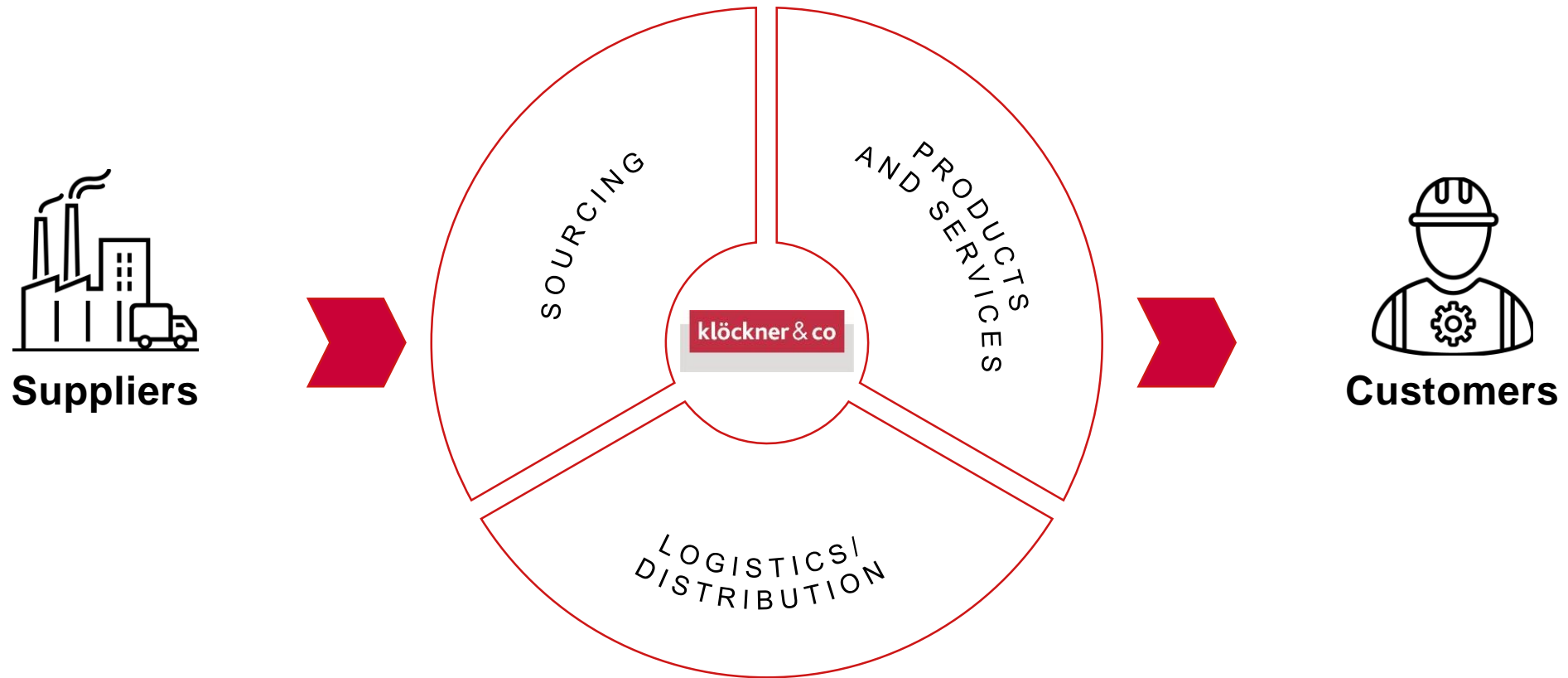


~7,900

EMPLOYEES

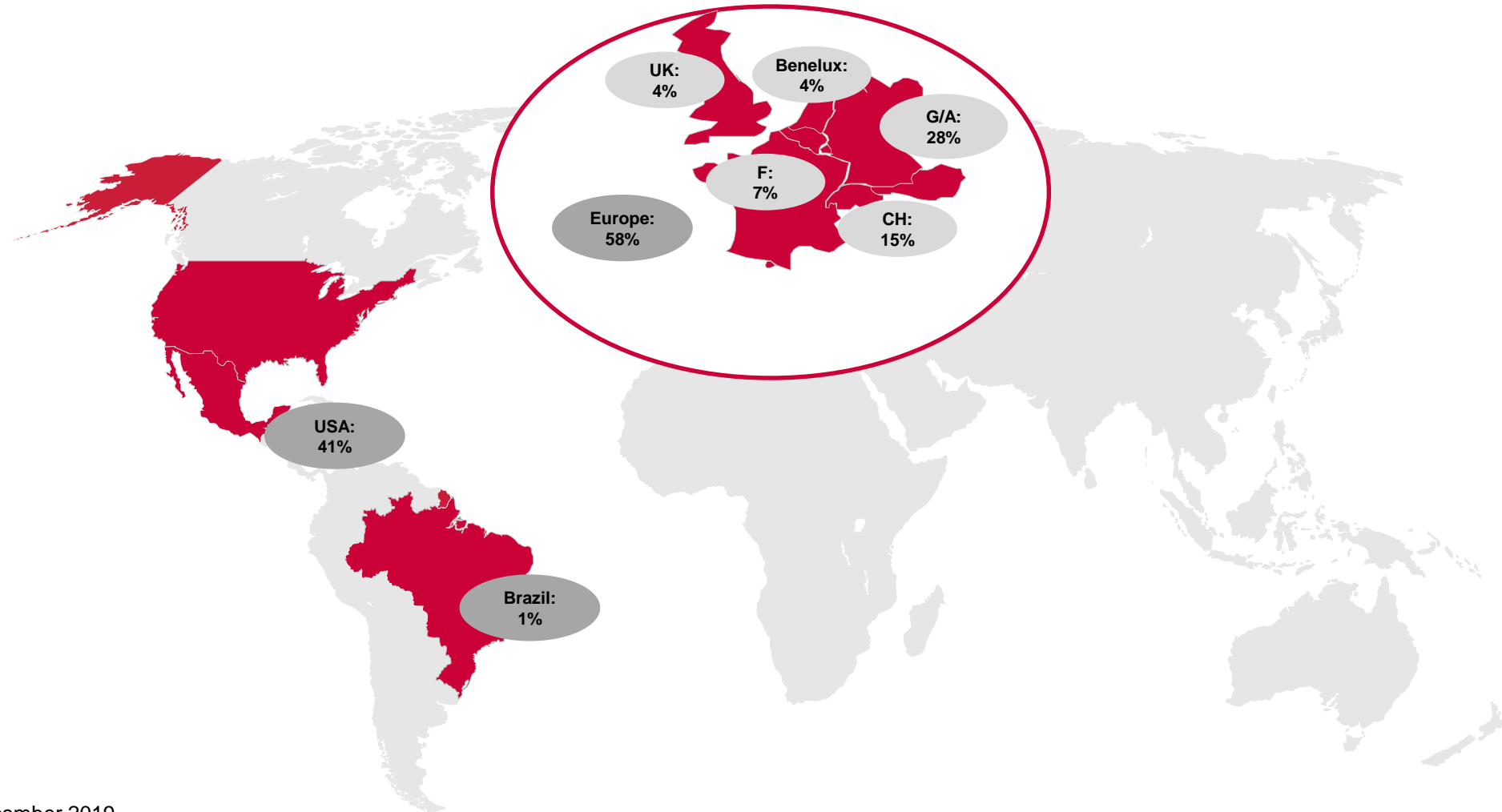
*) Before material special effects.

01 Everything from one source



Klöckner & Co value chain

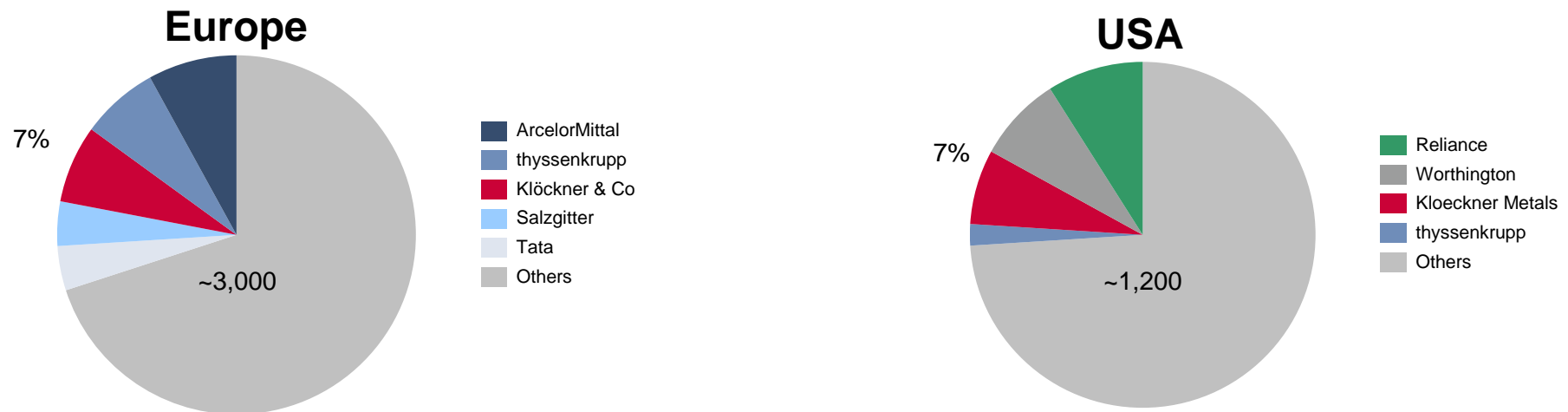
01 Global reach – local presence



Sales; as of December 2019.

01 Leading player in fragmented markets

Market shares of Klöckner & Co

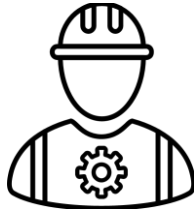


Source: Eurometal, Purchasing Magazine, Service Center News, MSCI, as of 2019.

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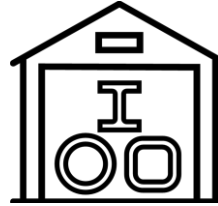
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02 The fundamentals of steel distribution remain challenging



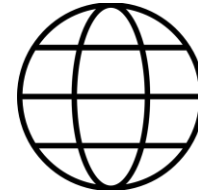
Customers

- 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
- 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 What are the shortcomings of the steel and metal distribution business?



Supply chain

Current steel distribution supply chain is linear: suppliers produce steel and distributors process and deliver material to downstream manufacturers. Orders mostly made by phone, fax and email with many manual steps required to process an order

→ Long delivery times, incorrect deliveries and high inventory levels



Transparency

Flow of information is interrupted several times. Thus there are no effective information and data on inventory and lead times available which makes the entire supply chain highly intransparent

→ Steel is unnecessarily shipped around and suppliers, distributors and manufacturers need to stock material to balance out the non-transparency of demand, supply and prices



Steel prices

Steel industry suffers furthermore from overcapacities on the production but also on the distribution level. This leads in combination with changing trade-measures to very volatile prices

→ Most distributors making profits when prices moving up and making losses when prices heading down

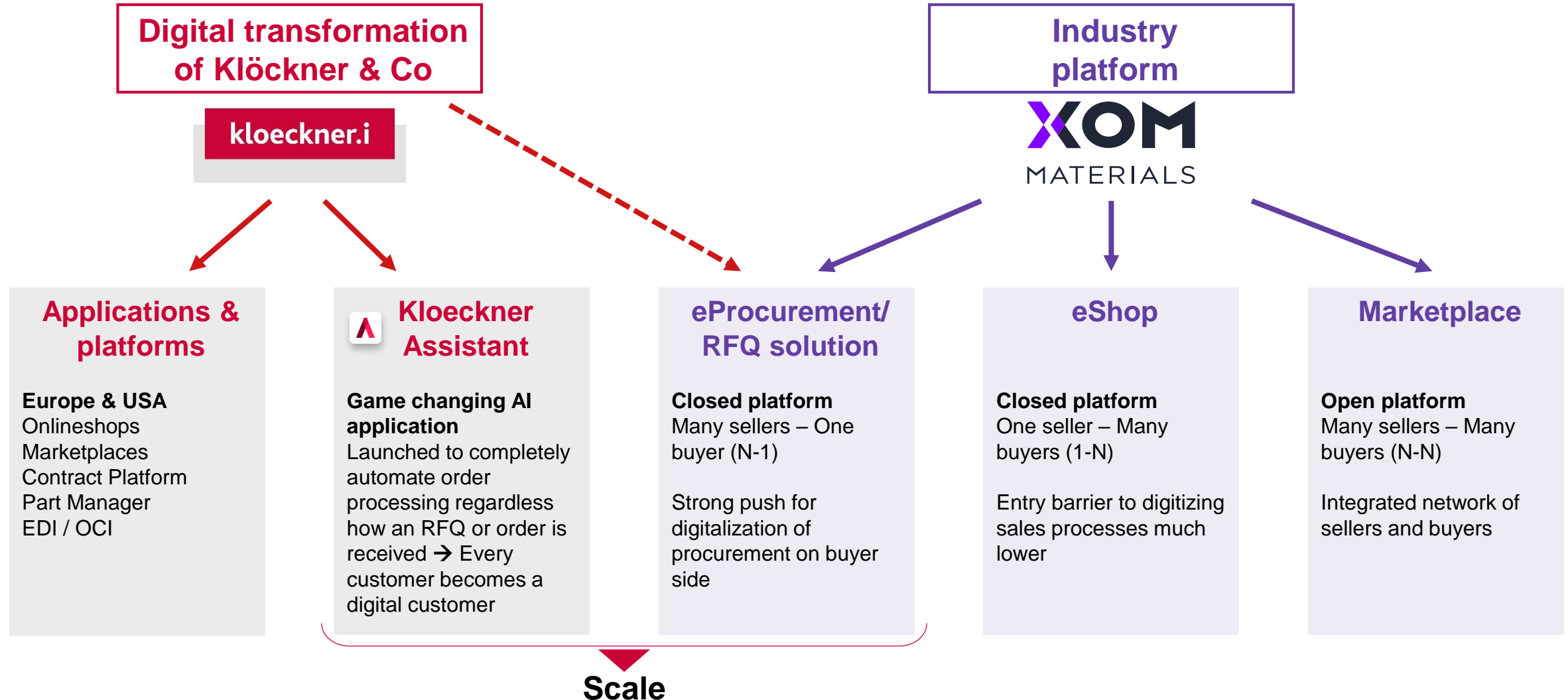


Margins

Besides volatile prices, margins especially for commodity steel products are generally low due to high overcapacities at all levels. Hence, almost all competitors want to expand their higher value-added business

→ Prices for higher value-added business coming increasingly under pressure as well

02 Digital applications and platform solutions



02 Automation of core processes progressing (1/2)

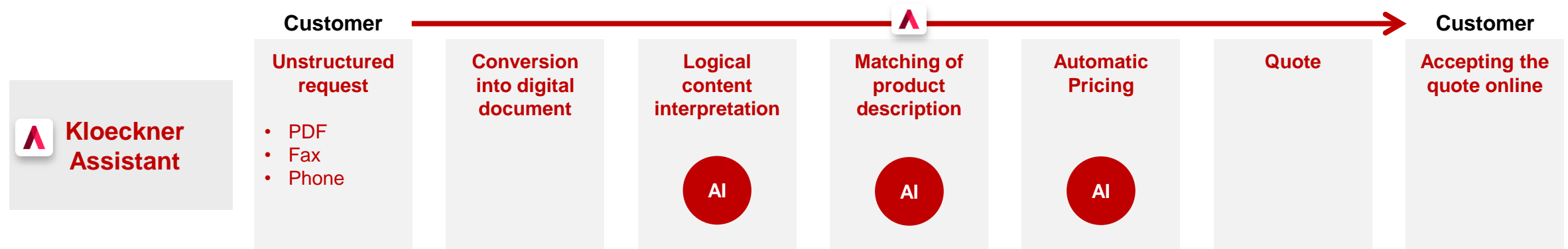


COVID-19 crisis as accelerator

- Digital sales share improved with increasing speed to 38% (Q2 2019: 29%)

Kloeckner Assistant automating sales process and turning every customer into a digital customer

- First version running in nearly all country organizations
- Application already processed a sales volume of >€80m from >1,300 customers
- Extension with RFQ-functionality started and MATCH!-functionality as basis for intelligent product identification is to be rolled out in H2



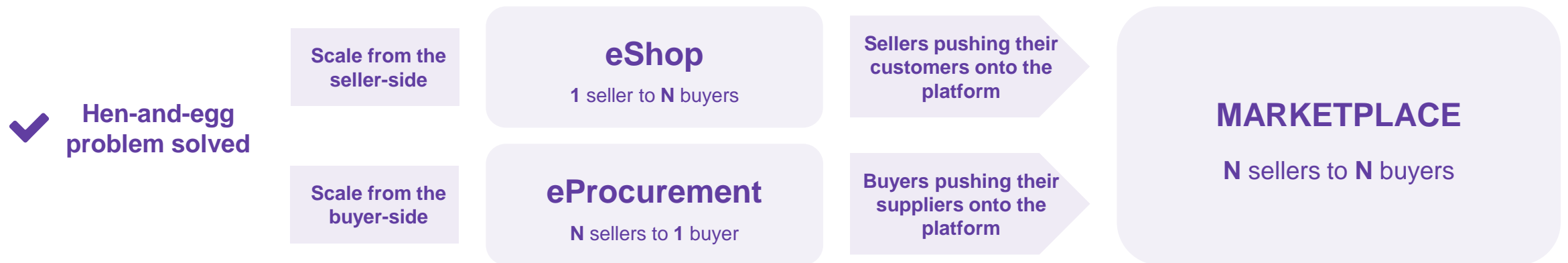
02 Automation of core processes progressing (2/2)

Scaling of **XOM Materials** through **eProcurement** (buy-side) and **eShop** (sell-side) progressing

- >70 suppliers signed and >50 suppliers live, >27,000 products on offer and ~1,200 customers registered

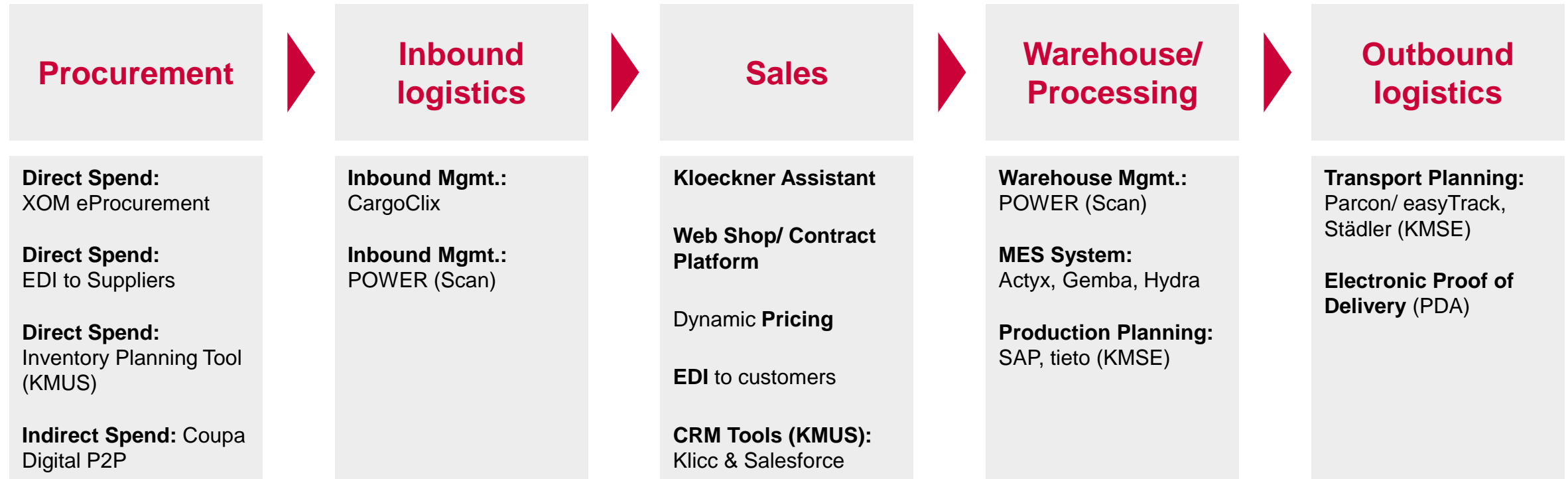
XOM **eProcurement** solution to automate procurement process further advanced

- Klöckner & Co already using the application for a large part of the European procurement
- Marketing of the application to customers starting at the end of the year



02 Accelerating transformation to platform company

Digital tools across the value chain



Lower variable costs enable exponential growth also through acquisitions

02 Project “Surtsey” – Utilizing COVID-19 crisis

Scope

- Driving efficiency through digitalization and restructuring
- **Kloeckner Assistant**, **XOM eProcurement** and other AI-driven tools to automate core processes

Measures

- Reducing overall workforce by >1,200 employees (50% due to advanced digitalization)
- Closure of 19 sites as part of network optimization initiatives

Costs & timing

- Special material effects of around €80m, thereof ~80% personnel related
- Immediate execution started, main project to be finished by Q1 2021



EBITDA contribution of >€100m and digital sales share increase to >50% already by end of 2021

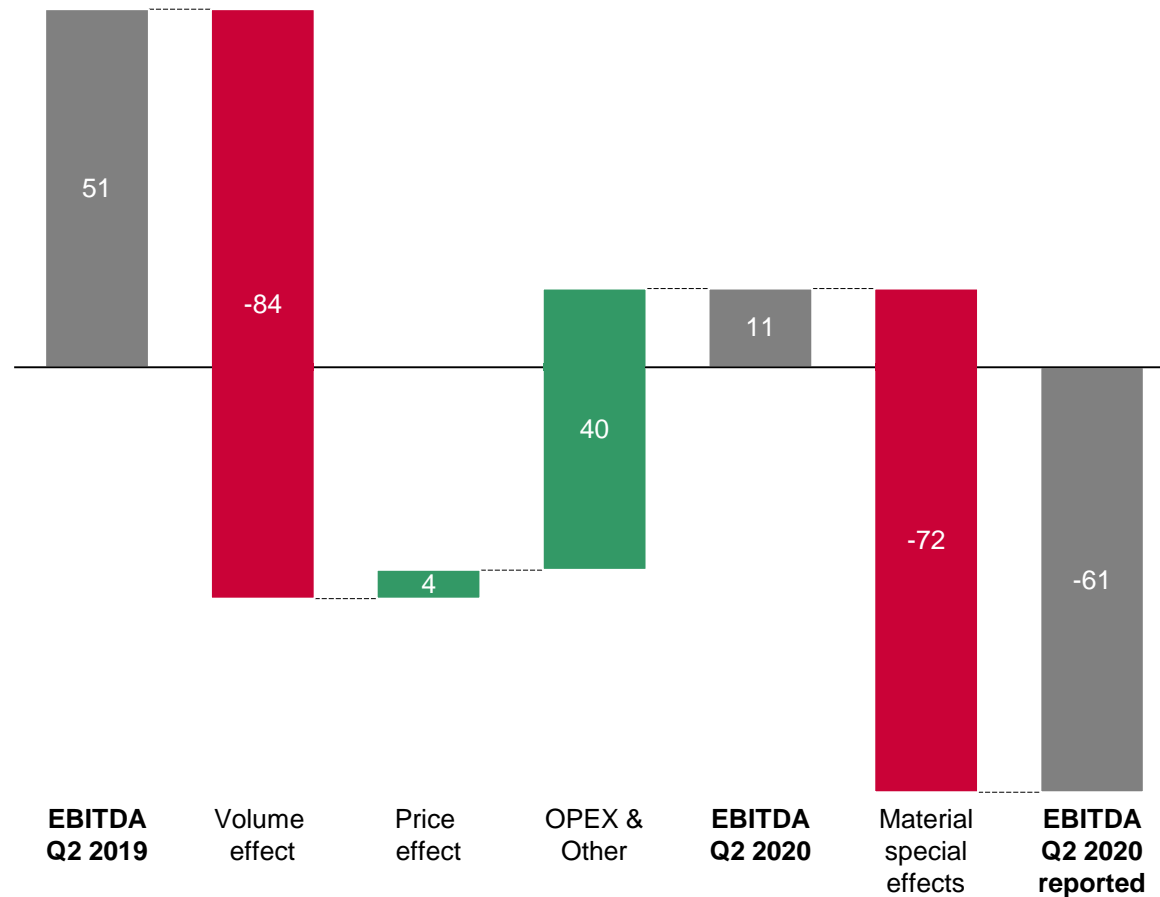
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03 Details of Q2 2020

	Q2 2020	Q2 2019	Delta	
Shipments (Tto)	1,070	1,479	-27.6%	Impact of COVID-19 and related lockdown measures
Sales (€m)	1,171	1,682	-30.4%	Volume driven paired with lower price level
Gross profit (€m)	226	304	-25.4%	Volume driven gross profit decline, less pronounced due to higher margins yoy
EBITDA (€m)	11	51	-78.9%	COVID-19 impact mitigated by (1) digital capabilities, (2) lower OPEX and (3) performance in construction; EBITDA reported of -€61m
Oper. CF (€m)	98	140	-42	Substantially positive due to strict NWC management
Net financial debt (€m)	476	684	-30.4%	Net debt significantly down yoy due to NWC release
Digital sales in Q2	38%	29%	+9%pts	Positively impacted by crisis: increase with accelerating speed

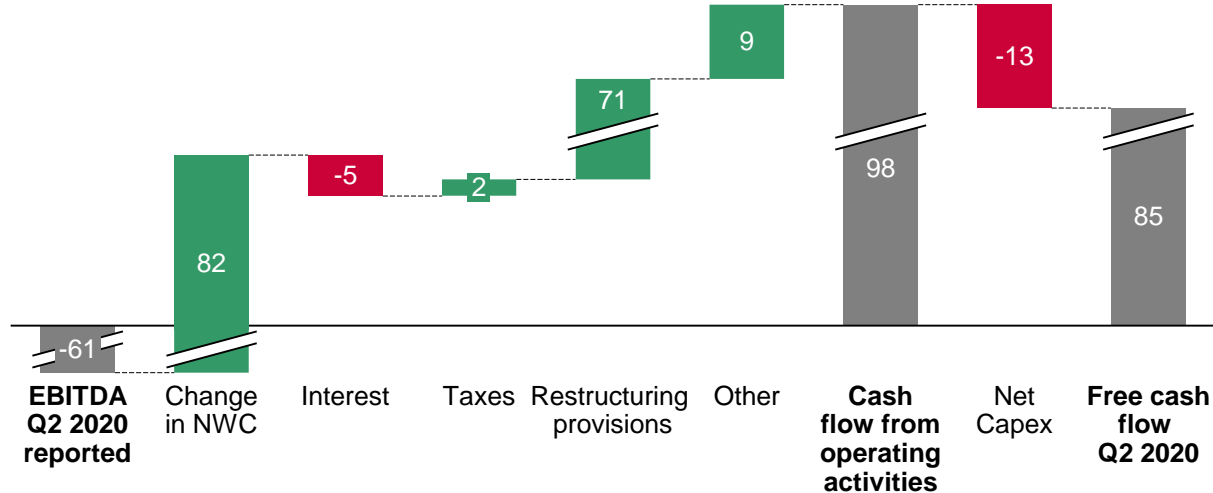
03 EBITDA (€m) in Q2 2020



- Substantial negative **volume effect** mainly due to COVID-19 pandemic and continued weakness of automotive, machinery and energy sectors, especially in Germany and the USA
- Minor positive **price effect** due to margin over volume strategy at Kloeckner Metals Distribution Europe
- **OPEX** decreased mainly driven by lower personnel expenses and shipping cost due to lower output and lay-off effects
- **Material special effects** resulting from project “Surtsey” for severances and site closure expenses

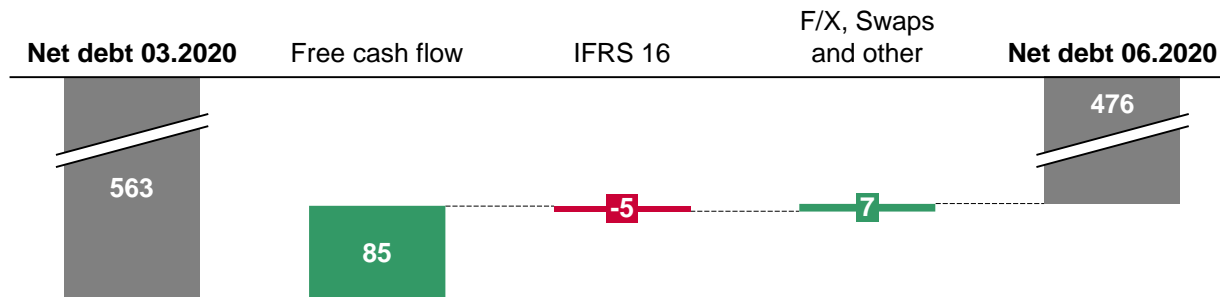
03 Cash flow and net debt development

Cash flow Q2 2020 (€m)



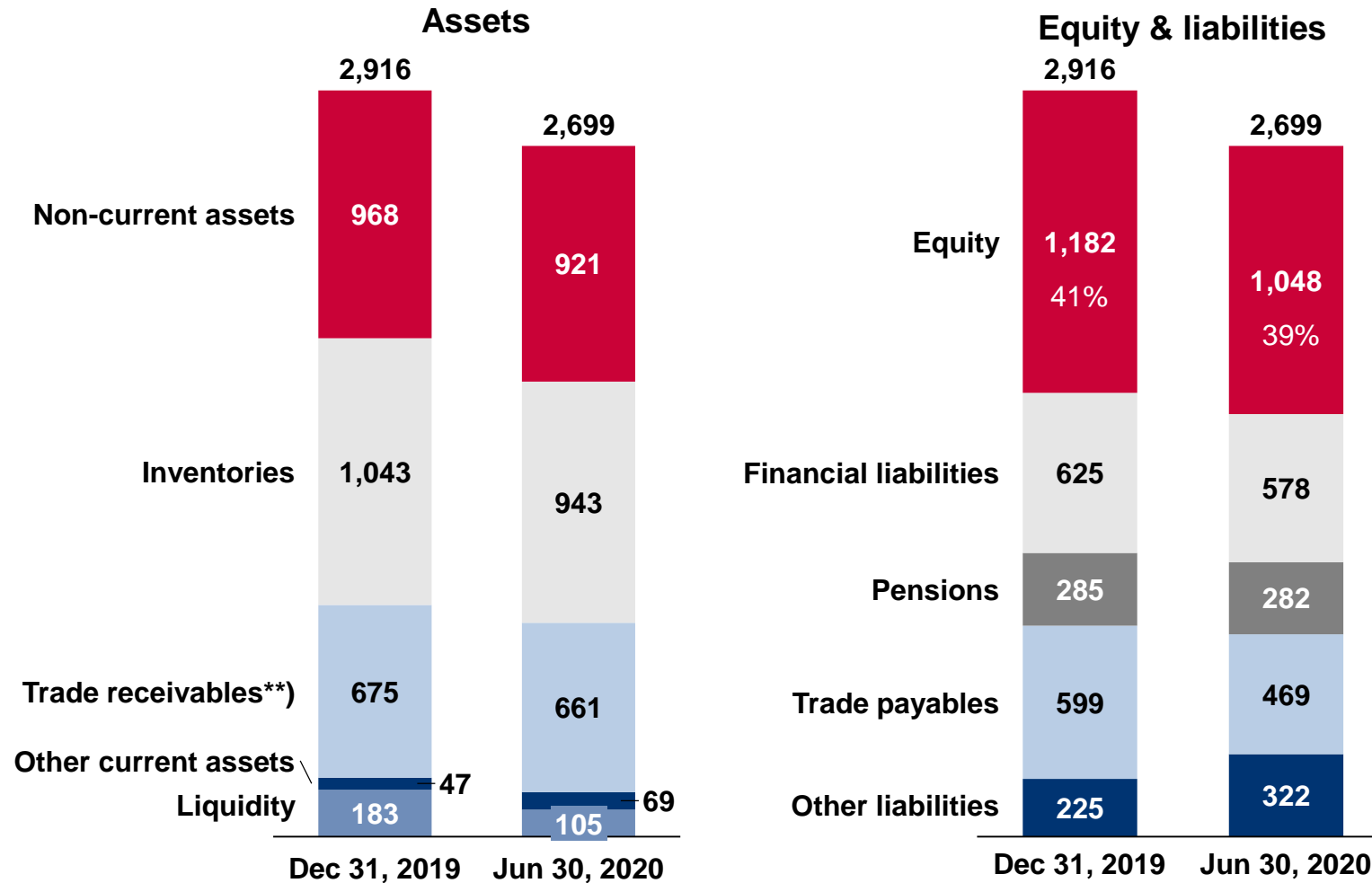
- **Net working capital** release of €82m
- **Other** (€9m) includes changes in other operating assets and liabilities
- **Cash flow from operating activities** of €98m
- **Free cash flow** of €85m

Net financial debt 03.2020 vs. 06.2020 (€m)



- **Net financial debt** decreased from €563m to €476m driven by considerable NWC release

03 Strong balance sheet



- **Equity ratio** further healthy at 39%
- **Net debt** of €476m
- **Gearing**^{*)} at 46%
- **NWC** at €1,135m (FY 2019: €1,119m)

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

^{**) Incl. contract assets and supplier bonuses.}

03 Maturity profile – well-balanced & diversified funding portfolio

Facility	Committed (€m)	Drawn amount (€m, IFRS*)	
		Q2 2020	FY 2019
Syndicated Loan	300	0	0
ABS Europe	300	112	115
ABS/ABL USA	491	94	124
Convertible 2016 ¹⁾	148	144	142
Bilateral Facilities ²⁾	171	42	42
Leases	189	189	205
Total Debt	1,599	581	628
Cash		105	183
Net Debt		476	445

*) Including interest accrued, excluding deferred transaction costs.

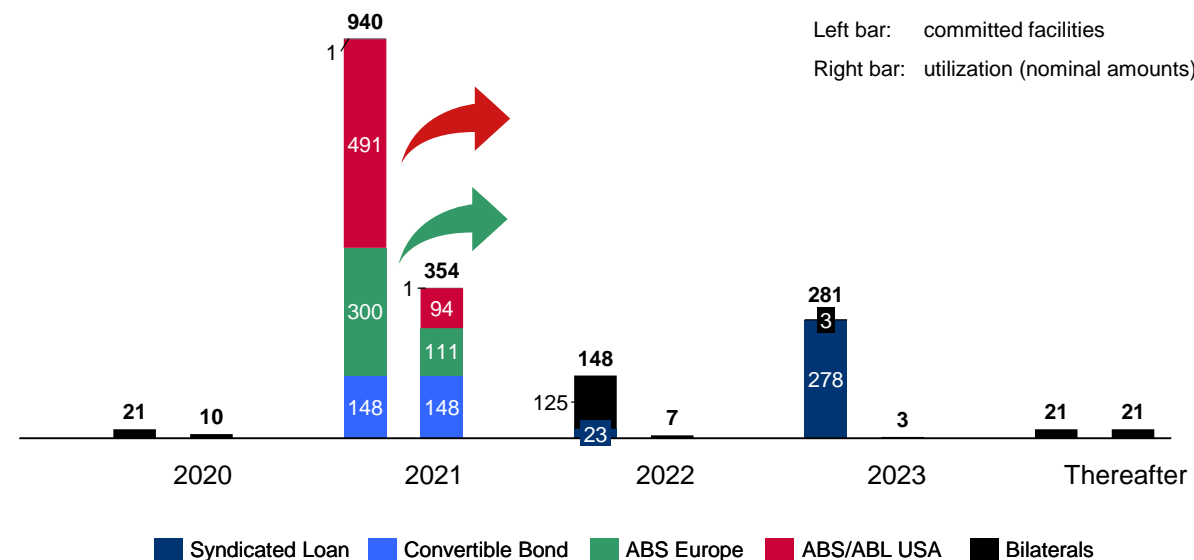
1) Principal €148m, equity component €18m at issuance (September 8, 2016).

2) Mainly Switzerland.

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

€m	Q2 2020
Adjusted equity	1,041
Net debt	476
Gearing ³⁾	45.7%

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



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04 Outlook



- Considerable increase in **shipments** and **sales** qoq
- **EBITDA** before material special effects of €15-25m expected



- Considerable decrease in **shipments** and **sales** yoy
- **EBITDA** before material special effects of €50-70m expected
- Positive **cash flow from operating activities**

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05 Quarterly and FY results

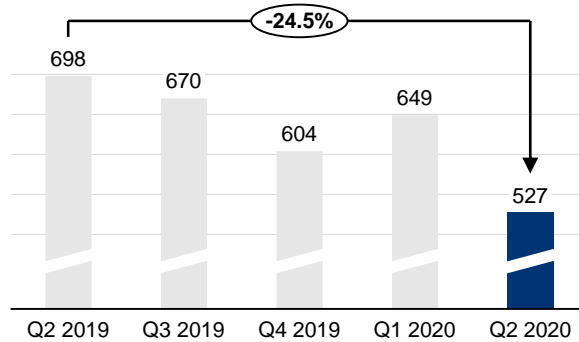
(€m)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Shipments (Tto)	1,070	1,365	1,250	1,420	1,479	1,499	1,398	1,519	1,605	1,584	1,443	1,539	1,572	1,582	5,648	6,107	6,135	6,149	6,476
Sales	1,171	1,448	1,365	1,565	1,682	1,703	1,619	1,754	1,789	1,628	1,485	1,565	1,640	1,602	6,315	6,790	6,292	5,730	6,444
Sales (currency effect)	21	30	24	38	50	61	28	2	-89	-114	-70	-45	13	19	173	-172	-83	-50	556
Gross profit	226	285	268	284	304	303	301	332	364	331	300	310	339	367	1,158	1,328	1,316	1,315	1,237
% margin	19.3	19.7	19.6	18.1	18.1	17.8	18.6	18.9	20.3	20.4	20.2	19.8	20.6	22.9	18.3	19.6	20.9	22.9	19.2
EBITDA bef. material special effects	11	21	11	28	51	34	30	59	84	56	33	47	63	77	124	229	220	196	86
Material special effects	72	0	-8	-7	31	0	0	0	-2	0	0	0	0	0	15	-2	0	0	-42
EBITDA rep.	-61	21	3	21	82	34	30	59	82	56	33	47	63	77	139	227	220	196	24
% margin	-5.2	1.5	0.2	1.3	4.9	2.0	1.9	3.4	4.6	3.4	2.2	3.0	3.9	4.8	2.2	3.3	3.5	3.4	0.4
EBITDA rep. (curr. eff.)	1	1	1	1	2	1	3	1	-8	-5	-3	-2	1	1	5	-9	-3	-1	10
EBIT	-109	-13	-35	-13	49	2	8	38	60	35	9	25	41	54	2	141	130	85	-350
Financial result	-7	-9	-9	-11	-11	-10	-10	-8	-10	-7	-9	-8	-8	-8	-41	-34	-33	-33	-49
EBT	-116	-22	-44	-24	37	-9	-2	30	51	28	1	17	33	46	-39	107	97	52	-399
Income taxes	5	1	-7	1	-9	-1	-5	-8	-18	-7	29	-4	-9	-10	-16	-38	5	-14	50
Net income	-111	-21	-51	-23	28	-10	-7	22	33	21	30	13	24	36	-55	69	102	38	-349
Minority interests	0	0	1	0	0	0	0	0	0	0	0	1	1	0	1	0	1	1	-2
Net income KCO	-111	-21	-51	-23	28	-10	-7	22	33	21	30	12	23	36	-56	69	101	37	-347
EPS basic (€)	-1.11	-0.21	-0.51	-0.23	0.28	-0.10	-0.07	0.22	0.33	0.21	0.30	0.12	0.23	0.36	-0.56	0.68	1.01	0.37	-3.48
EPS diluted (€)	-1.11	-0.21	-0.51	-0.23	0.27	-0.10	-0.07	0.21	0.31	0.20	0.28	0.12	0.22	0.34	-0.56	0.66	0.96	0.37	-3.48
Net debt	476	563	445	634	684	820	383	569	552	472	330	435	486	475	445	383	330	444	385
NWC*)	1,135	1,228	1,119	1,356	1,407	1,525	1,277	1,495	1,446	1,344	1,132	1,282	1,306	1,296	1,119	1,277	1,132	1,120	1,128

*) Since 2018 including supplier bonus receivables and contract assets.

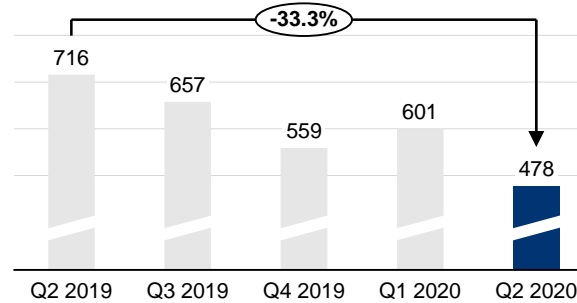
05 Segment performance

KM US

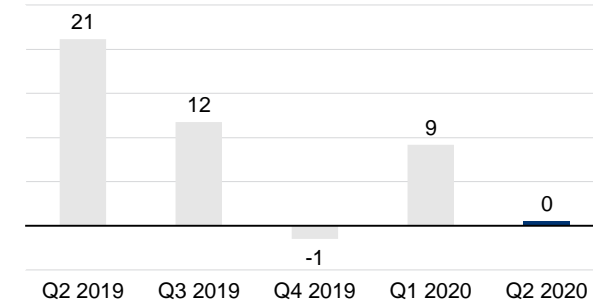
Shipments (Tto)



Sales (€m)

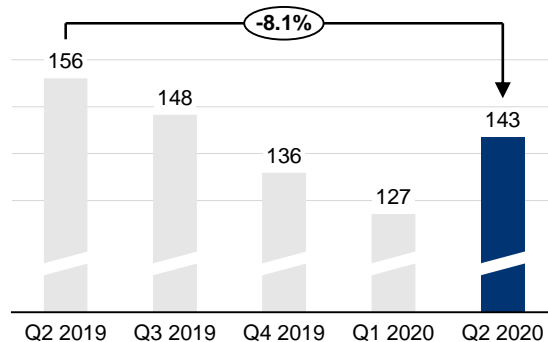


EBITDA adj.*) (€m)

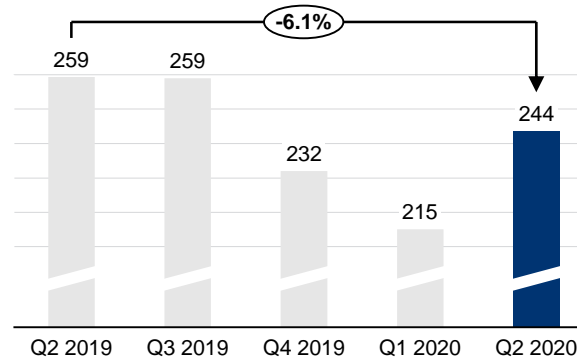


KM Switzerland

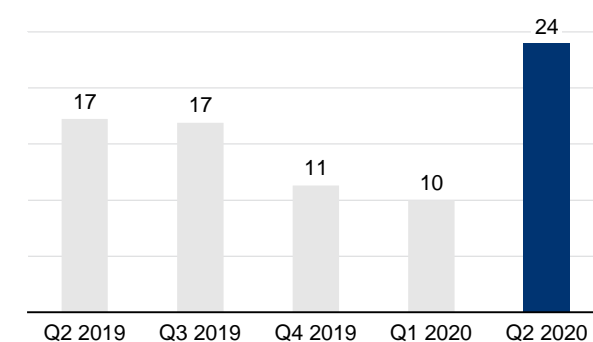
Shipments (Tto)



Sales (€m)



EBITDA adj.*) (€m)



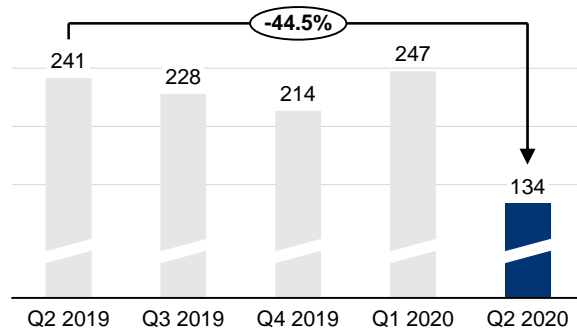
*) Adjusted in Q4 2019 by the gain on sale of the site in Switzerland and in Q2 2020 by restructuring in the USA.

Minor adjustments in segment reporting: New structure of the segment "Holding and other group companies" (previously including other activities such as the Brazilian distribution business, XOM Materials, kloeckner.i, kloeckner.v and the Dutch metering business). As of January 1, 2020, the Brazilian distribution business is assigned to the segment "Kloeckner Metals US" and the metering business to the segment "Kloeckner Metals Distribution Europe".

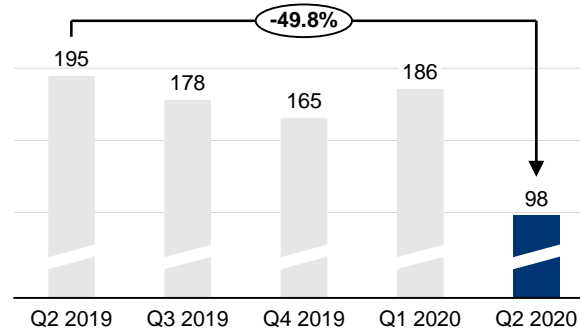
05 Segment performance

KM Services

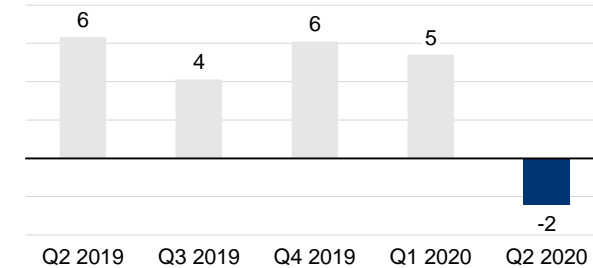
Shipments (Tto)



Sales (€m)

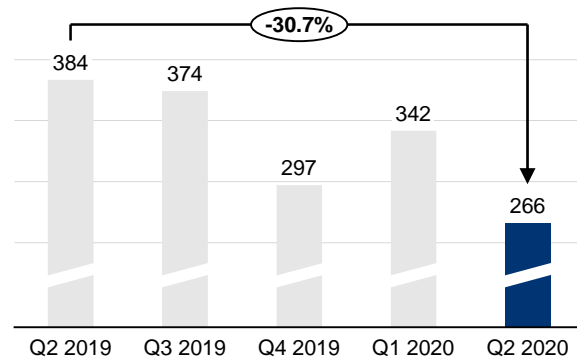


EBITDA adj.*) (€m)

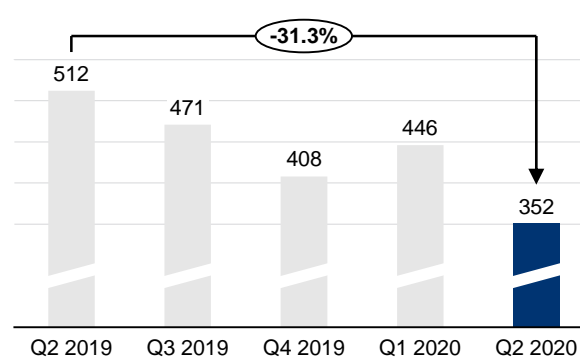


KM Distribution

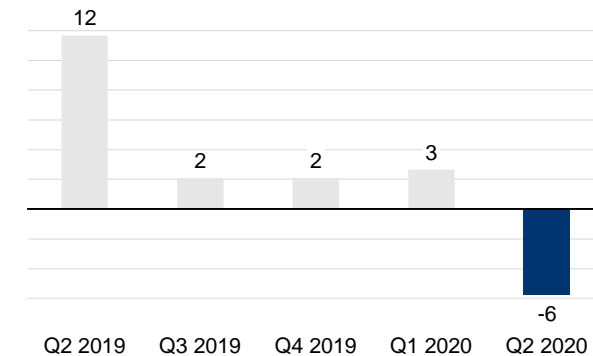
Shipments (Tto)



Sales (€m)



EBITDA adj.*) (€m)

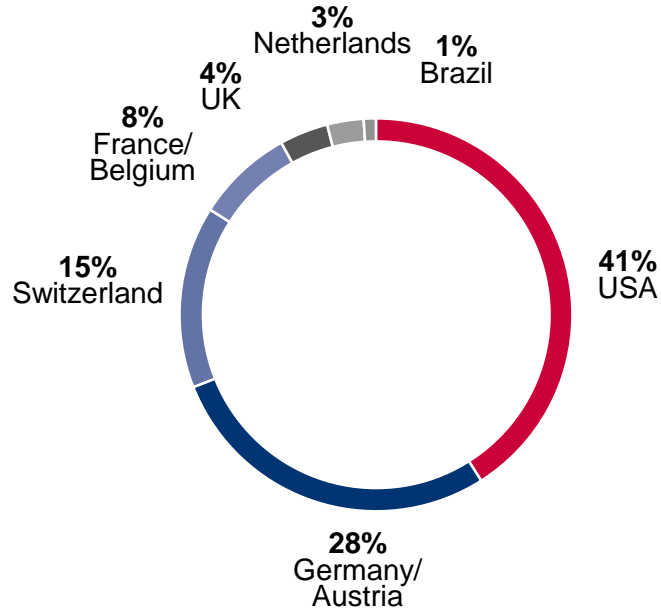


*) Adjusted for restructuring expenses in Q2, Q3, Q4 2019 as well as in Q2 2020 and for a gain on the sale of a site in London in Q2 2019.

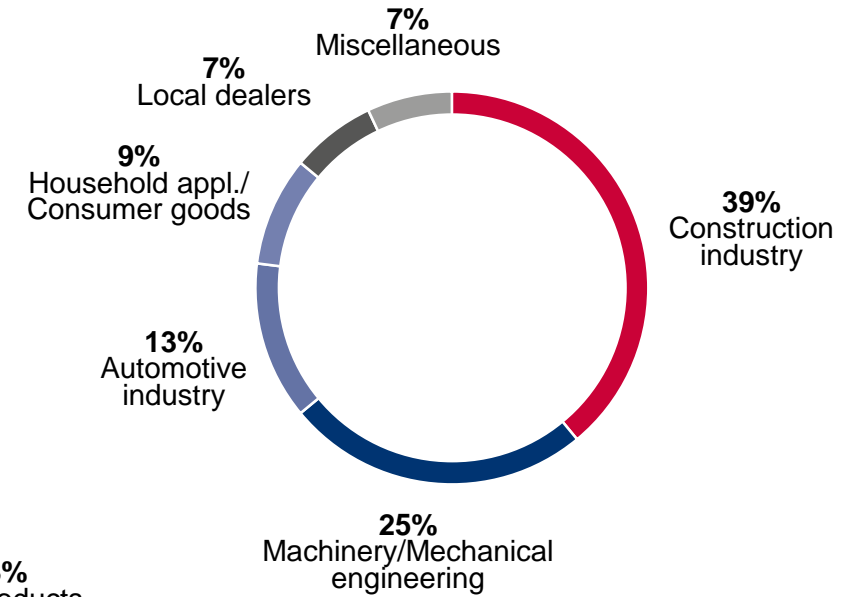
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05 Sales by markets, products and industries

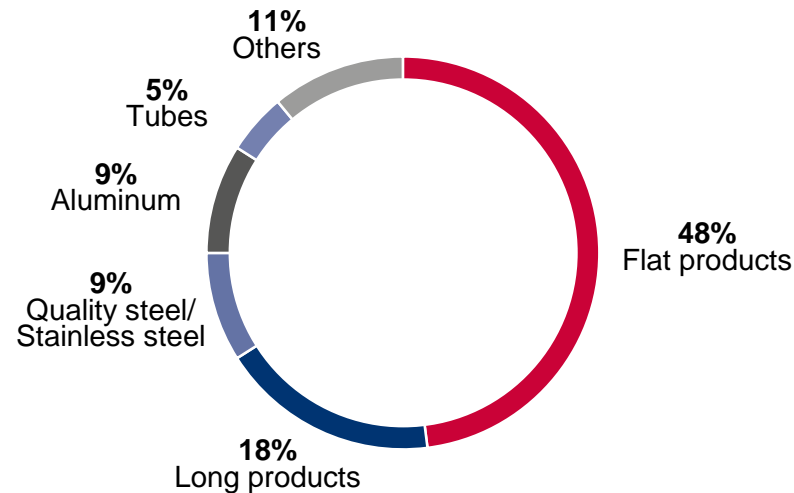
Sales by markets



Sales by industries



Sales by products

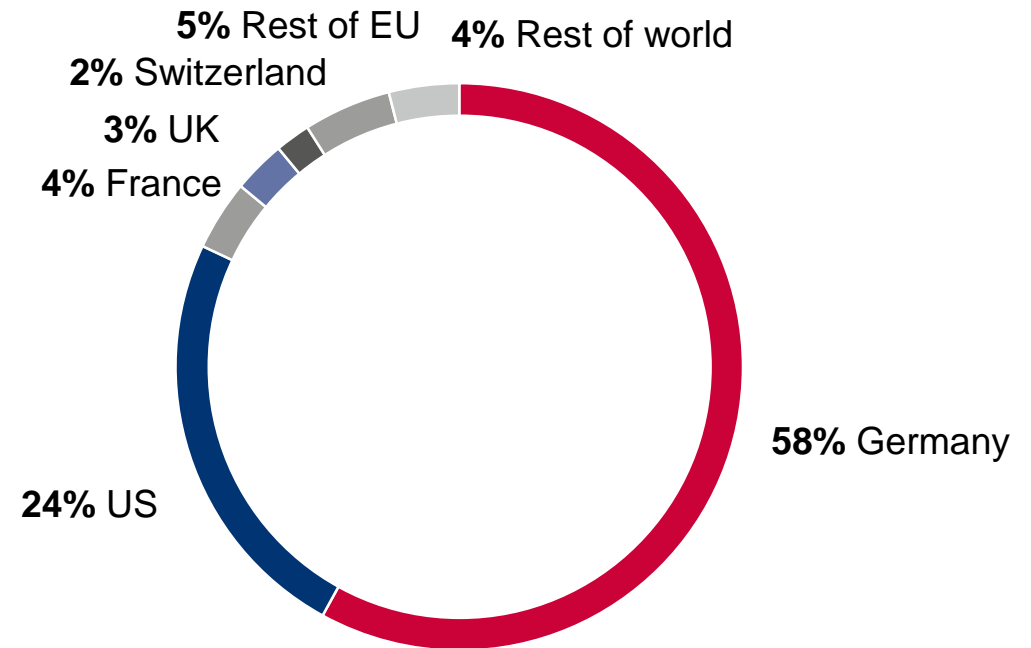


As of December 31, 2019.

05 Current shareholder structure

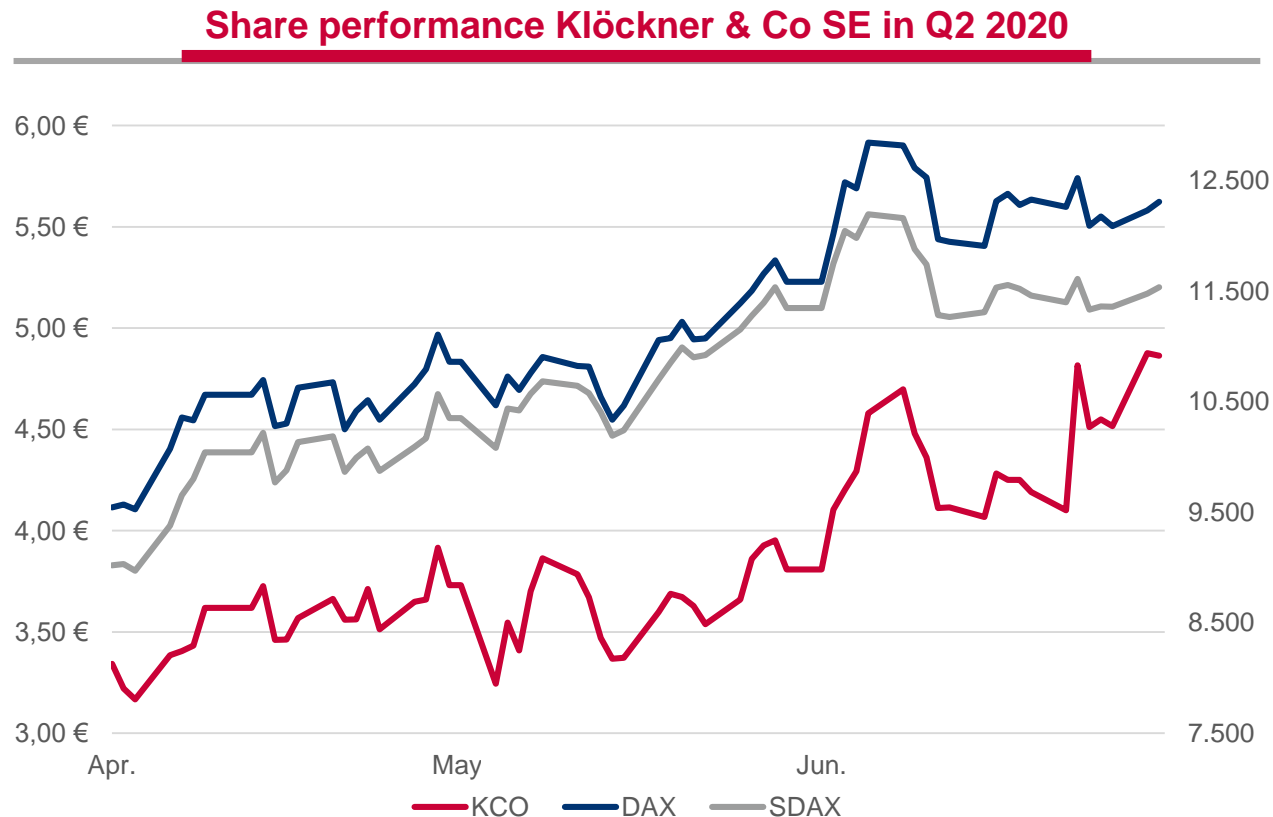
Geographical breakdown of identified institutional investors

- Identified institutional investors account for 59%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 49%
- Retail shareholders represent 29%



As of July 2020.

05 Share price performance in Q2 2020



- In the second quarter the capital markets were shaped by high volatility due to the COVID-19 pandemic
- The Klöckner & Co share followed a sharp recovery path during this period, marking its lowest level of €3.17 on April 3 and reaching its high of €4.87 on June 29

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 Global financial crisis and no dividend payment
- No dividend payment in 2009 due to earnings situation
- Inclusion of our general dividend policy in financial year 2010 with a dividend of €0.30 per share
- No dividend payment in 2011, 2012 and 2013 as well as in 2015 due to earnings situation
- 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 and 2018 fiscal year
- No dividend payment due to earnings situation in 2019

Dividend payment per share

2006	2007	2008 - 2009	2010	2011 - 2013	2014	2015	2016	2017	2018	2019
€0.80	€0.80	-	€0.30	-	€0.20	-	€0.20	€0.30	€0.30	-

05 Sustainability strategy



EMPLOYEES

A **qualified** and **motivated workforce** is vital to our success

Our working environment is characterized by long-term security, supportiveness, professionalism and mutual respect



RESPONSIBLE
CONDUCT

Compliance constitutes the basis of corporate responsibility

Integral part of our corporate culture is compliance on the part of our employees and business partners



ENVIRONMENT

We contribute to **protecting the environment**

We consider it our duty to counter climate change and its related risks



DIGITALIZATION

We are advancing the **internal cultural change**

Our measures aim at anchoring modern, digital ways of working and thinking in the company



CUSTOMERS

We prioritize high levels of **customer satisfaction** and enhancement of our **customer focus**

We always conceptualize products and services, sales channels and innovations from the customer perspective



As one of the very first companies in Germany, Klöckner & Co steps up to global frontrunners of climate change engagement and aligns its business to the UN Global Compact “Business Ambition for 1.5°C”. We intend to act even more responsibly and take appropriate measures helping to limit the global temperature rise to 1.5°C by reducing our greenhouse gas emissions.

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%
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 August 24, 2020 (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

November 3, 2020 Q3 quarterly statement 2020

March 10, 2021 Annual Financial Statement 2020

April 29, 2021 Q1 quarterly statement 2021

May 12, 2021 Annual General Meeting 2021

August 13, 2021 Half-yearly financial report 2021

November 3, 2021 Q3 quarterly statement 2021