klöckner & co

CREDIT SUISSE GLOBAL STEEL & MINING CONFERENCE

September 9, 2021

Guido Kerkhoff | CEO

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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 – Leader in Digital Transformation**
2. Klöckner & Co 2025: Leveraging Strengths
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KLÖCKNER & CO SE AT A GLANCE

~7,100
Employees

5,130€ million
Sales FY 2020

4,873 million tons
Shipments FY 2020

>100,000
Customers

111€ million
EBITDA* FY 2020

45%
Digital Sales

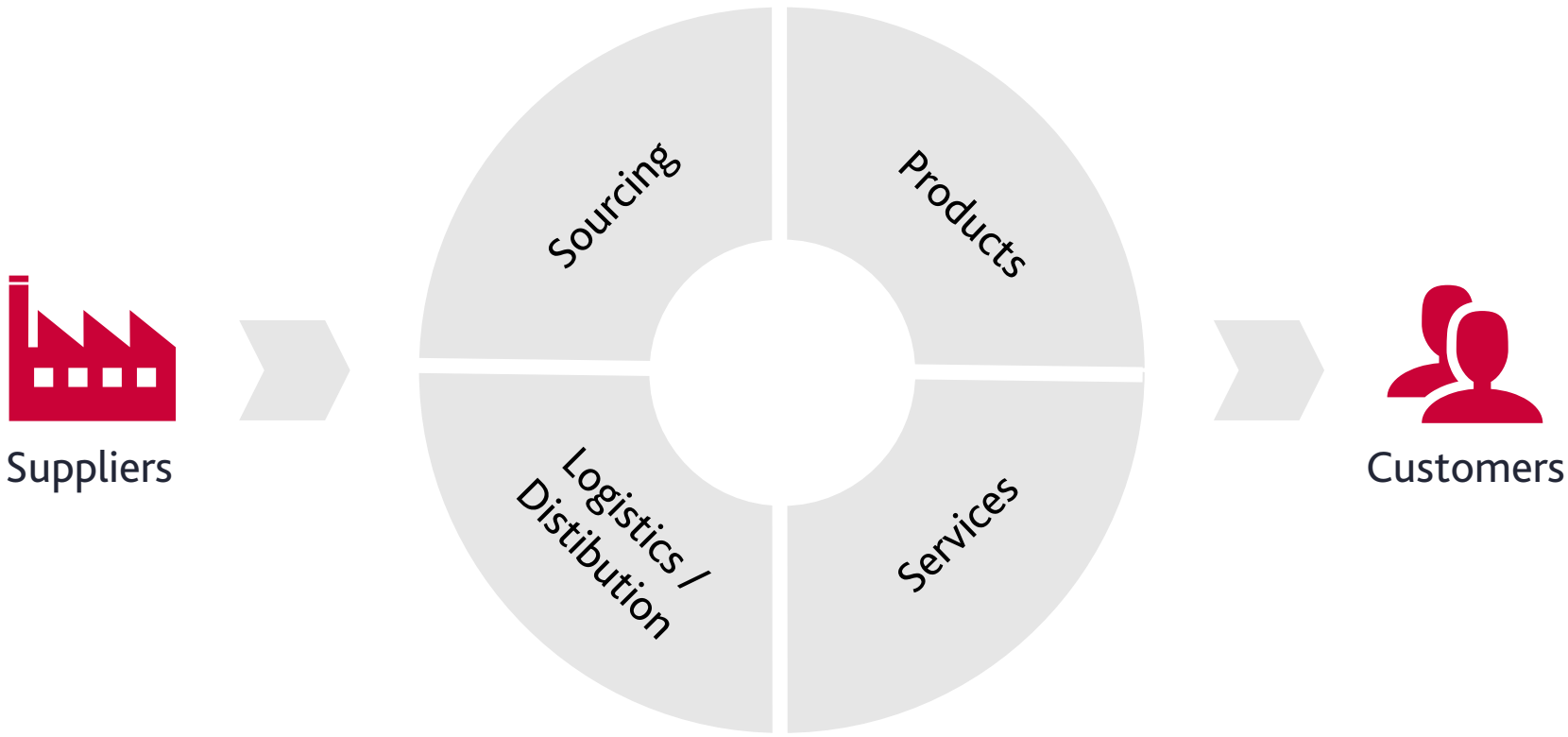
200,000
Products

13
Countries

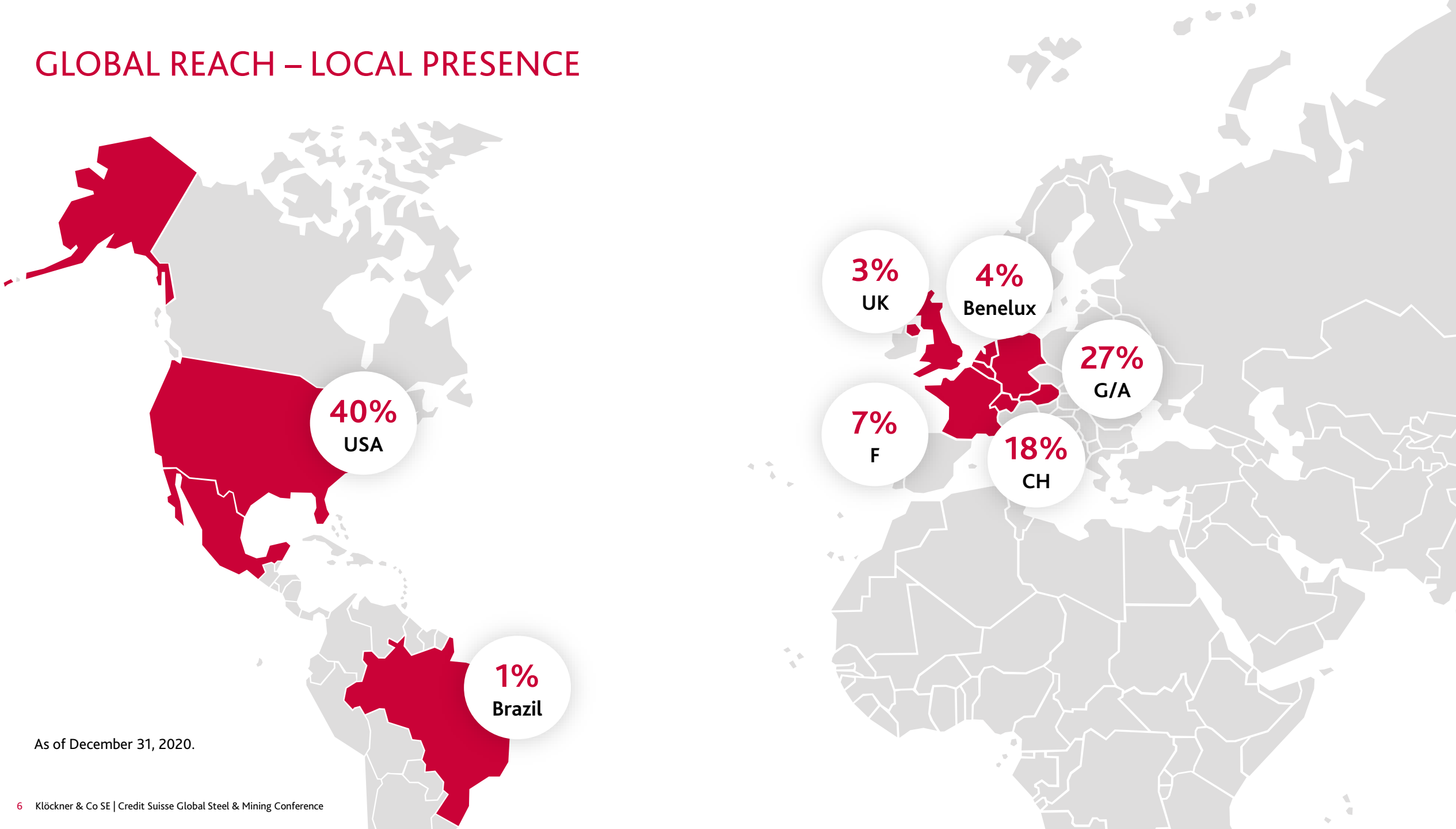
~140
Locations

* Before material special effects.

KLÖCKNER & CO VALUE CHAIN – EVERYTHING FROM ONE SOURCE



GLOBAL REACH – LOCAL PRESENCE

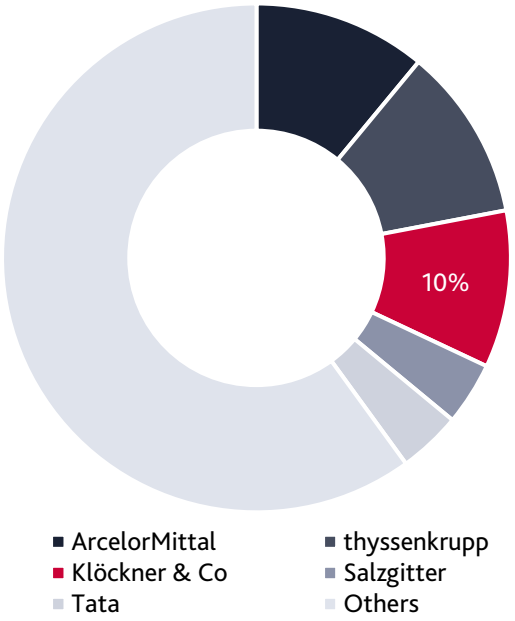


As of December 31, 2020.

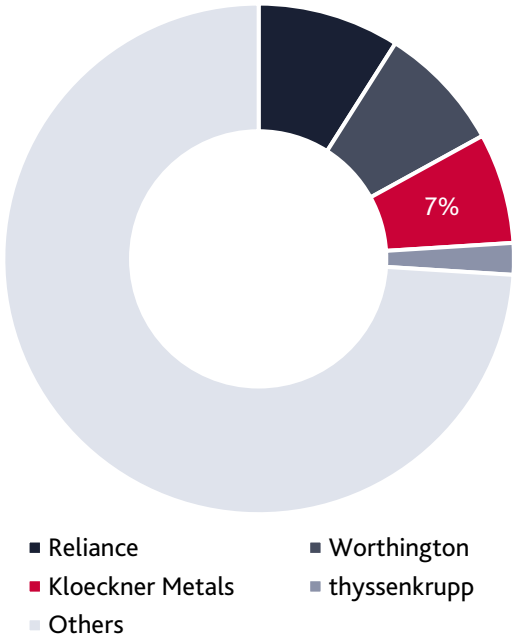
LEADING PLAYER IN FRAGMENTED MARKETS

Market shares of Klöckner & Co 2020

Europe



USA



Source: Eurometal, MSCI, local steel associations.

DIGITAL TRANSFORMATION AND PLATFORM BUSINESS

kloeckner.i

Digital transformation of Klöckner & Co

XOM MATERIALS

Industry platform

Applications & platforms

Onlineshops
Marketplaces
Contract Platform
Part Manager
EDI / OCI

Kloeckner Assistant

Revolutionary AI application for complete automation of order processing, regardless of how an RFQ or orders are transmitted

eProcurement/ RFQ solution

Comprehensive AI solution for the digitalization of procurement

eShop

Company-specific online shop

Marketplace

Integrated transaction platform for sellers and buyers

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COMPLEX ENVIRONMENT, VARIOUS CHALLENGES AND NO ONE-FITS-ALL SOLUTION

High market fragmentation

Highly competitive markets due to fragmentation between a few larger competitors and many low-cost local distributors

Lack of market consolidation

High cost flexibility of smaller distributors results in lack of market consolidation and overcapacities

Digitalization gap in sector

Smaller customers and distributors do not have the resources and capabilities to invest in impactful digitalization

Downstream push

Mills are pushing downstream in the value chain with focus on high-volume customers

Supply-sided overcapacities

Low margin business requires high efficiencies along the whole value chain

Individual customer requirements

Increasing variety of customer needs regarding lot sizes, local availability, reliability and product and market knowhow

KLÖCKNER & CO'S STRONG FOUNDATION

Digital Transformation

- Advanced tools such as Onlineshops, Kloeckner Assistant, XOM eProcurement
- Digital sales share >45%

Surtsey project

- Achieving sustainable cost efficiency gains due to consistent execution

Customer centricity

- Existing businesses with highest profitability based on excellent customer centricity and satisfaction

Brands

- Klöckner & Co and sub-brands are internationally well-known brands with high reputation

Partner collaborations

- First valuable experiences in terms of integrating partners in the field of value-added products and services

Corporate culture

- Organizational and cultural change already initiated to achieve agile and efficient processes

We build on our existing strengths and take it to the next level

READY TO GROW - "KLÖCKNER & CO 2025: LEVERAGING STRENGTHS"

Immediate execution of "Leveraging Strengths"

- Adjusted organizational structure in EU-Europe and in parts new management teams
- New cross-border collaboration projects launched
- Next development step of kloeckner.i and launch of kloeckner.i US ahead
- Strengthening partnership with Nucor through strategic investments optimally timed to support the investments in the US infrastructure

OUR AMBITION: MERGING & EXTENDING THE DIGITAL AND THE PHYSICAL BUSINESS

Customer Growth

Expanded customer base and increased share of wallet, due to customer focused extension of product and service offering with larger regional coverage

Digitalization & value chain automation

Seamless end-to-end process integration through digitalization and automation across the entire value chain bringing process speed and degree of efficiency to an unseen level (“zero-touch”). Driving forward development of digital applications and platforms

Values

People empowerment & diversity, safety & responsibility, credibility & sustainability as guiding principles for all of our actions

Operational excellence

Increasing profitability through elimination of inefficiencies via best-in-class services and processes, cost and process transparency and data-based decision-making. Offering innovative services and products also in promising growth sectors (e.g. lightweight and reusable construction and other circular economy projects)

Leveraging assets & partner network

Maximizing own asset utilization with an opportunistic M&A-approach: Enabling wider product and service portfolio and larger regional coverage (horizontal, vertical and regional) with only light asset deployment through smart partner collaboration and integration

BUILDING A PLATFORM BUSINESS MODEL: READY TO GROW

By 2025, Klöckner & Co will be the leading digital one-stop-shop platform for steel, other materials, equipment and processing services in Europe and the Americas

- Leading role in the digitalization of the industry with highly automated value chain
- Superior customer satisfaction by operational & sales excellence
- Customer growth and increased share of wallet
- Mature and wide-reaching network including high-quality partners
- Substantially increased profitability level
- Agile and innovative corporate culture

SUSTAINABLE GROWTH WITH HIGH PERFORMANCE THROUGH THE ENTIRE CYCLE

Our 2025 Goals

Sales growth above market

ROCE above cost of capital

More than doubling normalised EBITDA level
(as of before pre-COVID)

NEW STRUCTURE AND IMPROVED SETUP IN EU-EUROPE

- Bernhard Weiß new Member of the Management Board with responsibility for EU-Europe
- New and internationally experienced management at Becker Stahl-Service, Klöckner Deutschland and Benelux under joint CFO-role
- Further centralization of finance and administration functions
- Sharing expert know-how, product and service portfolio to enable and extend cross-border collaboration
- Resulting in a new and streamlined segment structure as of Q3 2021 (Kloeckner Metals EU, Kloeckner Metals Non-EU, Kloeckner Metals US)

THE NEXT STEP: DIGITALIZATION & VALUE CHAIN AUTOMATION

New kloeckner.i | Digital sales share at **45%** | **>€500m** sales via KA

- New kloeckner.i taking over core function in merging & extending the physical and the digital business
  - Combining IT and Digitalization capabilities under the roof of kloeckner.i
  - One management responsible for Transformation, Product and Engineering & IT
  - Closer connection to operating units
- kloeckner.i hub to be launched in the US

- Digital sales share at 45%, up by 7% yoy, flat qoq due to unprecedented market conditions
- Digitalization & automation progress continued in Q2
  - Kloeckner Assistant gaining traction and processed >€500m sales volume YTD with processing functionality live in the US, UK and Switzerland
  - Full automation tested in the US, inflection point towards Zero Touch in sales processes
- eProcurement by XOM Materials developing well, despite the challenging environment; >€370m GMV YTD

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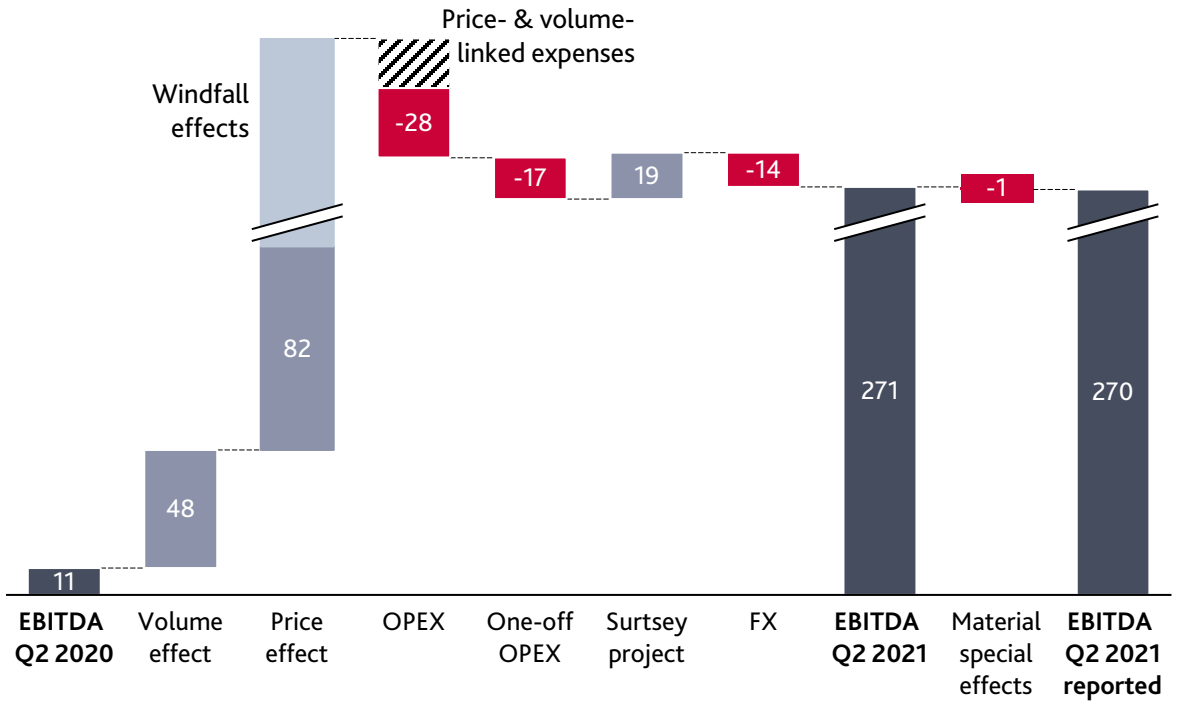
HIGHLIGHTS OF Q2 2021

	Q2 2021	Q2 2020	Delta	
Shipments (Tto)	1,295	1,070	+21.0%	Still impacted by COVID-19 pandemic; gradual recovery continues; disciplined margin over volume strategy
Sales (€m)	1,847	1,171	+57.8%	Mainly due to higher price level yoy
Gross profit (€m)	525	226	+132.6%	Very considerable increase due to price dynamics and smart NWC-management
EBITDA (€m)	271	11	+260	Strong price dynamics and margin over volume strategy, supported by substantial Surtsey-effects; strongest quarter since IPO in 2006
Oper. CF (€m)	74	98	-24	Significantly positive OCF and FCF (€58m) despite price-driven higher NWC and negative cash effects from Surtsey
Net financial debt (€m)	303	476	-36.4%	Deleveraging: Net debt significantly down yoy and qoq
Digital sales in Q2	45%	38%	+7%pts	Strongly up yoy driven by Kloeckner Assistant, flat qoq due to exceptional market conditions

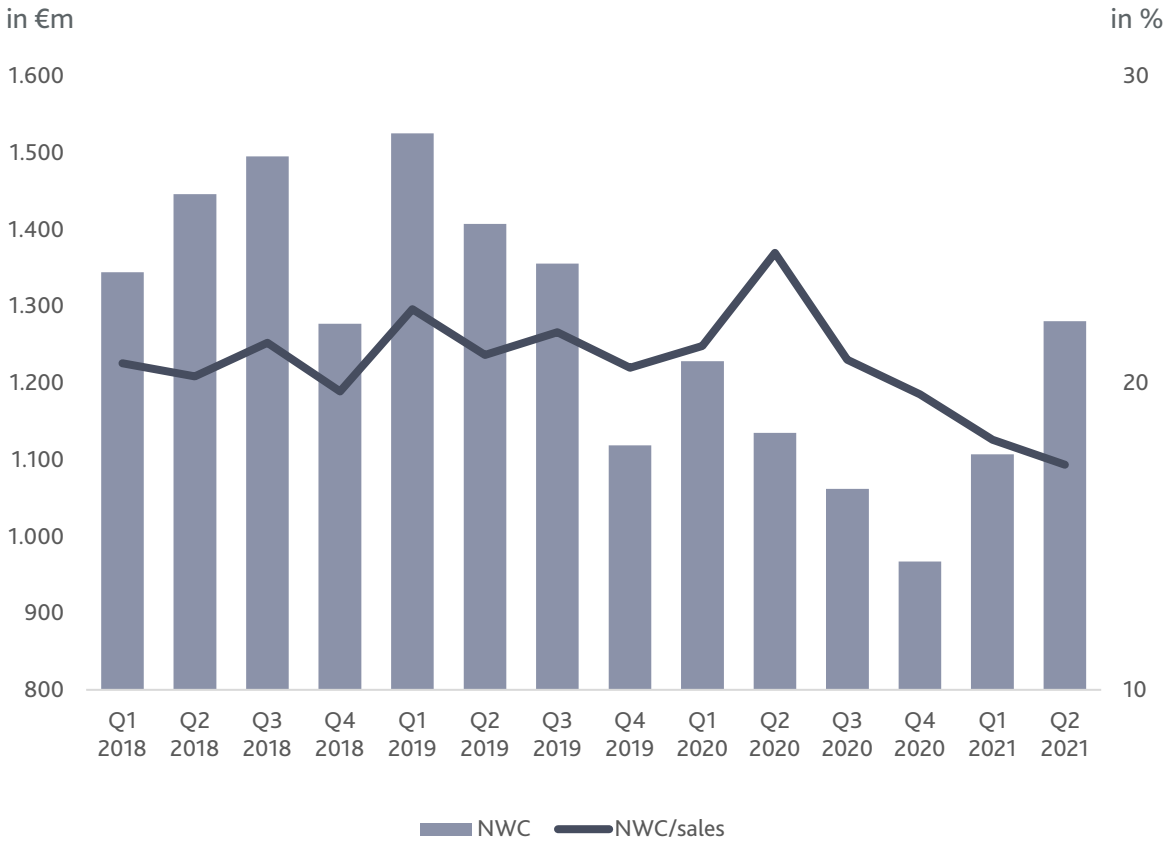
BEST QUARTERLY OPERATING RESULT SINCE IPO IN 2006

EBITDA (€m) in Q2 2021



- Positive volume effect due to continued recovery from COVID-19 pandemic
- Strong positive price effect due to price dynamic in Europe and especially in the US; windfall gains of ~€190m
- OPEX (excl. Surtsey) up especially driven by shipping & operating costs and wage inflation; thereof €12m directly price-linked expenses (bonuses, VSOs, etc.) and €8m due to higher shipments; one-off OPEX of €17m
- Positive effects from Surtsey project of €19m in Q2 and negative FX-effects of €14m; minor material special effects from true-up of Surtsey measures

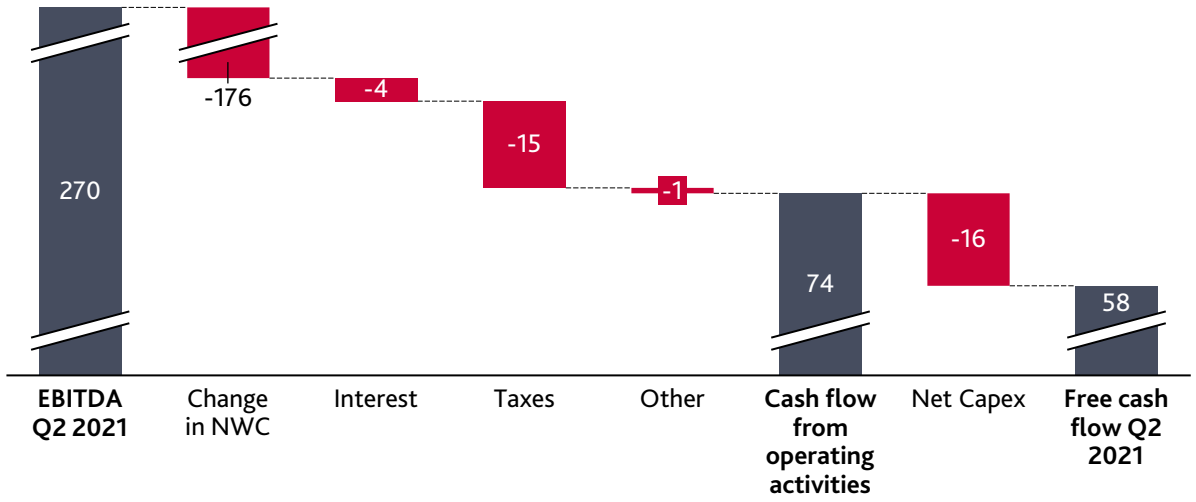
SMART NET WORKING CAPITAL MANAGEMENT - HIGH PERFORMANCE THROUGH THE CYCLE



- Relatively higher stock level (relative to turnover) during pandemic peaks created the foundation for good service quality after demand restarted
- Benefiting from low stock prices during phase of dynamic price trend
- Improving the quality of our stocks will help us to increase profitability going forward (DIOs reduced by 4 days vs. Q2 2019)
- Mitigating risks in trade receivables by reducing overdues by around 5%pts vs. Q2 2019 (DSOs reduced by 4 days vs. Q2 2019)
- Our excellent supplier relationships support us to keep stocks at an optimal level despite the continued shortage of material
- NWC rel. to sales reduced by 4%pts vs. Q2 2019 (equals to €265m additional NWC as of Q2 2021)

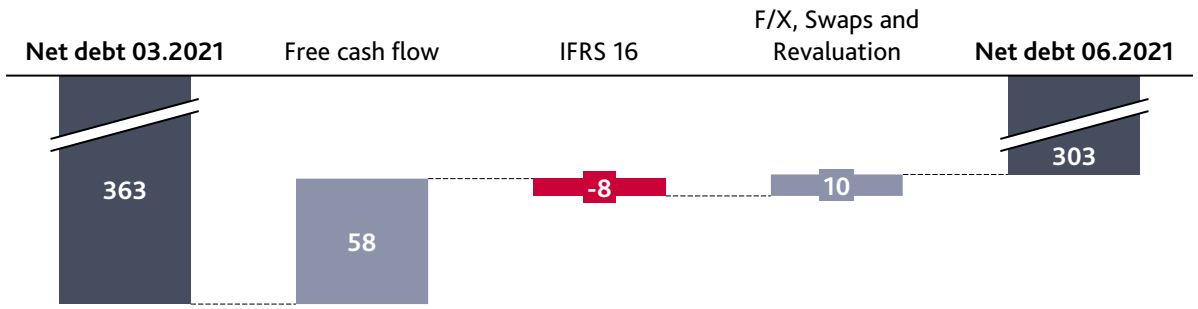
CASH FLOW AND NET DEBT DEVELOPMENT

Cash flow Q2 2021 (€m)



- EBITDA of €270m
- Net working capital increase of €176m
- Strong positive cash flow from operating activities of €74m
- Net capex €-16m
- Free cash flow accordingly €+58m

Net financial debt 03.2021 vs. 06.2021 (€m)



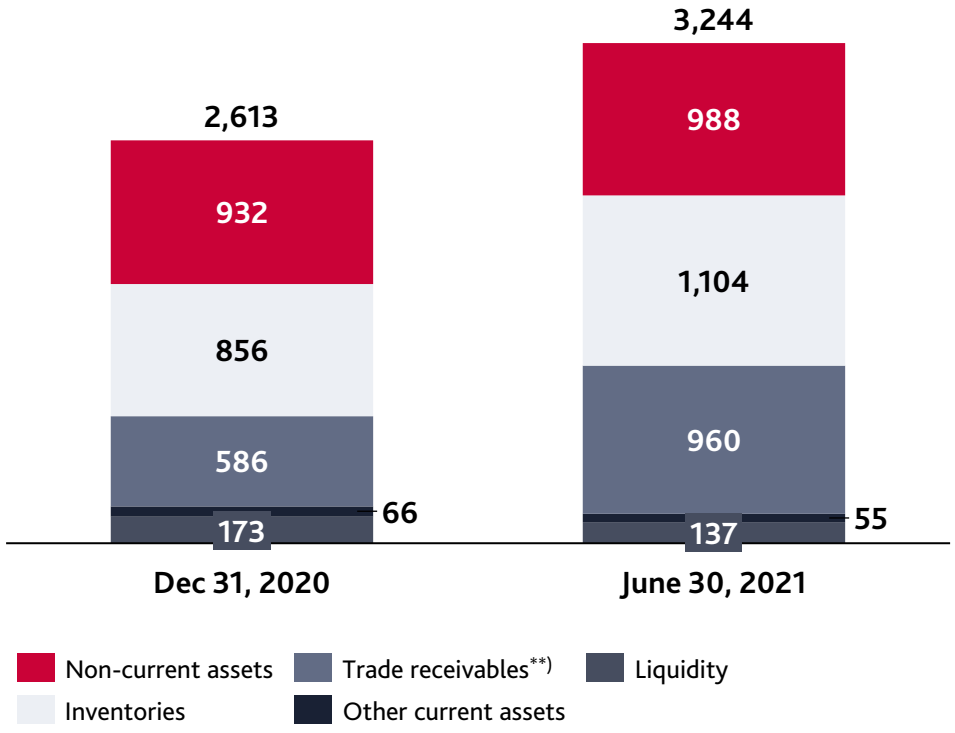
- Deleveraging: Net financial debt decreased driven by positive operating cash flow from €363m to €303m
- Revaluation of convertible bond due to expected non-execution of investor-put-option resulted in a non-cash gain of €+8m

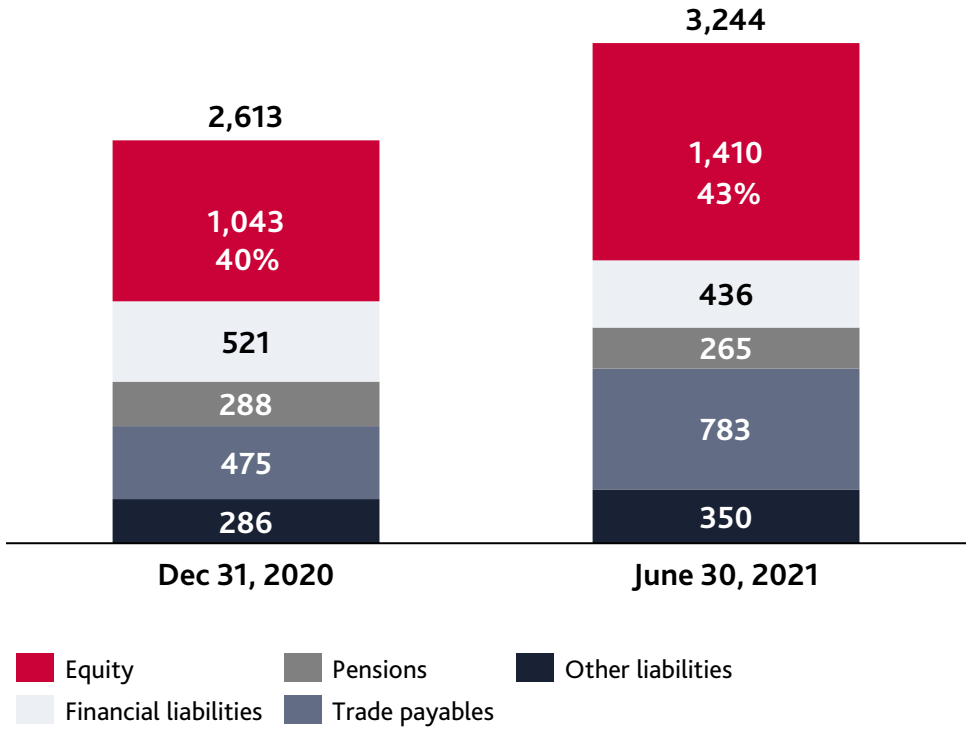
STRONG BALANCE SHEET

- Solid **equity ratio** of 43%
- **Net debt** of €303m
- **Gearing**[*)] at 22%
- **NWC** at €1,282m (FY 2020: €967m)

*) 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.





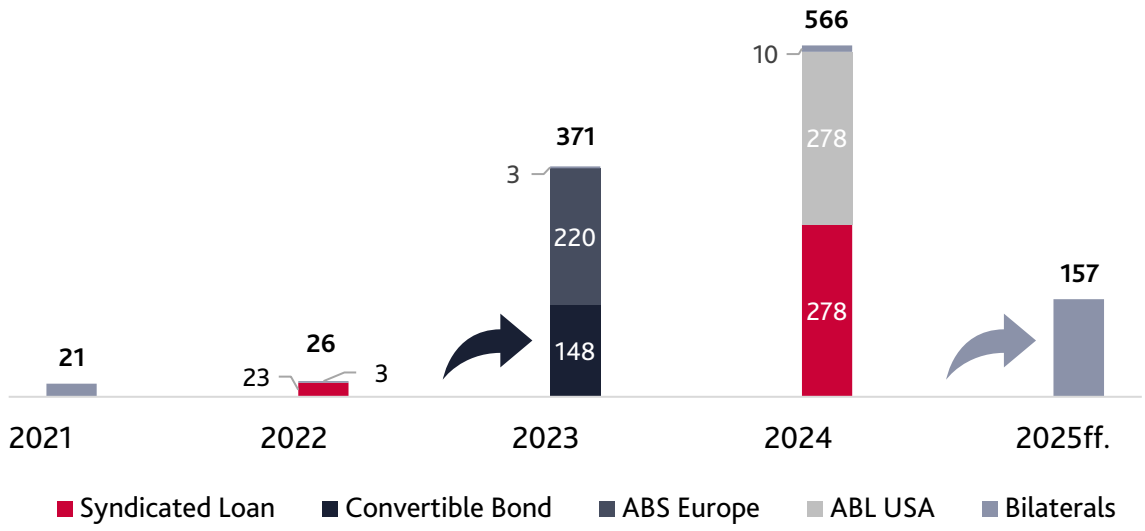
MATURITY PROFILE – DIVERSIFIED PORTFOLIO AND STRONG LIQUIDITY

Facility (€m)	Committed Jun. 30, 2021	Drawn amount	
		Jun. 30, 2021	Dec. 31, 2020
Syndicated Loan	300	0	0
ABS Europe	220	35	112
ABL USA	278	34	53
Convertible 2016 [1)]	148	141	146
Bilateral Facilities [2)]	194	58	33
Leases	172	172	180
Total Debt	**1,312**	**439**	**524**
Cash		137	173
Net Debt		**303**	**351**

1) Revaluation of convertible bond on June 30, 2021. Nominal value unchanged.
2) Mainly Switzerland, after renewal of Swiss bilaterals in July 2021.
3) Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2019.

€m	Jun. 30, 2021
Adjusted equity	1,399
Net Debt	303
Gearing [3)]	22%

Maturity profile (excl. leasing) in €m, June 30, 2021



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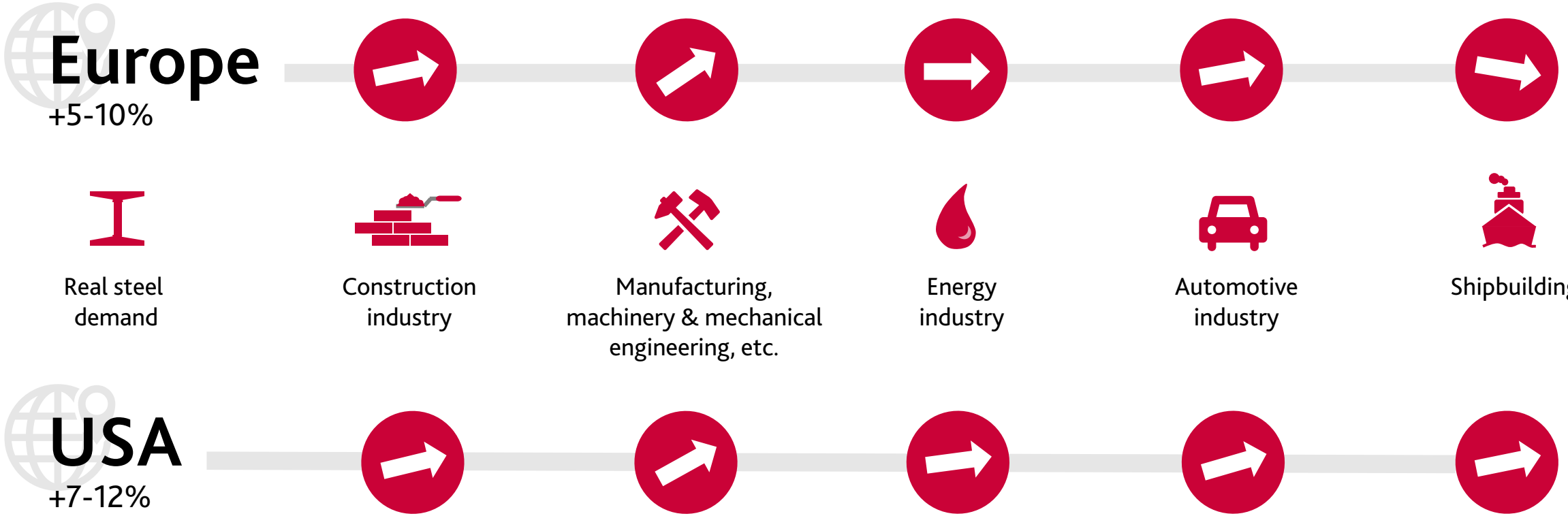
REGION SPECIFIC BUSINESS OUTLOOK 2021



OUTLOOK

Q3 2021

- Significant increase in sales (qoq) due to pricing dynamics and slight decrease in shipments (qoq) due to seasonality expected
- EBITDA expectation of €200-230m before material special effects

FY 2021

- Sales significantly, shipments slightly above prior-year level expected
- EBITDA before material special effects expected to be between €650-700m
- Considerable increase in operating cash flow anticipated

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TAKING RESPONSIBILITY AND GROW SUSTAINABLY

Employees

A qualified and motivated workforce is central 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 innovative, digital ways of working and thinking within 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.

Business Ambition for 1.5°C

As one of the very first companies in Germany, Klöckner & Co stepped up to the global frontrunners of climate change engagement and plans to align its business to the UN Global Compact “Business Ambition for 1.5°C”.

QUARTERLY AND FY RESULTS

(€m)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Shipments (Tto)	**1,295**	**1,287**	**1,195**	**1,242**	**1,070**	**1,365**	**1,250**	**1,420**	**1,479**	**1,499**	**1,398**	**1,519**	**1,605**	**1,584**	**4,873**	**5,648**	**6,107**	**6,135**	**6,149**
Sales	**1,847**	**1,525**	**1,232**	**1,279**	**1,171**	**1,448**	**1,365**	**1,565**	**1,682**	**1,703**	**1,619**	**1,754**	**1,789**	**1,628**	**5,130**	**6,315**	**6,790**	**6,292**	**5,730**
Sales (currency effect)	-88	-70	-42	-27	21	30	24	38	50	61	28	2	-89	-114	-18	173	-172	-83	-50
Gross profit	**525**	**388**	**274**	**262**	**226**	**285**	**267**	**284**	**304**	**303**	**301**	**332**	**364**	**331**	**1,047**	**1,158**	**1,328**	**1,316**	**1,315**
% margin	*28.4*	*25.4*	*22.2*	*20.5*	*19.3*	*19.7*	*19.6*	*18.1*	*18.1*	*17.8*	*18.6*	*18.9*	*20.3*	*20.4*	*20.4*	*18.3*	*19.6*	*20.9*	*22.9*
OPEX	-255	-247	-220	-224	-287	-263	-265	-263	-222	-269	-270	-273	-282	-276	-995	-1,019	-1,101	-1,096	-1,119
EBITDA bef. material special effects	**271**	**130**	**39**	**40**	**11**	**21**	**11**	**28**	**51**	**34**	**30**	**59**	**84**	**56**	**111**	**124**	**229**	**220**	**196**
Material special effects	-1	11	15	-2	-72	0	-8	-7	31	0	0	0	-2	0	-59	15	-2	0	0
EBITDA rep.	**270**	**141**	**54**	**38**	**-61**	**21**	**3**	**21**	**82**	**34**	**30**	**59**	**82**	**56**	**52**	**139**	**227**	**220**	**196**
% margin	*14.6*	*9.2*	*4.4*	*3.0*	*-5.2*	*1.5*	*0.2*	*1.3*	*4.9*	*2.0*	*1.9*	*3.4*	*4.6*	*3.4*	*1.0*	*2.2*	*3.3*	*3.5*	*3.4*
EBITDA rep. (curr. eff.)	-14	-8	-1	0	2	1	1	1	2	1	3	1	-8	-5	1	5	-9	-3	-1
EBIT	**240**	**111**	**24**	**4**	**-109**	**-13**	**-35**	**-13**	**49**	**2**	**8**	**38**	**60**	**35**	**-93**	**2**	**141**	**130**	**85**
Financial result	6	-6	-7	-7	-7	-9	-9	-11	-11	-10	-10	-8	-10	-7	-30	-41	-34	-33	-33
EBT	**246**	**105**	**17**	**-3**	**-116**	**-22**	**-44**	**-24**	**37**	**-9**	**-2**	**30**	**51**	**28**	**-124**	**-39**	**107**	**97**	**52**
Income taxes	-31	-19	5	-2	5	1	-7	1	-9	-1	-5	-8	-18	-7	9	-16	-38	5	-14
Net income	**215**	**86**	**22**	**-5**	**-111**	**-21**	**-51**	**-23**	**28**	**-10**	**-7**	**22**	**33**	**21**	**-114**	**-55**	**69**	**102**	**38**
Minority interests	3	1	1	0	0	0	1	0	0	0	0	0	0	0	2	1	0	1	1
Net income KCO	**212**	**85**	**21**	**-5**	**-111**	**-21**	**-51**	**-23**	**28**	**-10**	**-7**	**22**	**33**	**21**	**-116**	**-56**	**69**	**101**	**37**
EPS basic (€)	**2.13**	**0.85**	**0.21**	**-0.05**	**-1.11**	**-0.21**	**-0.51**	**-0.23**	**0.28**	**-0.10**	**-0.07**	**0.22**	**0.33**	**0.21**	**-1.16**	**-0.56**	**0.68**	**1.01**	**0.37**
EPS diluted (€)	**1.88**	**0.78**	**0.20**	**-0.05**	**-1.11**	**-0.21**	**-0.51**	**-0.23**	**0.27**	**-0.10**	**-0.07**	**0.21**	**0.31**	**0.20**	**-1.16**	**-0.56**	**0.66**	**0.96**	**0.37**
NWC*)	**1,282**	**1,107**	**967**	**1,062**	**1,135**	**1,228**	**1,119**	**1,356**	**1,407**	**1,525**	**1,277**	**1,495**	**1,446**	**1,344**	**967**	**1,119**	**1,277**	**1,132**	**1,120**
Net debt	**303**	**363**	**351**	**427**	**476**	**563**	**445**	**634**	**684**	**820**	**383**	**569**	**552**	**472**	**351**	**445**	**383**	**330**	**444**

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

SEGMENT OVERVIEW

Kloeckner Metals US

The **Kloeckner Metals US** segment consists of the entire business in the USA and Brazil. It covers all services from metal and steel distribution, processing to innovative and high-technology value-added business offered in this region. The segment accounted for ~40% of sales in 2020 and is therefore a main pillar of Klöckner & Co's strategic approach.

	Kloeckner Metals US						
(€m)	Q2 2021	Q1 2021	FY 2020	Q3 2020	Q2 2020	Q1 2020	FY 2019
Shipments (Tto)	633	619	2,339	599	527	649	2,660
Sales	845	662	2,076	515	478	601	2,659
Gross profit	233	166	374	92	77	104	415
EBITDA bef. mat. special effects	134	75	50	17	0	9	46
Cashflow from operating activities	5	25	85	46	44	-14	70

Kloeckner Metals Switzerland

The **Kloeckner Metals Switzerland** segment comprises of the specialty business located in Switzerland. Its core business of offering distribution solutions and services ranges from reinforcements to multi metal and technical products. It mainly serves in the construction, industry and commerce sectors.

	Kloeckner Metals Switzerland						
(€m)	Q2 2021	Q1 2021	FY 2020	Q3 2020	Q2 2020	Q1 2020	FY 2019
Shipments (Tto)	152	127	542	146	143	127	574
Sales	277	212	914	243	244	215	971
Gross profit	86	63	268	70	70	64	270
EBITDA bef. mat. special effects	32	10	62	17	24	10	55
Cashflow from operating activities	17	-14	62	17	27	-24	68

SEGMENT OVERVIEW

Kloeckner Metals Services Europe

The second European based segment is **Kloeckner Metals Services Europe**. The segment consists of service center activities in Europe, especially for flat steel and aluminum. Moreover, processing as well as innovative and high-technology value-added business that is related to those service center activities are incorporated.

	Kloeckner Metals Services Europe						
(€m)	Q2 2021	Q1 2021	FY 2020	Q3 2020	Q2 2020	Q1 2020	FY 2019
Shipments (Tto)	192	224	815	216	134	247	948
Sales	174	186	607	159	98	186	749
Gross profit	31	33	83	23	10	25	100
EBITDA bef. mat. special effects	11	13	19	7	-2	5	26
Cashflow from operating activities	23	24	29	-2	13	13	54

Kloeckner Metals Distribution Europe

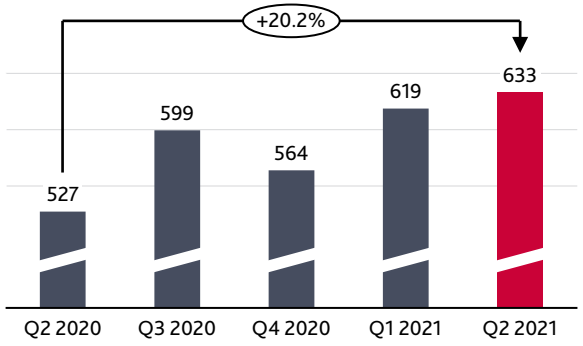
The third segment that is geographically based in Europe is **Kloeckner Metals Distribution Europe**. While also offering processing and higher value-added services and products, its core business is related to the general steel and metal distribution in the covered European countries besides Switzerland. Kloeckner Metals Distribution Europe is the second largest segment of the Group.

	Kloeckner Metals Distribution Europe						
(€m)	Q2 2021	Q1 2021	FY 2020	Q3 2020	Q2 2020	Q1 2020	FY 2019
Shipments (Tto)	318	317	1,177	280	266	342	1,466
Sales	551	465	1,533	362	352	446	1,936
Gross profit	175	126	322	78	69	92	372
EBITDA bef. mat. special effects	87	43	7	4	-6	3	21
Cashflow from operating activities	39	-4	10	9	21	-59	30

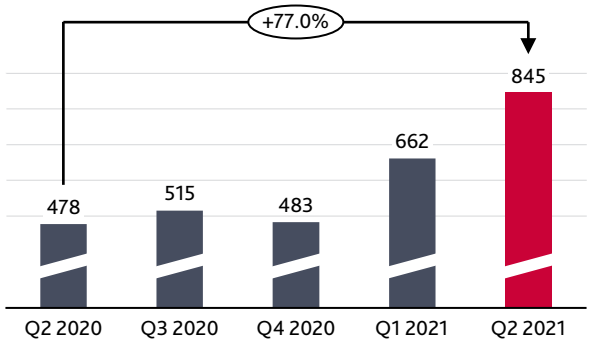
SEGMENT PERFORMANCE

KM US

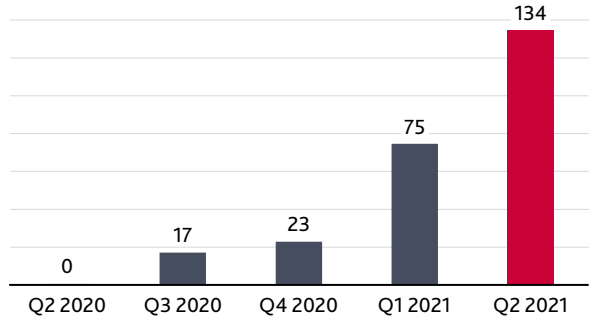
Shipments (Tto)



Sales (€m)

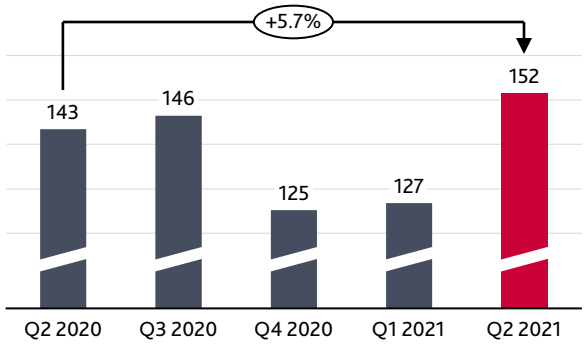


EBITDA*) (€m)

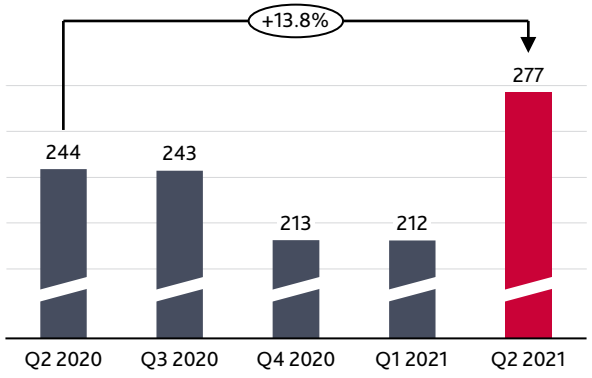


KM Switzerland

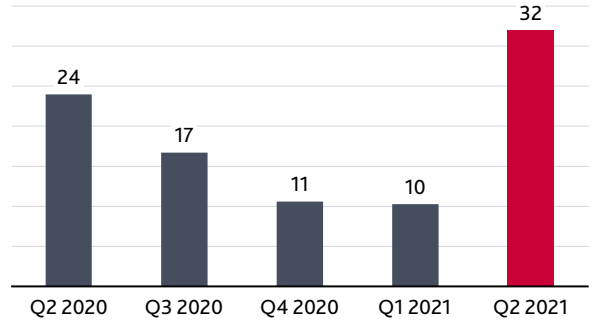
Shipments (Tto)



Sales (€m)



EBITDA (€m)

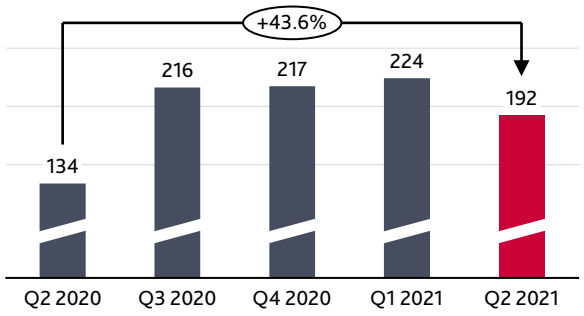


*) Adjusted in Q2, Q3 and Q4 2020 and Q1 and Q2 2021 for material special effects in the US.

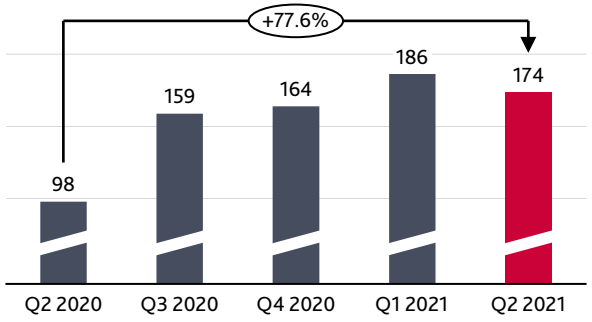
SEGMENT PERFORMANCE

KM Services

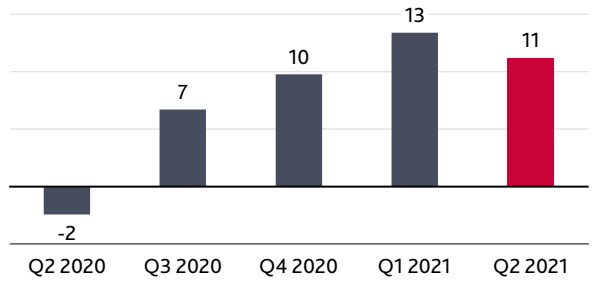
Shipments (Tto)



Sales (€m)

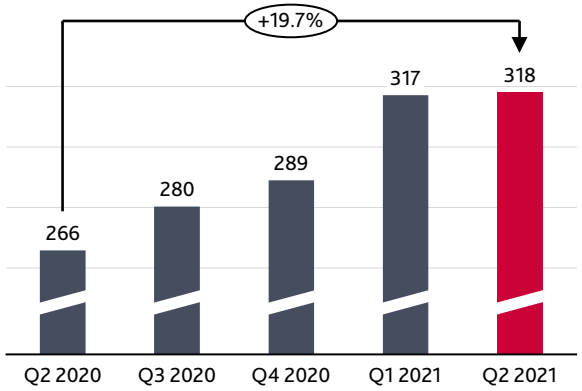


EBITDA*) (€m)

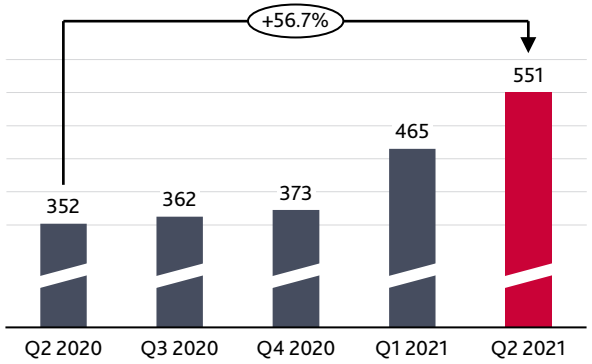


KM Distribution

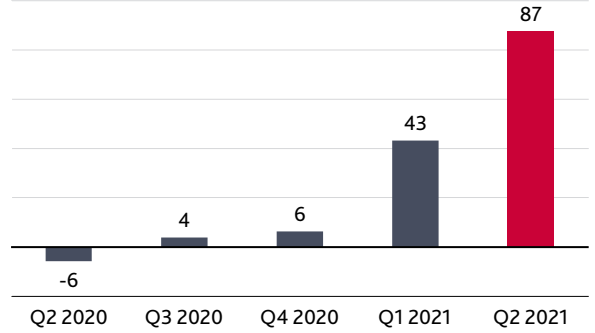
Shipments (Tto)



Sales (€m)



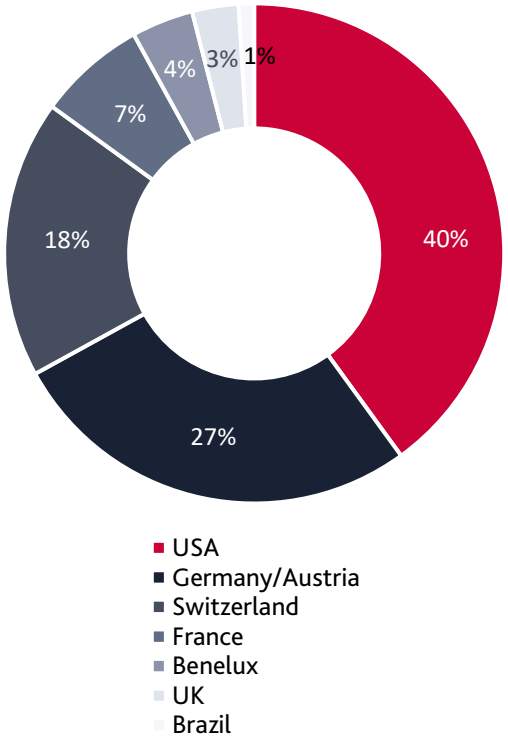
EBITDA**) (€m)



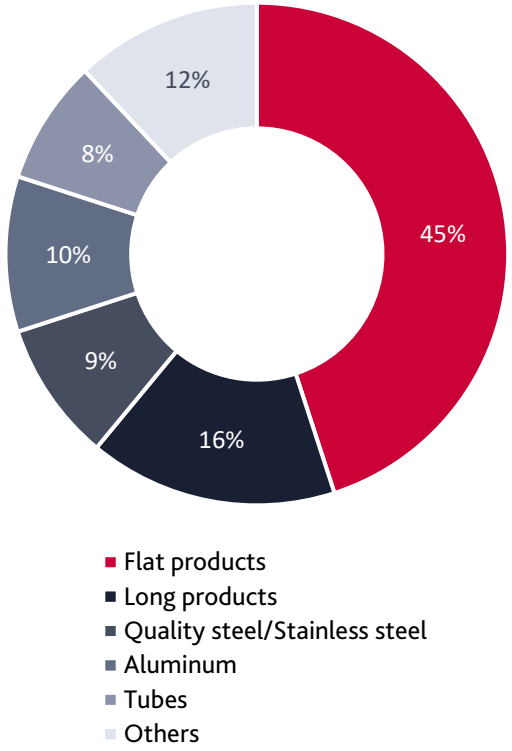
*) Adjusted for material special effects in Q2 and Q4 2020.
**) Adjusted for material special effects Q2, Q3, Q4 2020 and Q1, Q2 2021.

SALES BY MARKETS, PRODUCTS AND INDUSTRIES

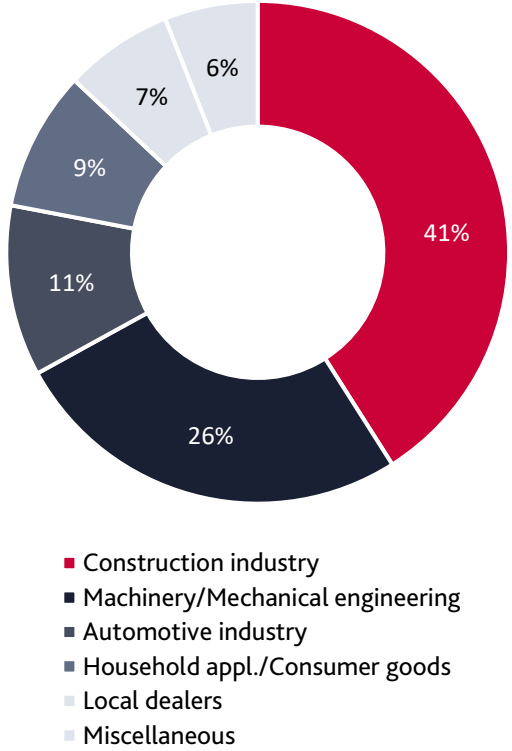
Sales by markets



Sales by products



Sales by industries

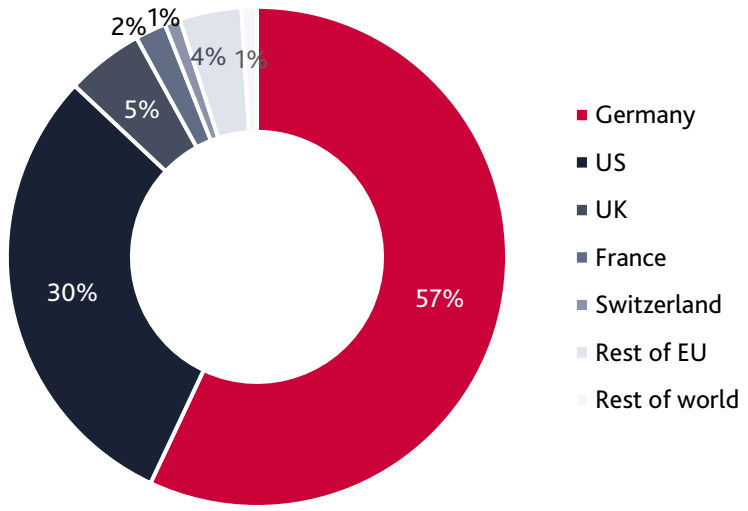


As of December 31, 2020.

CURRENT SHAREHOLDER STRUCTURE

Geographical breakdown of identified institutional investors

- Identified institutional investors account for 66%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 50%
- Retail shareholders represent 22%



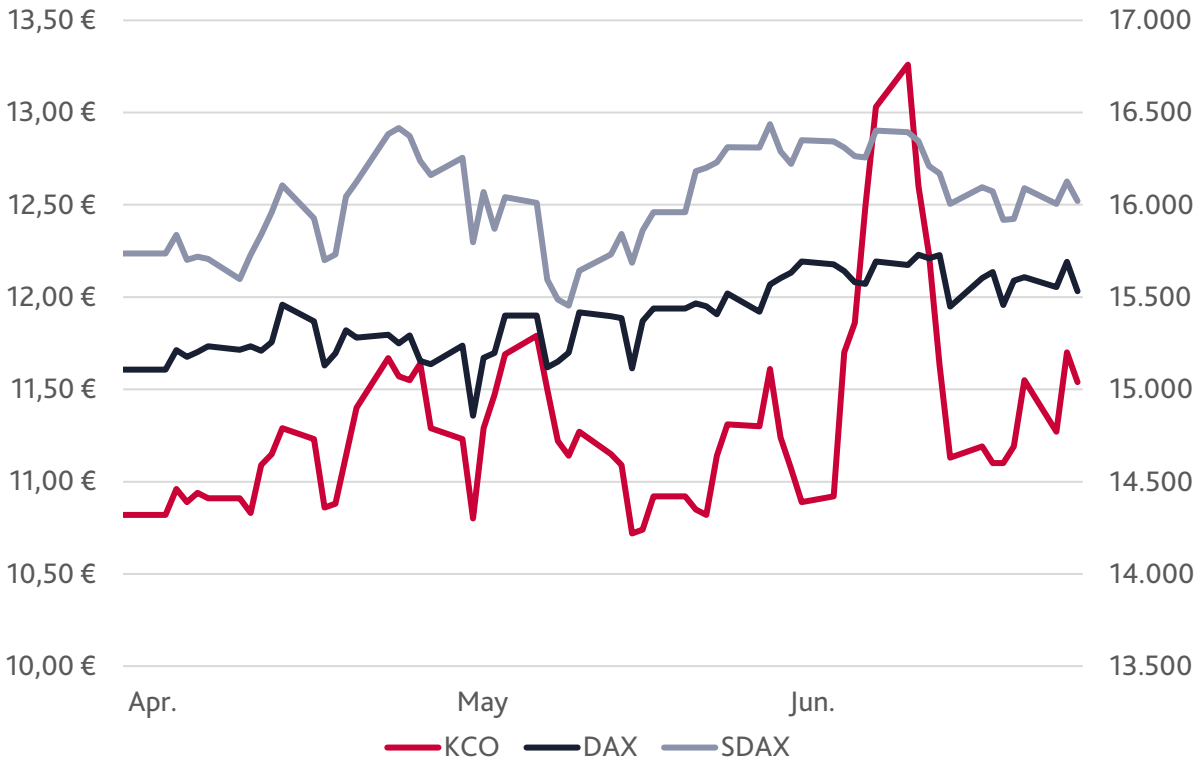
As of July 2021.

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%
22/05/2019	Claas Edmund Daun	3.05%

*) The table lists all shareholders holding 3 % or more voting rights in Klöckner & Co SE due to the most recent voting rights notifications as of June 24, 2021 (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.

SHARE PRICE PERFORMANCE IN Q2 2021



- The share price of Klöckner & Co moved sideways at the beginning of Q2 2021 reaching its lowest level of €10.72 on May 19
- The share price increased sharply thereafter reaching its highest level of €13.26 on June 14, however, the capital markets environment remained highly volatile
- It went out of trading at €11.54 on June 30

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 cannot be guaranteed. If there is a possibility of dividend distribution, we will 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 neither in 2011, 2012 and 2013 nor 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 and 2018 fiscal year
- No dividend payment due to losses in 2019
- Due to negative net income no dividend for 2020

Dividend payment per share

2006	2007	2008 - 2009	2010	2011 - 2013	2014	2015	2016	2017	2018	2019	2020
€0.80	€0.80	-	€0.30	-	€0.20	-	€0.20	€0.30	€0.30	-	-

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FINANCIAL CALENDAR

November 3, 2021
Q3 quarterly statement 2021

March 9, 2022
Annual Financial Statement 2021

May 4, 2022
Q1 quarterly statement 2022

June 1, 2022
Annual General Meeting 2022

August 3, 2022
Half-yearly financial report 2022

November 3, 2022
Q3 quarterly statement 2022