Klöckner & Co SE

A Leading Multi Metal Distributor

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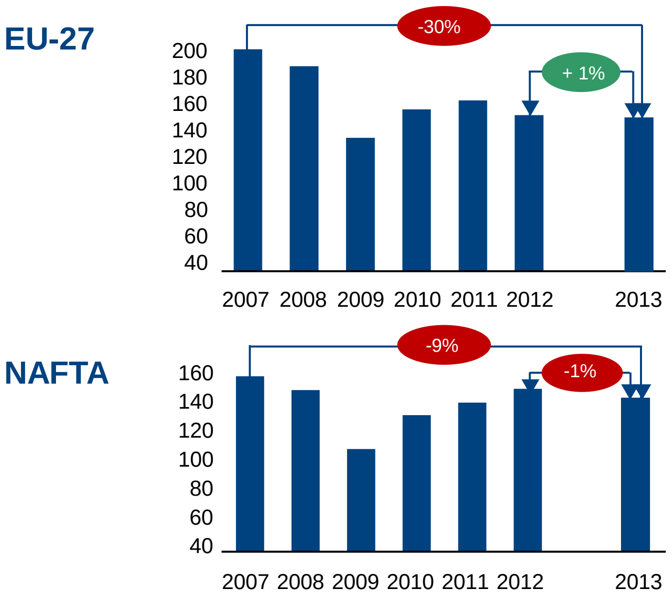
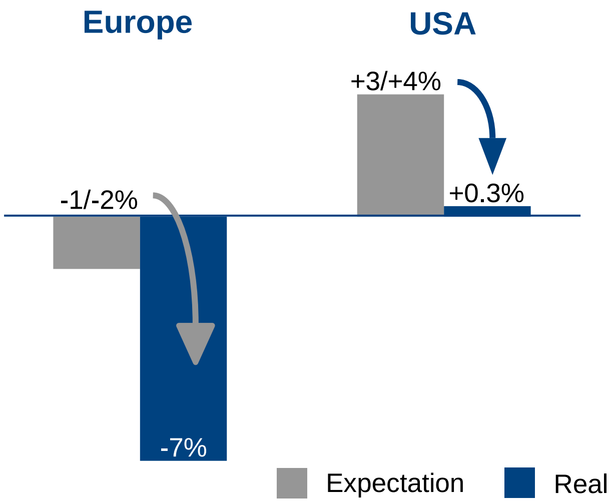
01 Steel demand very weak in 2013 – most of all in Europe

- Steel demand in Europe remains 30% and in the US 9% below pre crisis level
- Further decline of demand in steel distribution in Europe and only lateral movement in the US

Steel demand total (in mt)



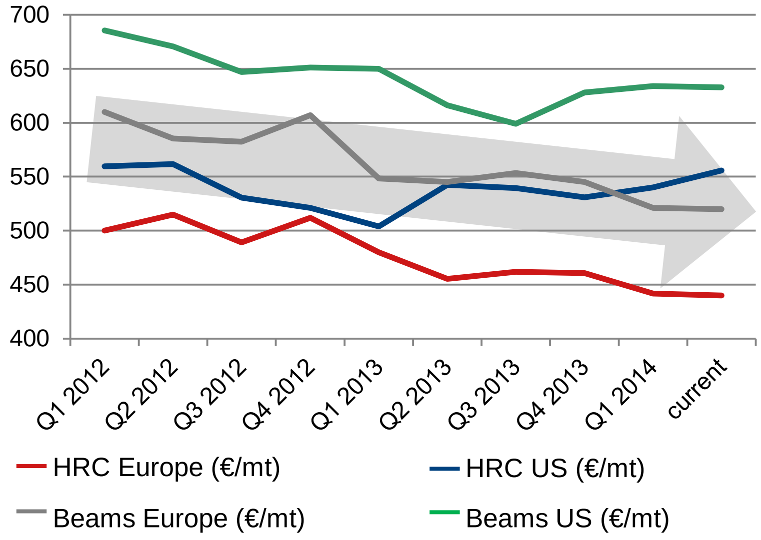
Steel demand distribution sector in 2013



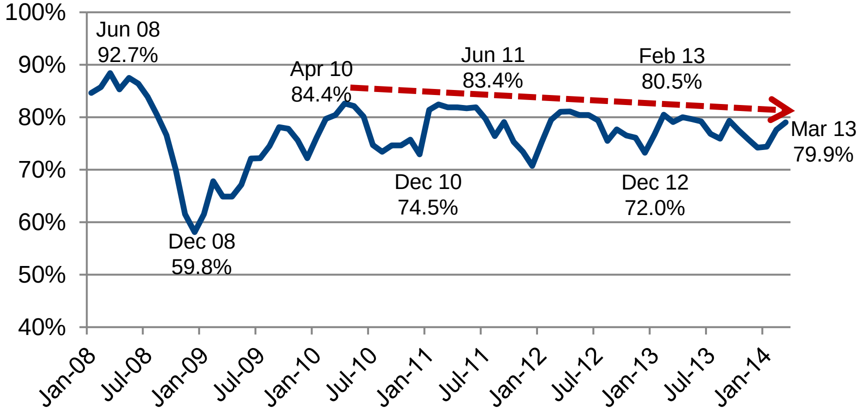
01 Prices and capacity utilization still largely on negative trend

- Slight recovery of steel prices in the US only towards the end of the year

Price development



Worldwide capacity utilization



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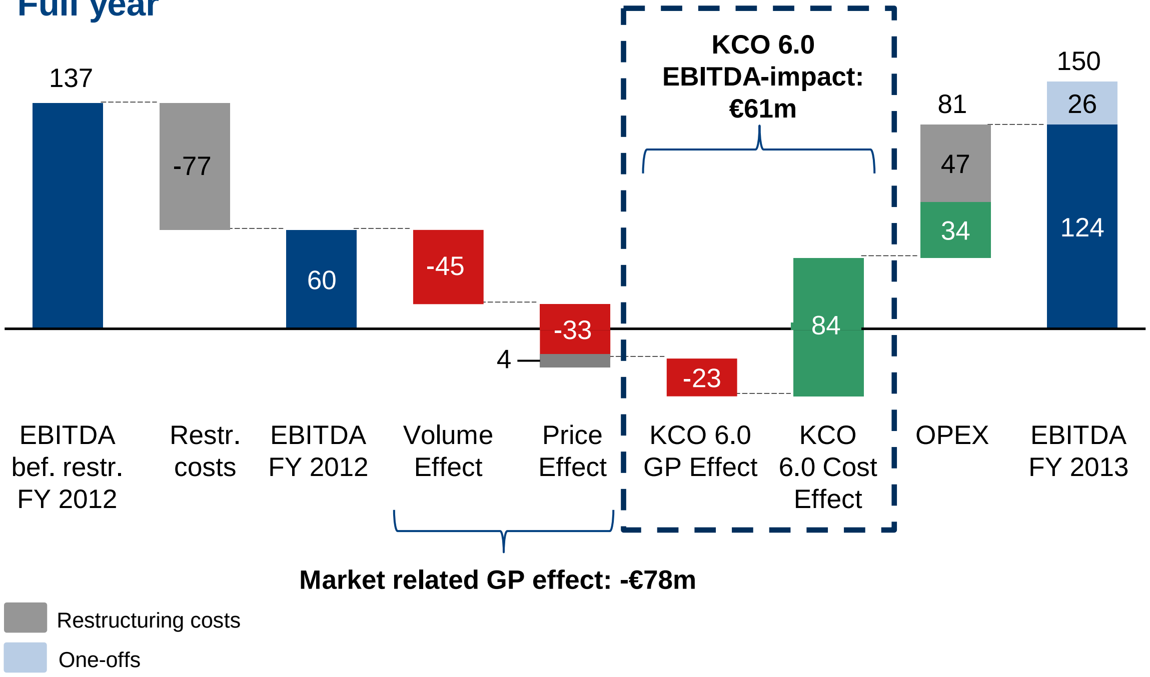
Negative market impacts largely offset by KCO 6.0 restructuring program

KCO 6.0 EBITDA-impact

Full year



Comments

- Cost cuts of €84m achieved through KCO 6.0
- EBITDA-impact of €61m realized through KCO 6.0
- EBITDA before restructuring expenses increased from €137m to €150m

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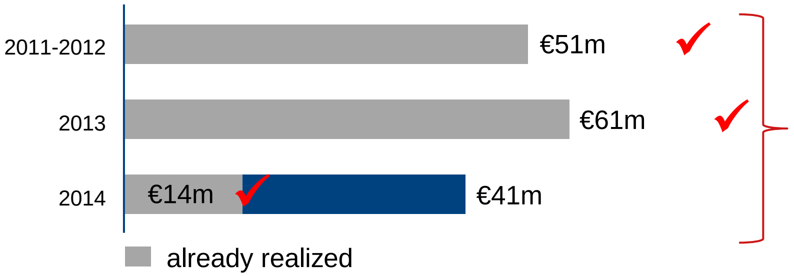
01 KCO 6.0 restructuring program fully implemented by 2013 year-end

Measures

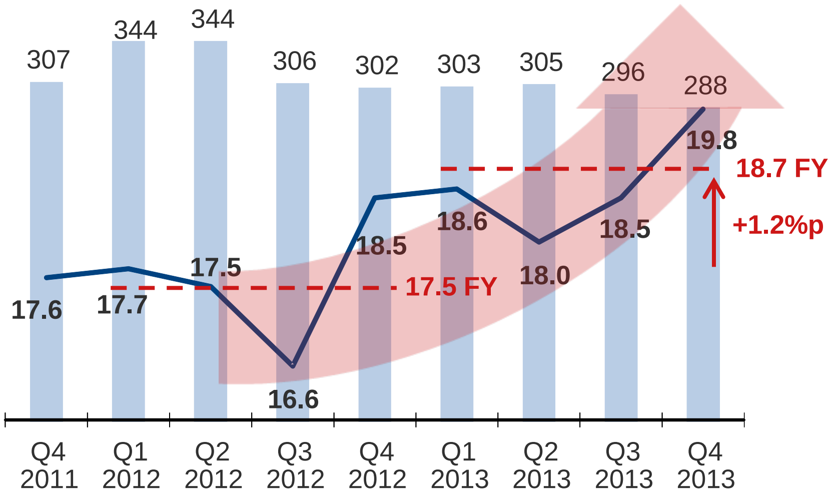
- Total headcount reduction of 2,300 = 1/5 of total workforce
- Total site closures 71 = 1/4 of total sites
- Total cost reduction of €174m (€148m realized)
- Total annual EBITDA-impact of €150m (€126m realized)
- Reduction of NWC by €133m (€130m realized)



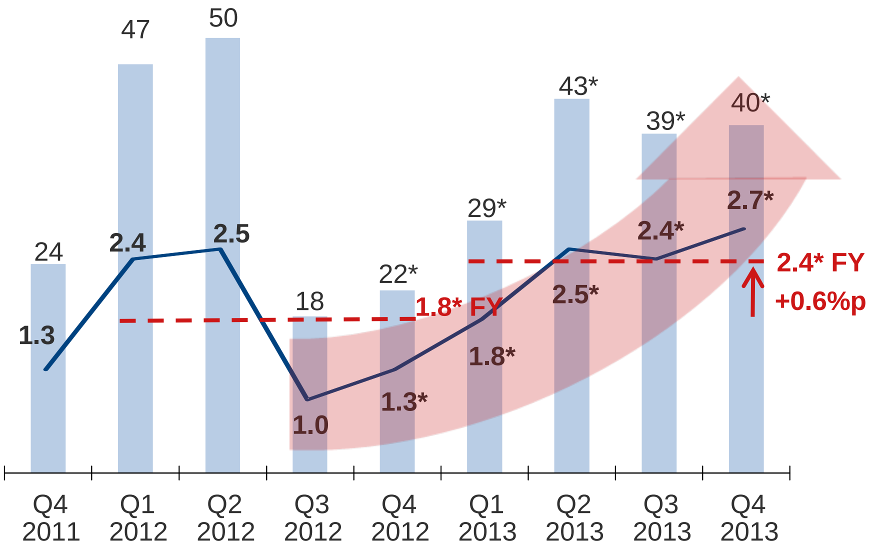
Total annual EBITDA-impact of €150m from 2014 onwards

Continuous improvement in gross profit margin and EBITDA margin

Gross profit (€m) / Gross profit margin (%)



EBITDA (€m) / EBITDA margin (%)



* Before restructuring costs

Earnings and cash flow increased in 2013

Turnover, sales, earnings and cash flow

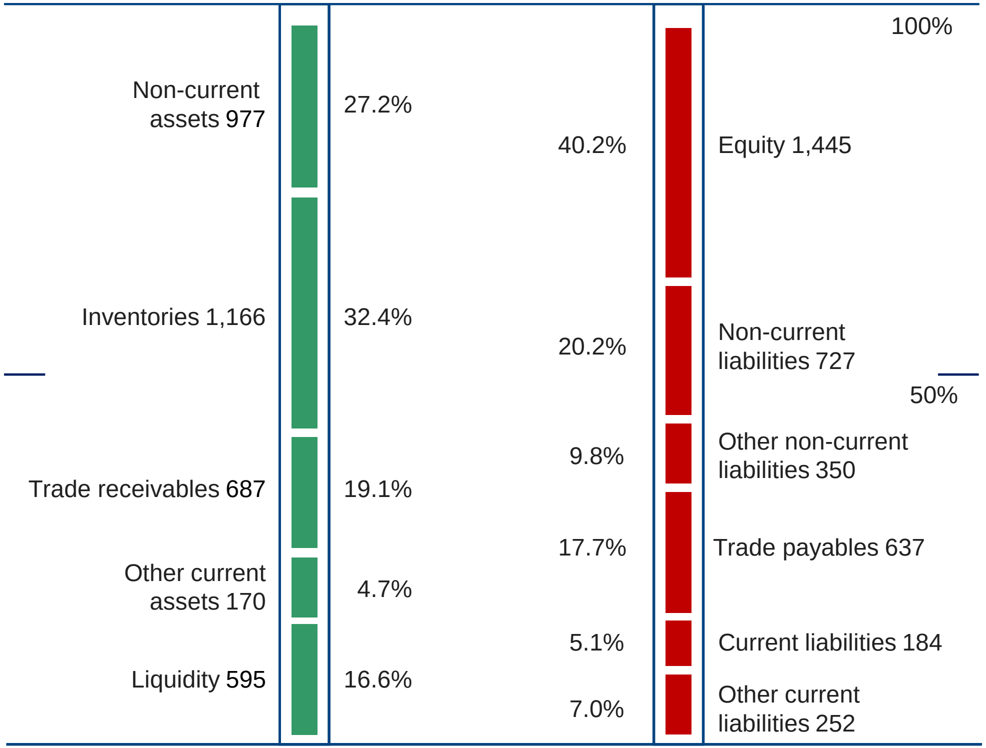
(€m)	FY 2013	FY 2012	Δ
Turnover (in Tto)	6,445	7,068	-623
Sales	6,378	7,388	-1,010
EBITDA	124	60	+64
EBITDA before restructuring	150	137	+13
Net income	-90	-203	+113
Cash flow from operating activities	143	101	+42
Free cash flow	107	67	+40

Comments

- Turnover and sales market and restructuring related significantly lower
- Net income burdened by restructuring costs (€26m) and impairments from acquisitions (€24m)
- Cash flow again positive and up against prior year due to strict NWC-management

01 Balance sheet held strong despite net loss

Balance sheet as of December 31, 2013: €3,595m



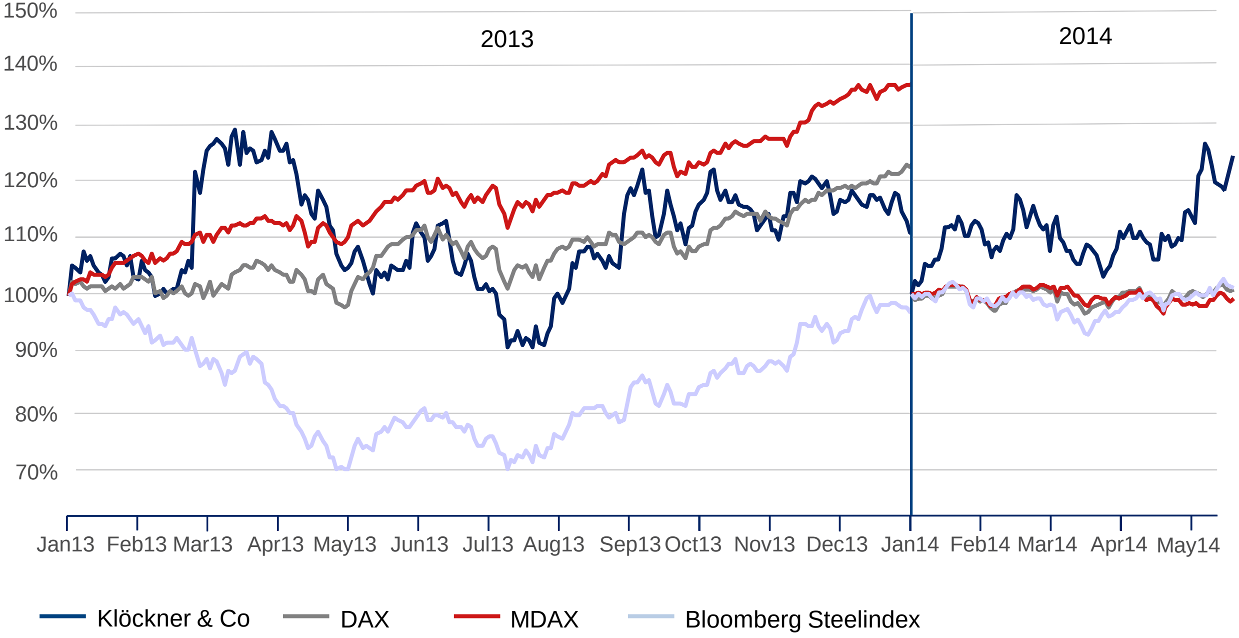
Comments

- Equity ratio slightly increased to 40%
- NWC reduced from €1,407m to €1,216m against prior year
- Liquidity of €595m on par with prior year level
- Net debt reduced to €325m
- Gearing* reduced from 29% to 23%

* Gearing = Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combination.

01 Share price performance not yet satisfactory in 2013, but outperformer in 2014

Performance Klöckner & Co-share in comparison to DAX®, MDAX® and Bloomberg Europe Steel Index® (values indexed)



Broker recommendation

- Number of ratings -

	May 2014
Buy	17
Hold	9
Sell	6

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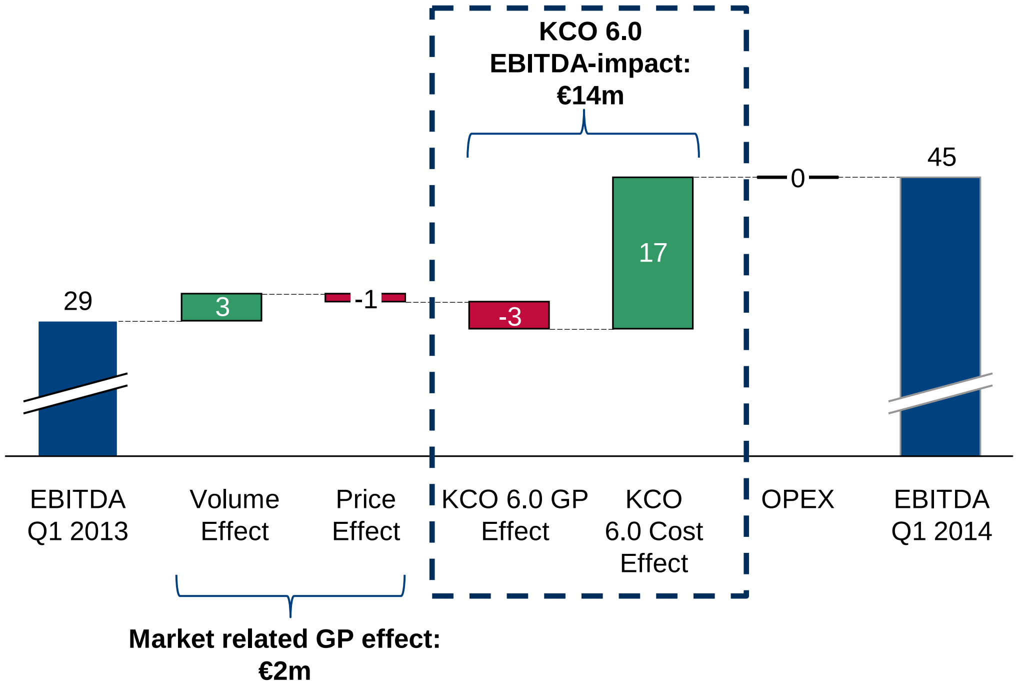
Substantial EBITDA improvement in Q1 2014, once again from KCO 6.0 measures

KCO 6.0 EBITDA-impact

Q1

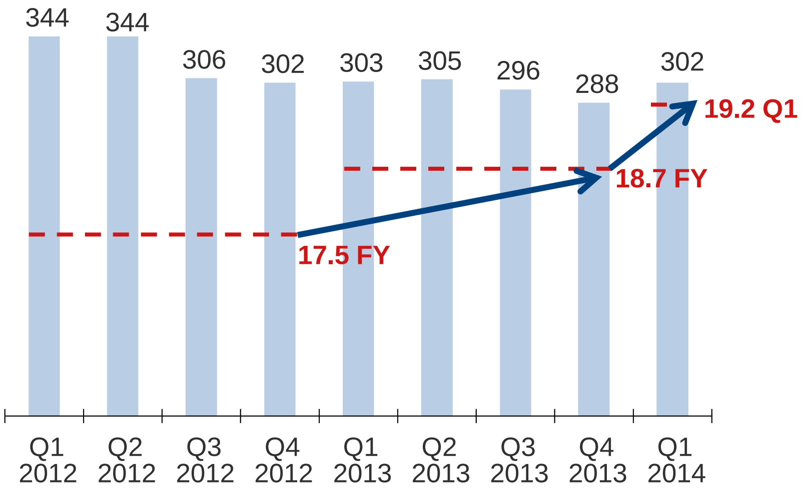


Comments

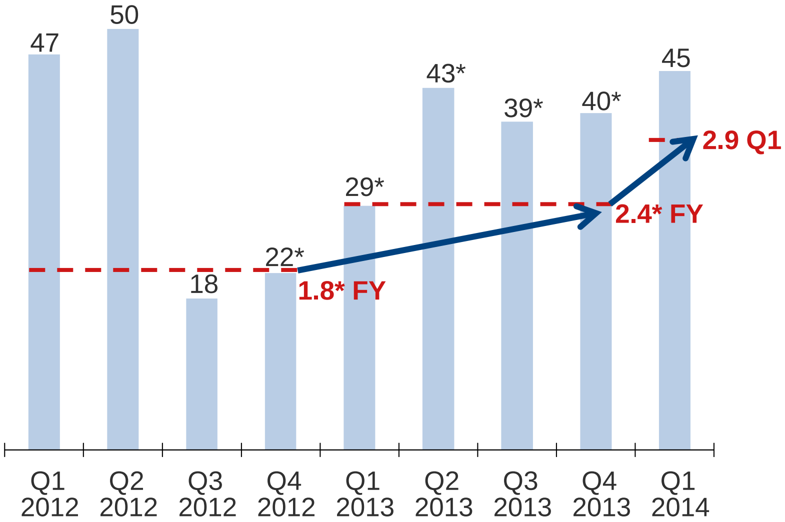
- Cost cuts through KCO 6.0 of €17m
- EBITDA-impact of €14m realized through KCO 6.0
- EBITDA margin improved in total by 1.1%p to 2.9%

01 Gross profit margin and EBITDA margin further increased also in Q1 2014

Gross profit (€m) / Gross profit margin (%)



EBITDA (€m) / EBITDA margin (%)



* Before restructuring costs

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01 Q1 net income back into positive figures for first time after turnaround

Turnover, sales, earnings and cash flow

(€m)	Q1 2014	Q1 2013	Δ
Turnover (in Tto)	1,633	1,646	-13
Sales	1,572	1,625	-53
EBITDA	45	29	+16
EBITDA before restructuring	23	2	+21
Net income	3	-16	+19
Cash flow from operating activities	-65	-35	-30
Free cash flow	-71	-41	-30

Comment

- Turnover on par with prior year level despite restructuring related cutbacks in low margin business
- Declining D&A and lower interest expenses strengthen net income

01 European steel demand forecast to pick up in 2014, with even stronger growth in USA

Europe		US
+1-2%*	**GDP**	+2-3%*
	Construction industry	
	Machinery and mechanical engineering	
	Automotive industry	
+2%	**Steel demand**	+3-4%

*Expectation corresponding to Bloomberg Consensus

01 Targeting positive net income and resumption of dividend payments

Expectations for Q2 2014

- Seasonal increase in turnover
- EBITDA in Q2 to come in between €50m - €60m

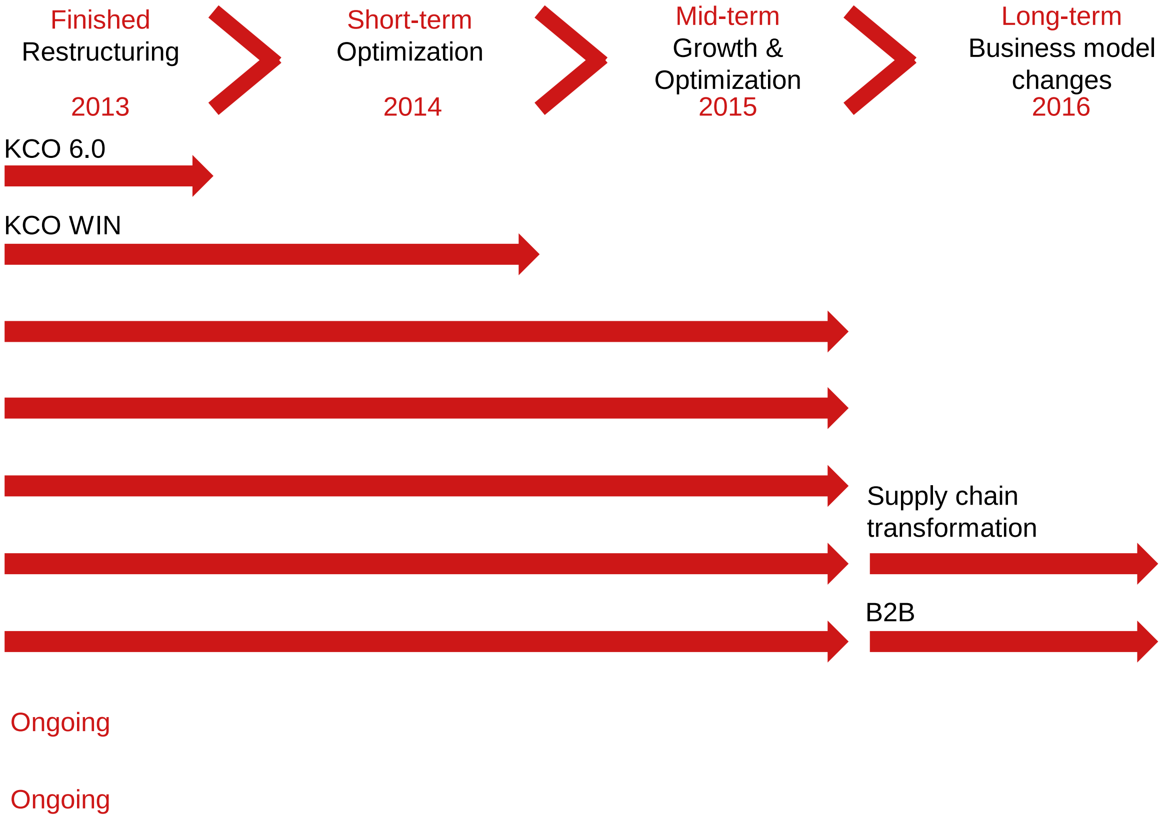
Expectations for FY 2014

- Turnover and sales to be slightly up
- EBITDA to be significantly up compared to last year‘s figure mainly driven by €41m KCO 6.0, €20m KCO WIN and €10m acquisition contribution
- Reduction of IDA costs by some €25m to €155m
- Positive net income
- Adequate dividend payment for fiscal year 2014

01 Further improvement in earnings through comprehensive transformation

Klöckner & Co 2020

Stabilization	Restructuring
Growth and optimization	Operations
	External & internal growth
Differentiation	Broad & higher value-add product range
	Higher value-add processing
	Optimized supply chain
	Advanced tools & systems
Enabling activities	Management & pers. development
	Controlling & IT systems



01 Additional short-term positive earnings impact from KCO WIN

Effective salesforce management

- Advanced customer segmentation
- Structured sales approach
- Clear target-setting on all levels
- Performance tracking and regular performance reviews
- Target-oriented incentive schemes
- Continuous sales staff training

Improved pricing

- Key elements laid out in pricing manual
- Price guidance based on net margins
- Systematic transaction reviews and metric measures to track implementation of pricing set

Effective sourcing, logistics and warehouse management

- Further bundling, special deals and increase of bonus yields
- Introduction of paperless warehouse processes
- More usage of state of the art warehouse technology

Total annual EBITDA-impact of €50m from 2015 onwards

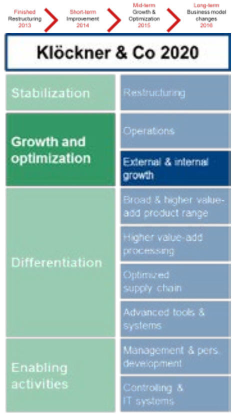
01 Clear acquisition strategy to support growth in higher-margin business

External growth

- External growth with focus on targets which fulfill the following requirements:
  - Companies which support our strategy of increasing higher margin processing through corresponding processing facilities preferably supported by state of the art systems and experienced sales force
  - Companies with higher value-add products as long as they can be integrated in our network. Regional-wise the USA would be preferred because of better growth perspective
  - In the absence of significant scale effects caused by overcapacities other targets would be only of interest if they are a real bargain

Organic growth

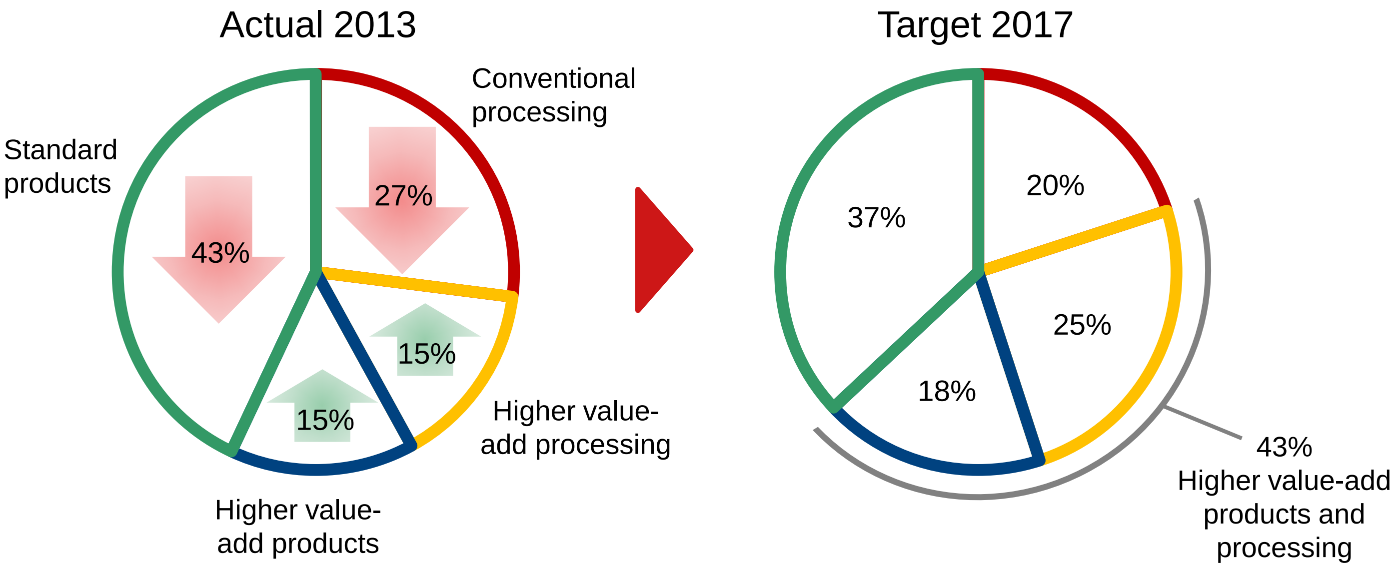
- Organic growth will be realized especially in the US-market



Higher-margin products and processing to increase to over 50% of sales in the long term

- Target is to increase share of higher margin processing from 15% to 25% and share of higher value-add products from 15% to 18% by 2017

Share of total sales



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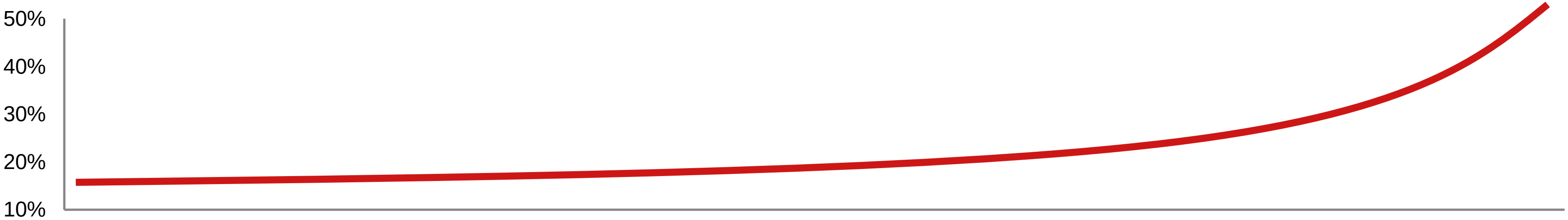
01 Above-average scope for higher margins in higher value-add processing

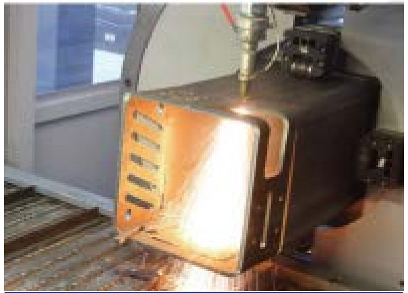
Gross profit margin



Hollow sections for steel construction

Commodity stockholding

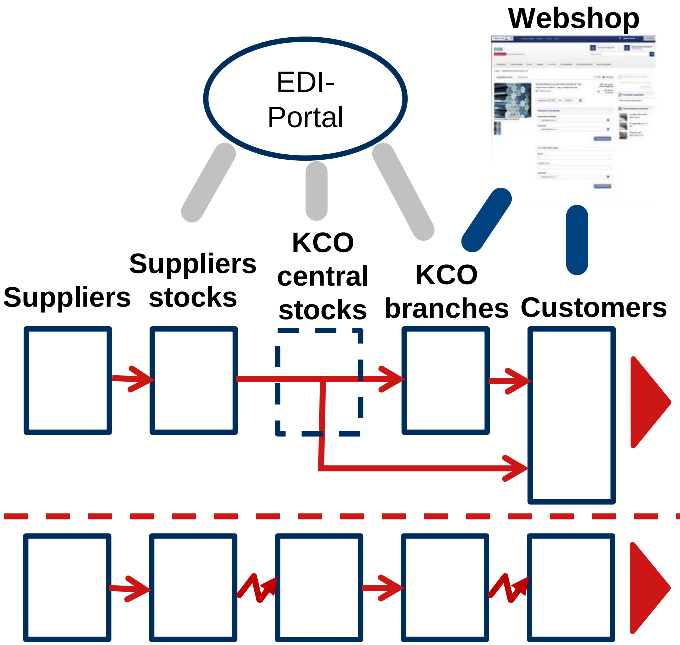
Lower-margin processing
Sawing



Higher value-add processing
3D tube laser

01 Added potential with webshops and online supplier integration

- By end of next year all country organizations will have implemented the new webshop
- Target of generating at least 50% of sales online in five years



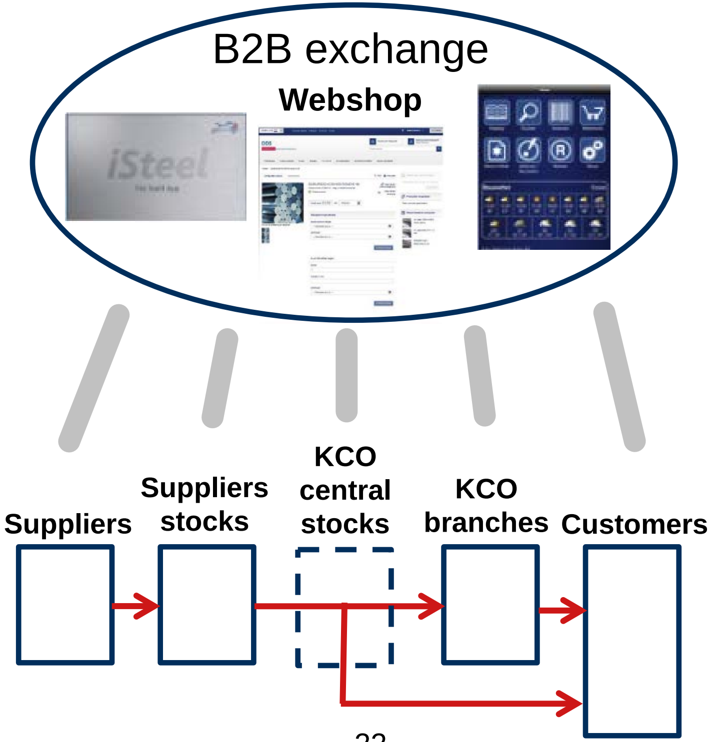
- Online connection to suppliers to allow direct access to their floor stocks
- Increase of sales per customer and gaining new customers through webshop solution
- Realization of significant savings per order

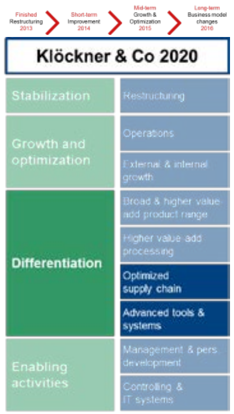
Conventional steel distribution supply chain highly inefficient:

- Disconnected flow of information
- Multiple stocking, too many picks
- Unsteady delivery from mills

Goal of integrating all online applications in a single B2B exchange

- Webshop, EDI-Portal and further applications merged into B2B exchange, to ease online integration of suppliers and to enable a seamless information flow





01 Systematically implementing all planned measures leverages major potential for improvement

Klöckner & Co 2020

Stabilization	Restructuring	Makes sure that **profitability** is improving further
Growth and optimization	Operations	
	External & internal growth	Supports our **growth** target
Differentiation	Broad & higher value-add product range	Creates **competitive advantage**
	Higher value-add processing	
	Optimized supply chain	
	Advanced tools & systems	
Enabling activities	Management & pers. development	Provides necessary **capabilities**
	Controlling & IT systems	

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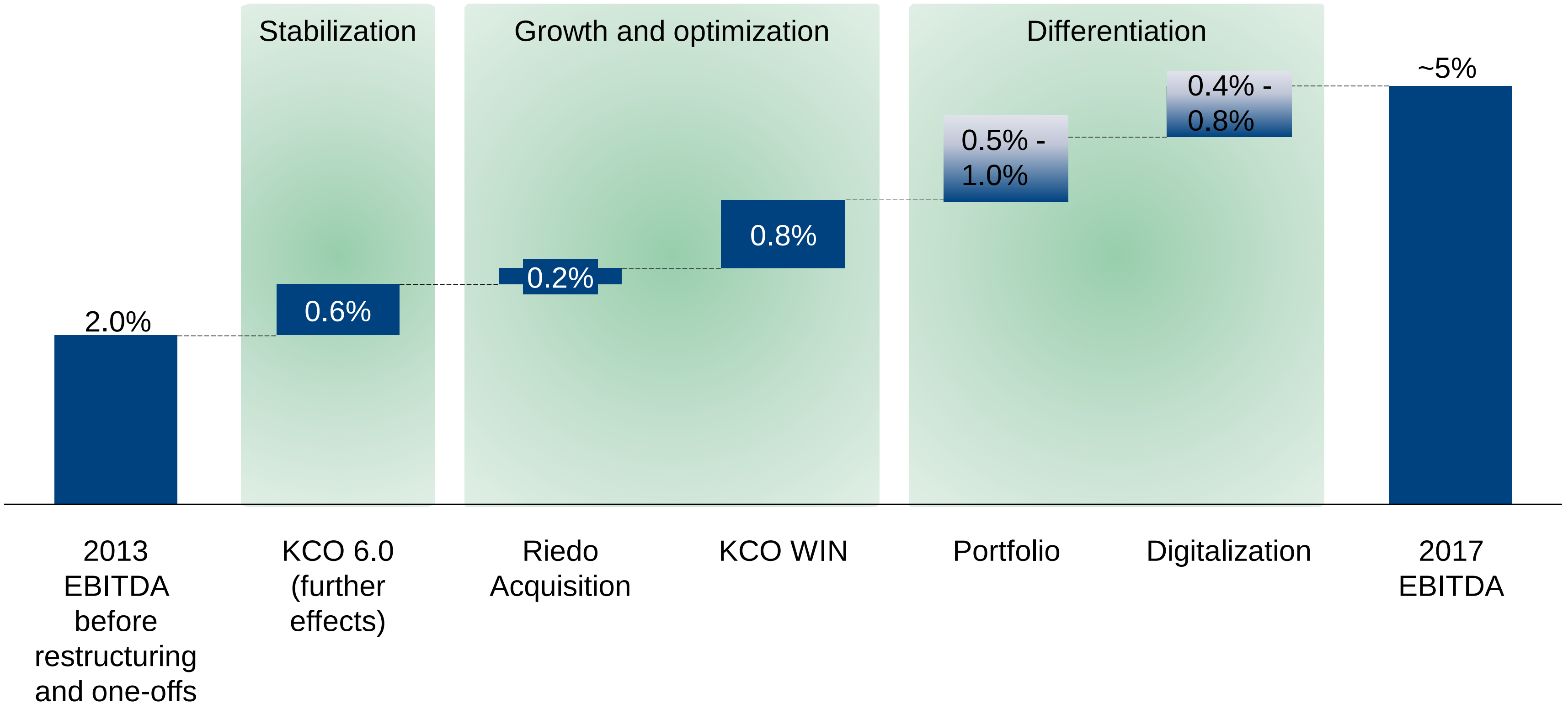
01 Targeted increase in EBITDA margin to 5% by 2017



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