



Klöckner & Co SE

A Leading Multi Metal Distributor



Gisbert Rühl
CEO

Annual General Meeting 2015

May 12, 2015



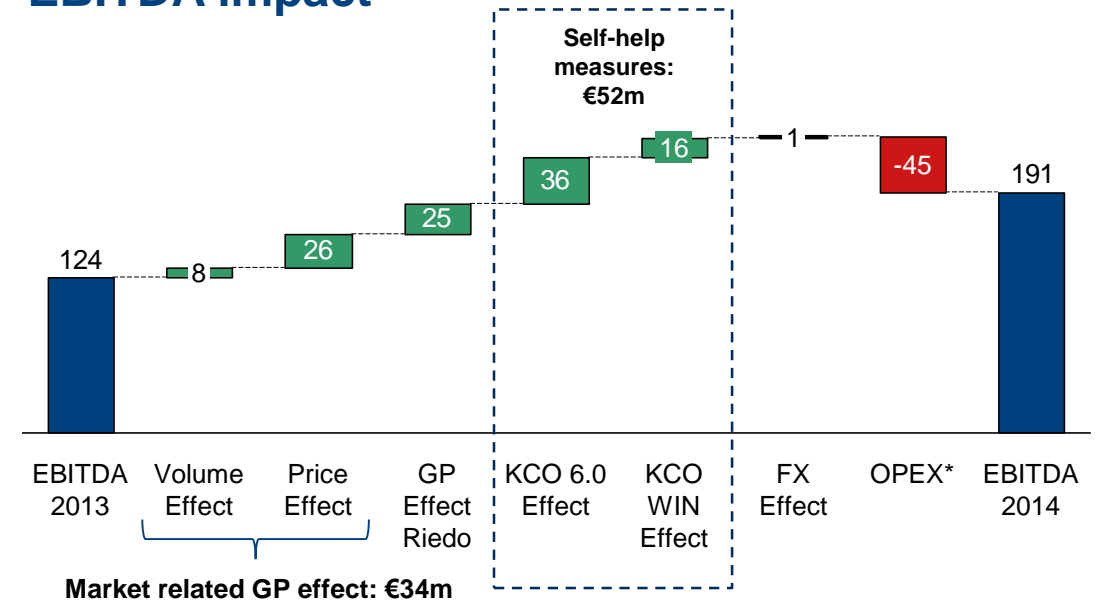
This presentation contains forward-looking statements which reflect the current views of the management of Klöckner & Co SE with respect to future events. They generally are designated by the words “expect”, “assume”, “presume”, “intend”, “estimate”, “strive for”, “aim for”, “plan”, “will”, “endeavor”, “outlook” and comparable expressions and generally contain information that relates to expectations or goals for economic conditions, sales proceeds or other yardsticks for the success of the enterprise. Forward-looking statements are based on currently valid plans, estimates and expectations. You therefore should view them with caution. Such statements are subject to risks and factors of uncertainty, most of which are difficult to assess and which generally are outside of the control of Klöckner & Co SE. The relevant factors include the effects of significant strategic and operational initiatives, including the acquisition or disposition of companies. If these or other risks and factors of uncertainty occur or if the assumptions on which the statements are based turn out to be incorrect, the actual results of Klöckner & Co SE can deviate significantly from those that are expressed or implied in these statements. Klöckner & Co SE cannot give any guarantee that the expectations or goals will be attained. Klöckner & Co SE – notwithstanding existing obligations under laws pertaining to capital markets – rejects any responsibility for updating the forward-looking statements through taking into consideration new information or future events or other things.

In addition to the key data prepared in accordance with International Financial Reporting Standards, Klöckner & Co SE is presenting non-GAAP key data such as EBITDA, EBIT, Net Working Capital and net financial liabilities that are not a component of the accounting regulations. These key data are to be viewed as supplementary to, but not as a substitute for data prepared in accordance with International Financial Reporting Standards. Non-GAAP key data are not subject to IFRS or any other generally applicable accounting regulations. Other companies may base these concepts upon other definitions.



(€m)	FY 2014	FY 2013	Δ	Δ%
Shipments (in Tto)	6,598	6,445	+153	+2.4
Sales	6,504	6,378	+126	+2.0
Gross profit	1,261	1,188	+73	+6.1
EBITDA	191	124	+67	+53.3
Net income	22	-90	+112	n.a.
Cash flow from operating activities	50	143	-93	-64.9
Free cash flow	-82	107	-189	n.a.

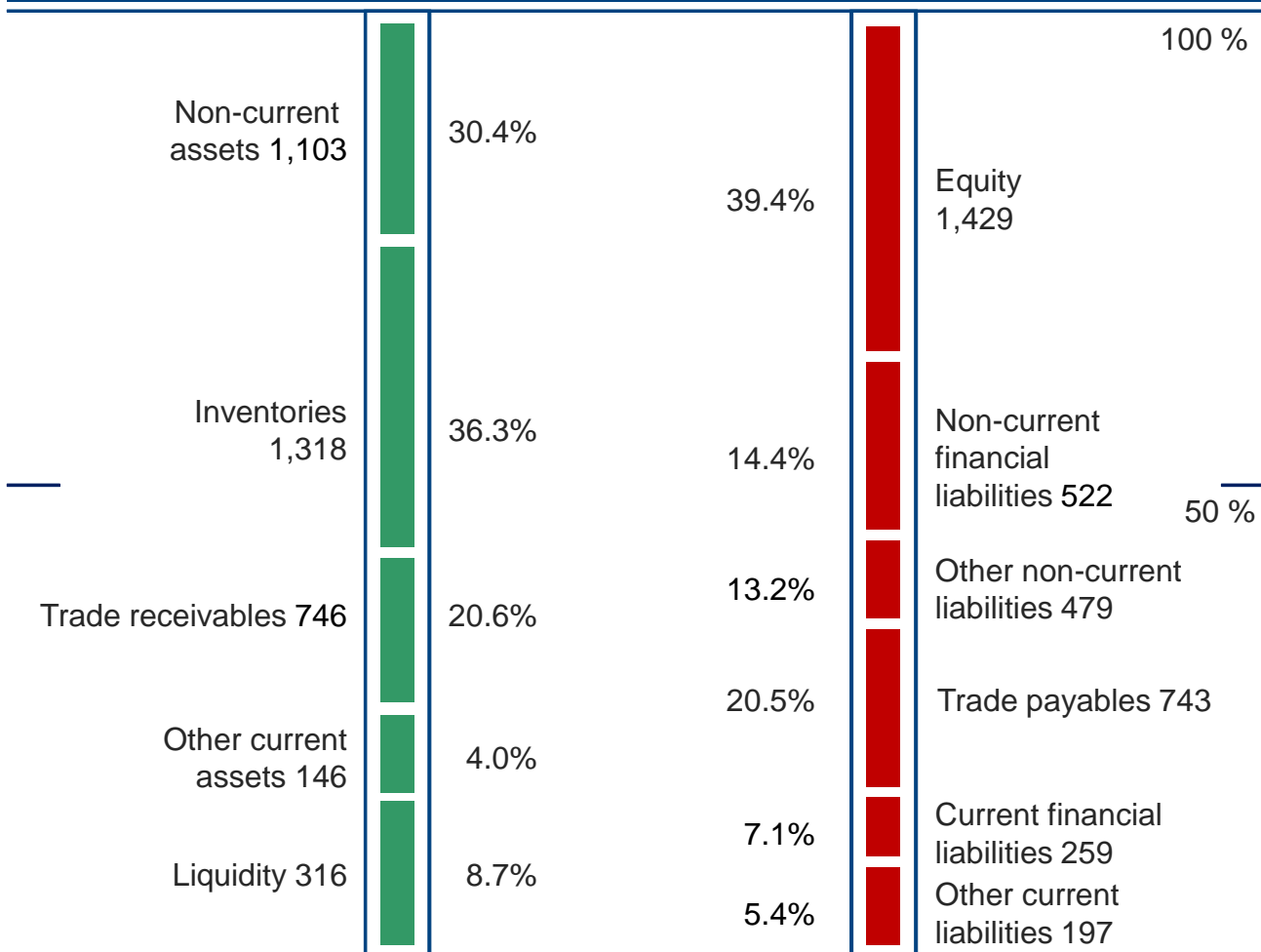
EBITDA impact



* Including -€14m pension adjustment NL 2013 and -€13m Riedo.



Balance sheet as of December 31, 2014: €3,629m



Facility	Committed (€m)	Drawn amount (€m, IFRS)
		Dec 31, 2014*
Syndicated Loan	360	101
ABS (Europe, US)	587	221
Promissory Notes	185	187
Convertible 2010 ¹⁾	186	178
Bilateral Facilities ²⁾	576	101
Total Debt	1,894	788
Cash		316
Net Debt		472

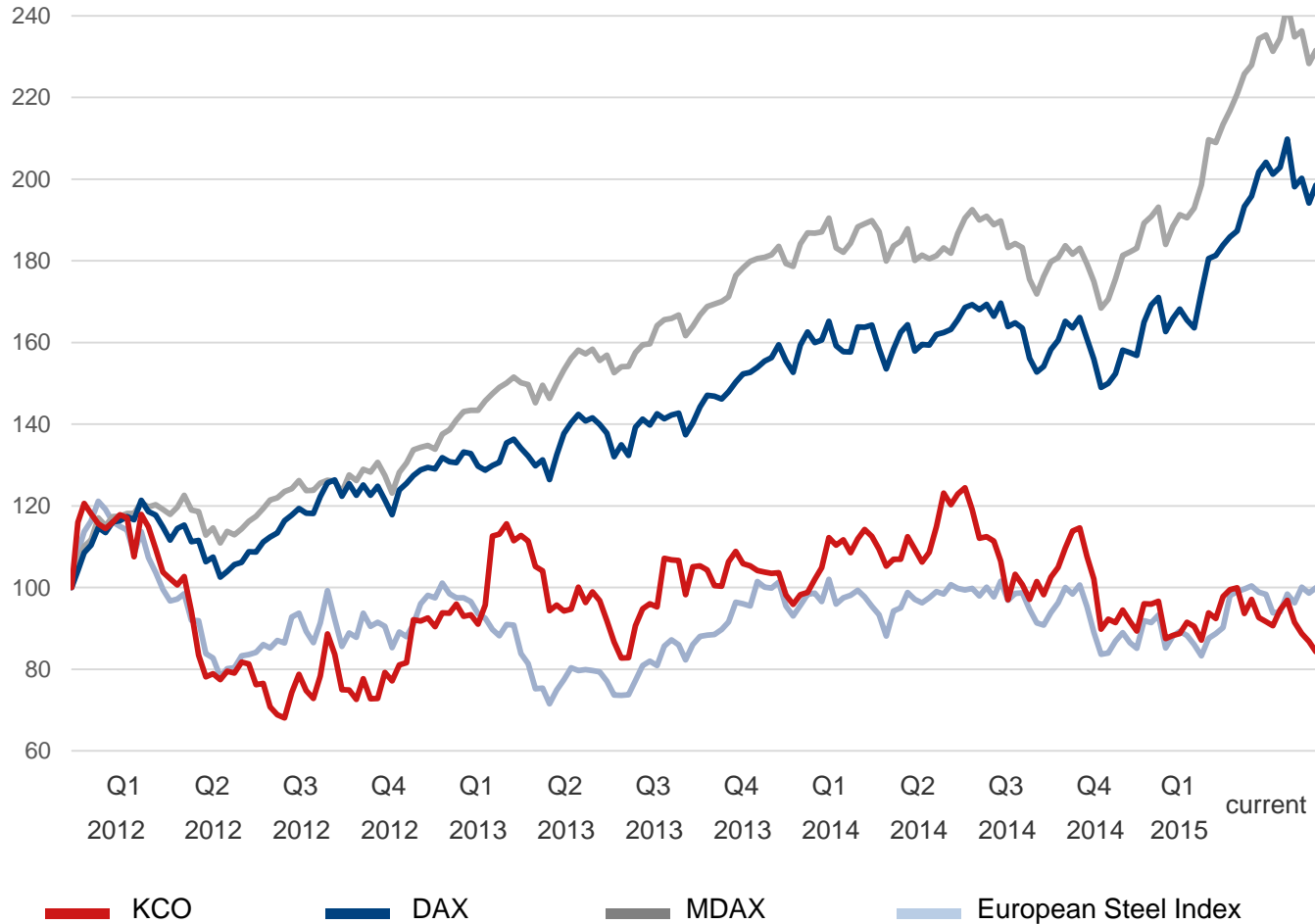
*Including interest accrued, excluding deferred transaction costs

1) Drawn amount excludes equity component

2) Including finance lease



01 Consistently positive development not reflected in the share price

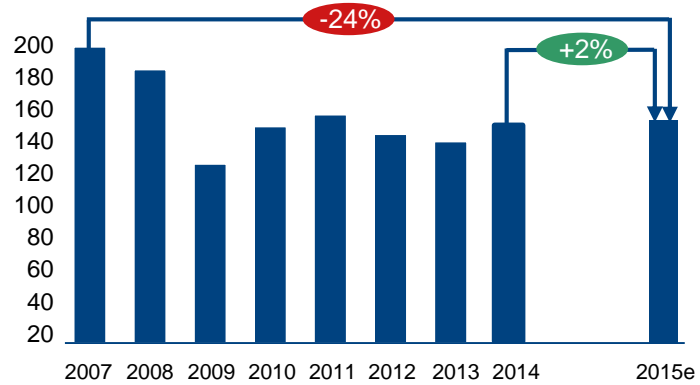


- Current earnings development shows the still too high dependency on the fluctuating steel prices
- Share price performance with a high correlation to Bloomberg Europe Steel Index
- Significantly weaker performance of the European Steel Index, compared to DAX® and MDAX®

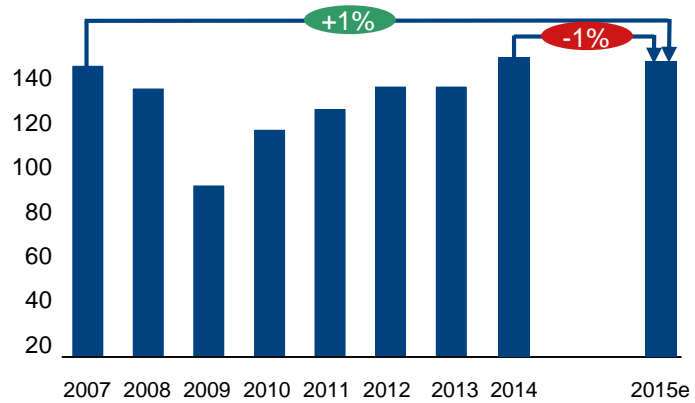


Steel demand total (in mt)

EU-28

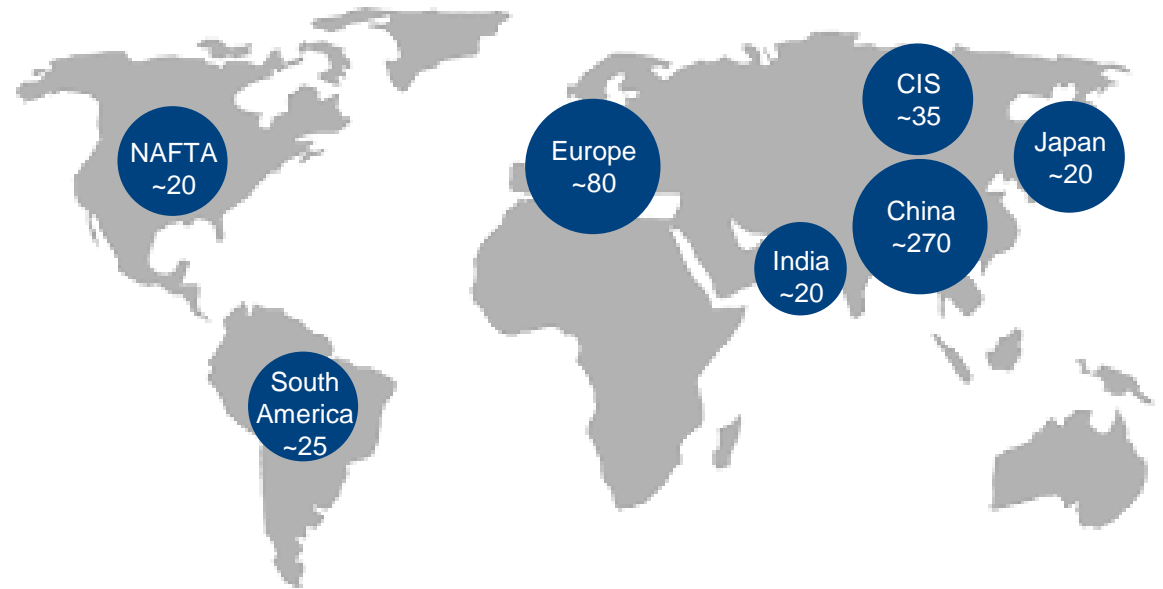


NAFTA



Source: Worldsteel

Overcapacity of steel by region (2014)

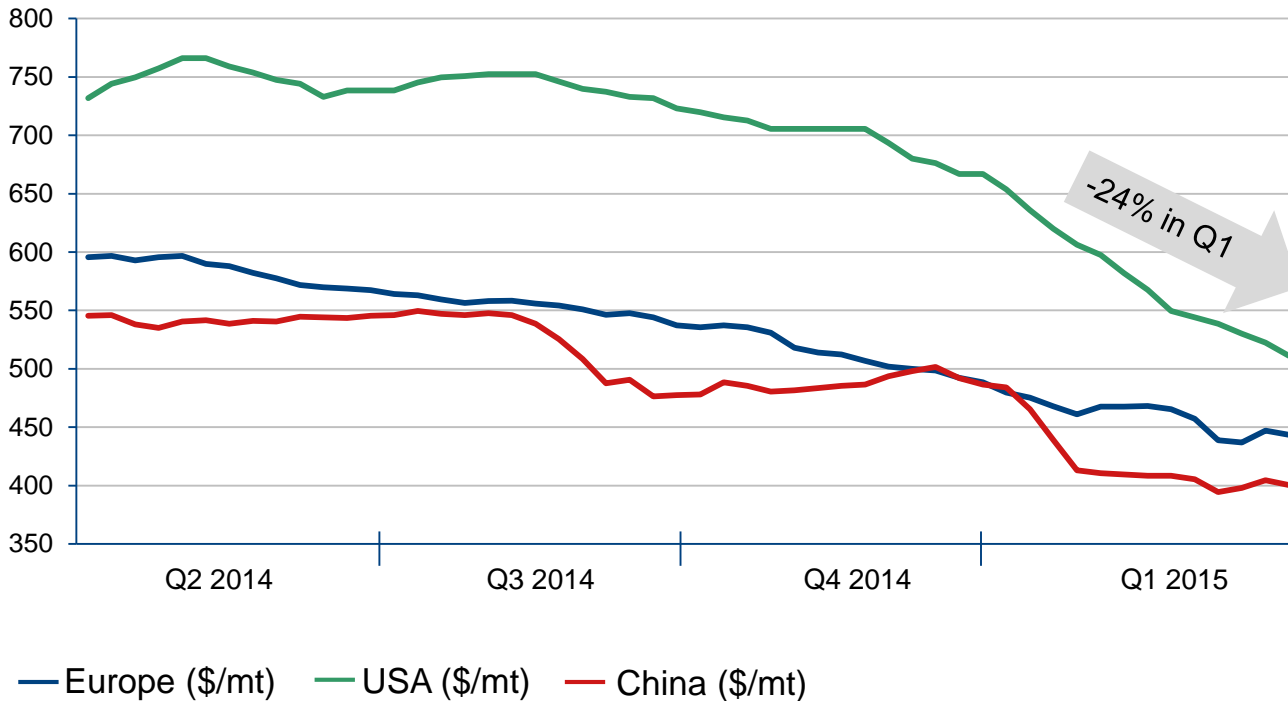


Other: ~115
World: ~585

Source: Bank of America Merrill Lynch, own estimates; in mt



Steel price development HRC



Comments

- Supply shock due to high imports from China led to the collapse of steel prices in the US in Q1
- Customers in Switzerland calling for "Euro-Discount" due to strong appreciation of the Swiss franc
- Price drop led to margin load and made inventory write-downs necessary



(€m)	Q1 2015	Q1 2014	Δ	Δ%
Turnover (in Tto)	1,661	1,633	+28	+1.7
Sales	1,697	1,572	+125	+8.0
EBITDA (before IFRIC 21)	17	45	-28	-61.8
EBITDA* (reported)	10	39	-29	-73.6
Net income*	-22	-2	-20	n.a.
Cash flow from operating activities	-143	-65	-78	n.a.
Free cash flow	-144	-71	-73	n.a.

Comments

- Sales slightly above the previous year's level mainly due to exchange rate changes and acquisitions
- EBITDA significantly burdened by
 - Declining steel prices
 - Further collapse in the construction sector in France
- Cash flow significantly negative by seasonal and currency-related increase in net working capital

* 2014 restated due to the initial application of IFRIC 21.



Expectations for
Q2 2015

Expectations for
FY 2015

- Sales to be sequentially up
- Significantly higher operating EBITDA expected in a range between €35m and €45m
- Sales to be slightly up; negative effect of anticipated lower steel price level to be overcompensated by volume growth and currency effects
- Target of higher EBITDA for full year – before restructuring measures – becomes very ambitious despite expected improvements in Q2 and especially in H2



Klöckner & Co 2020**Differentiation**

Digitalization

1

Digitalization of the supply chain from suppliers to customers

Products and services

2

Accelerated expansion of higher value-add products and services

Operations

3

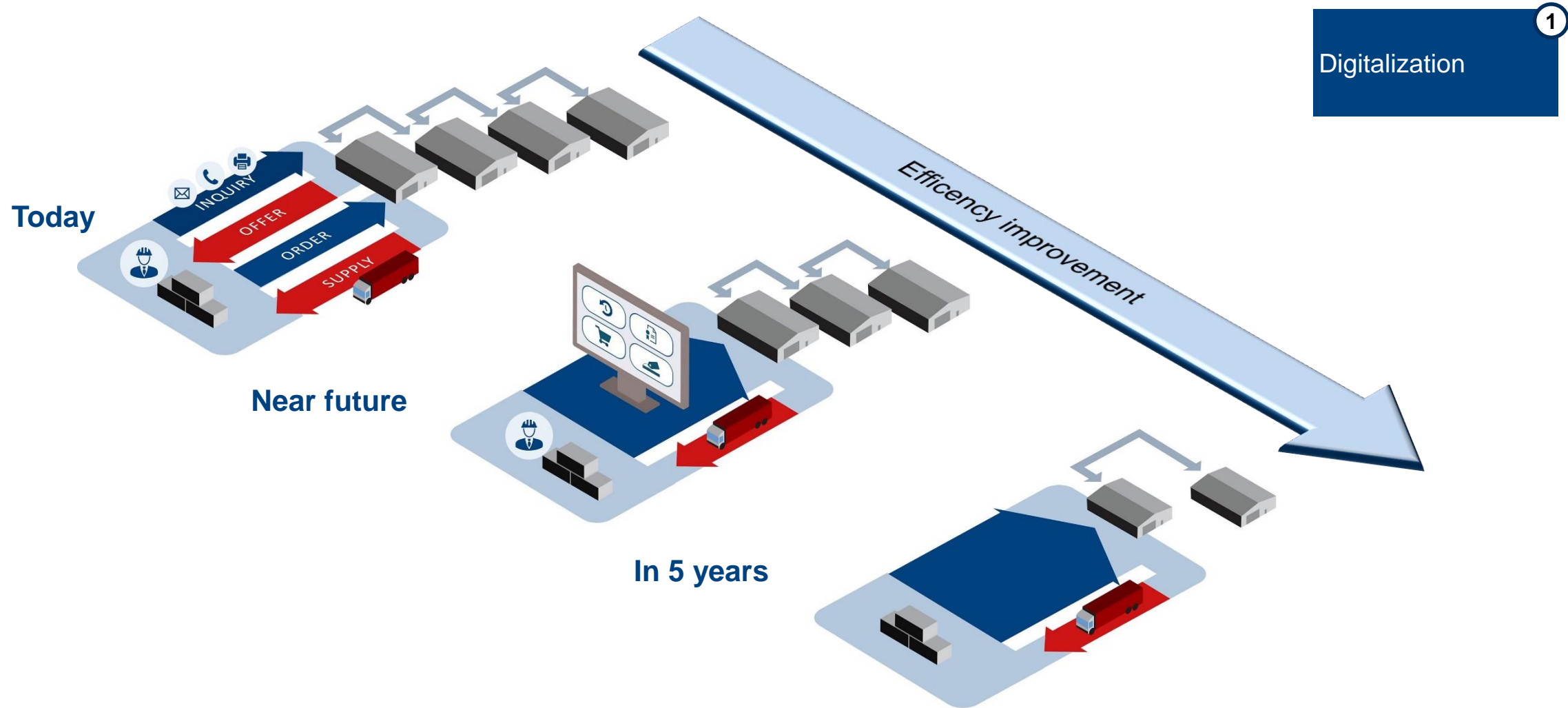
KCO WIN and further optimization of pricing

External & internal growth

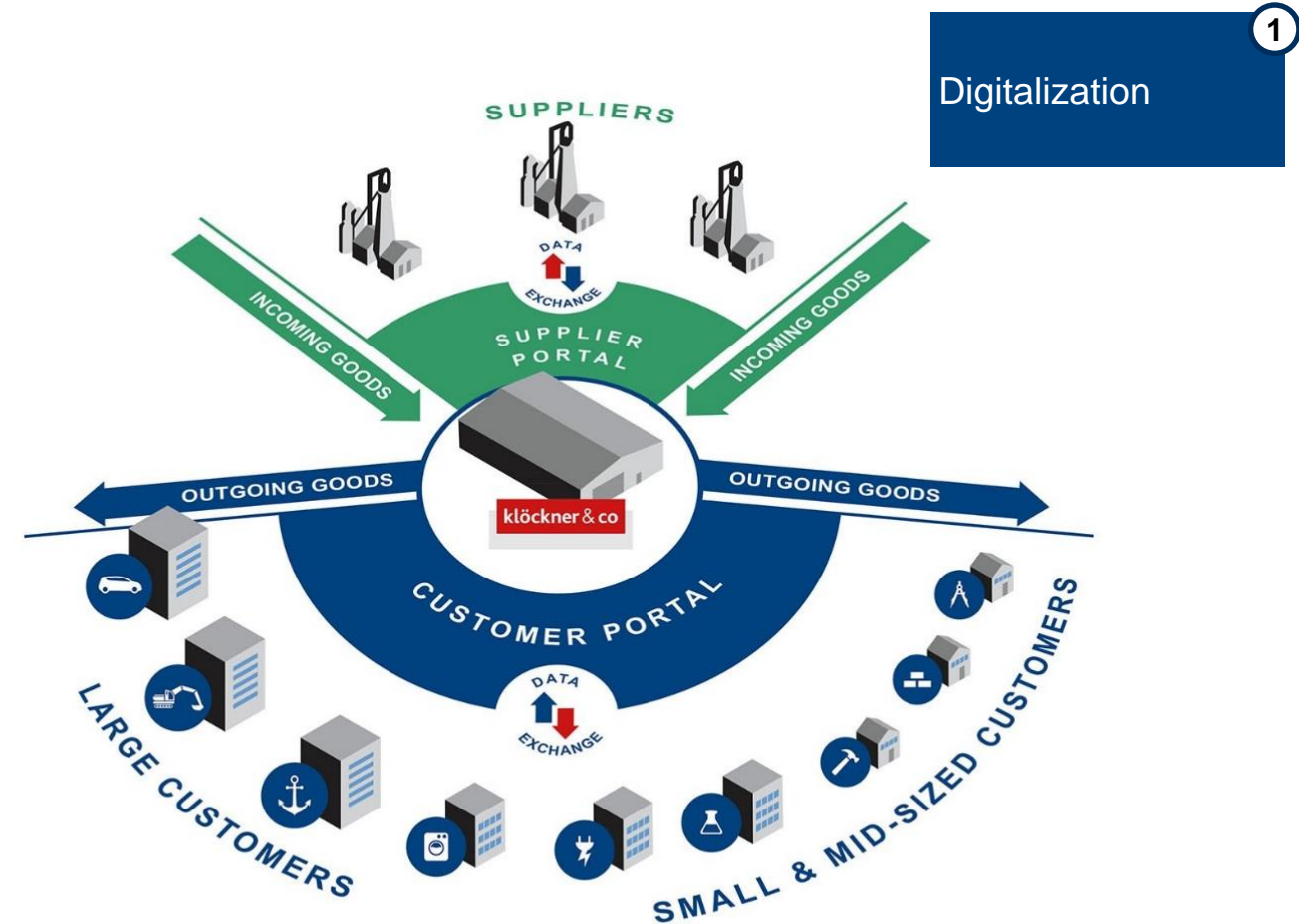
4

External growth focus on higher value-add business, internal growth focus on the US market

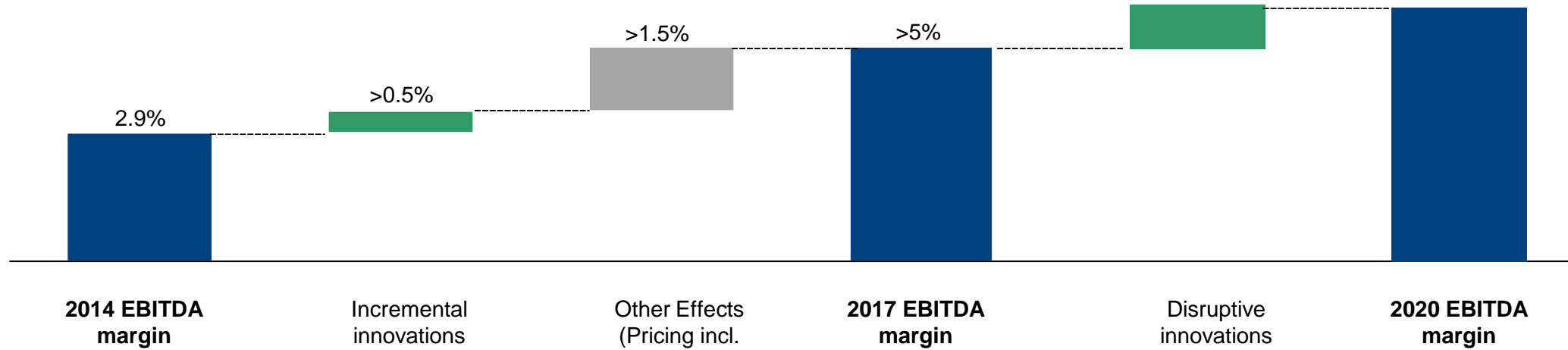




- Efficient and comfortable ordering process through new webshop
- Innovative tools such as contract platform create additional added value for customers
- Comprehensive EDI connections with suppliers
- klockner.i as Group Center of Competence for digitalization established in Berlin
- Foundation of kloeckner.v as investment company for start-ups initiated
- Ambitious digitalization target
➔ Achieving more than 50% of sales online by 2019



01 Disruptive innovations as a further element to drive the change



Incremental innovations

kloeckner.i

- Create, test, build → customer centric lean start-up approach
 - Competence center for digitalization
 - Support function for country organizations
 - Supply chain digitalization
- **Sustaining and supporting the current business**

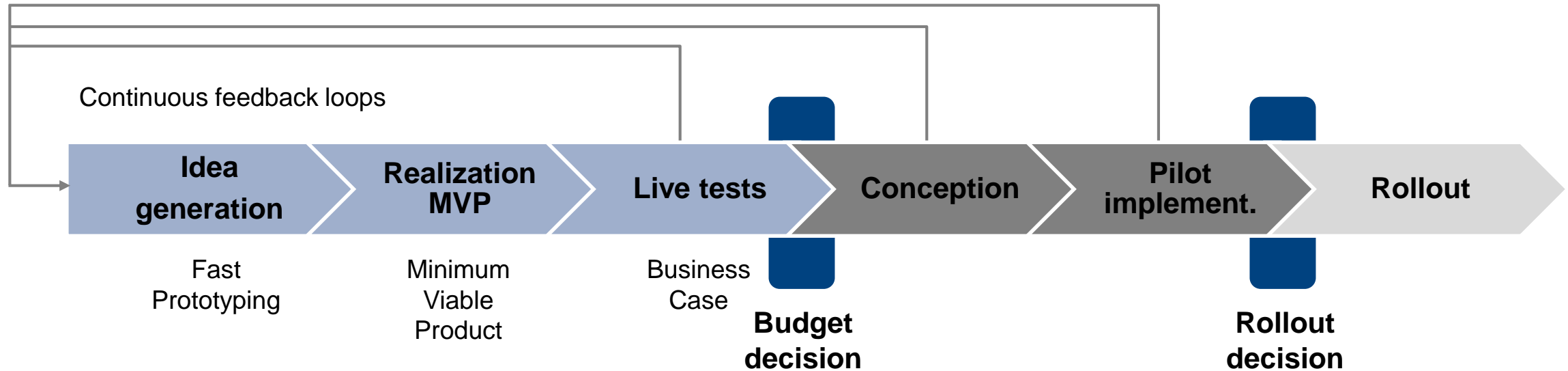
Disruptive innovations

kloeckner.v

- Start-up investment
 - Talent scouting
 - Company building
- **Disrupting current industry practices**

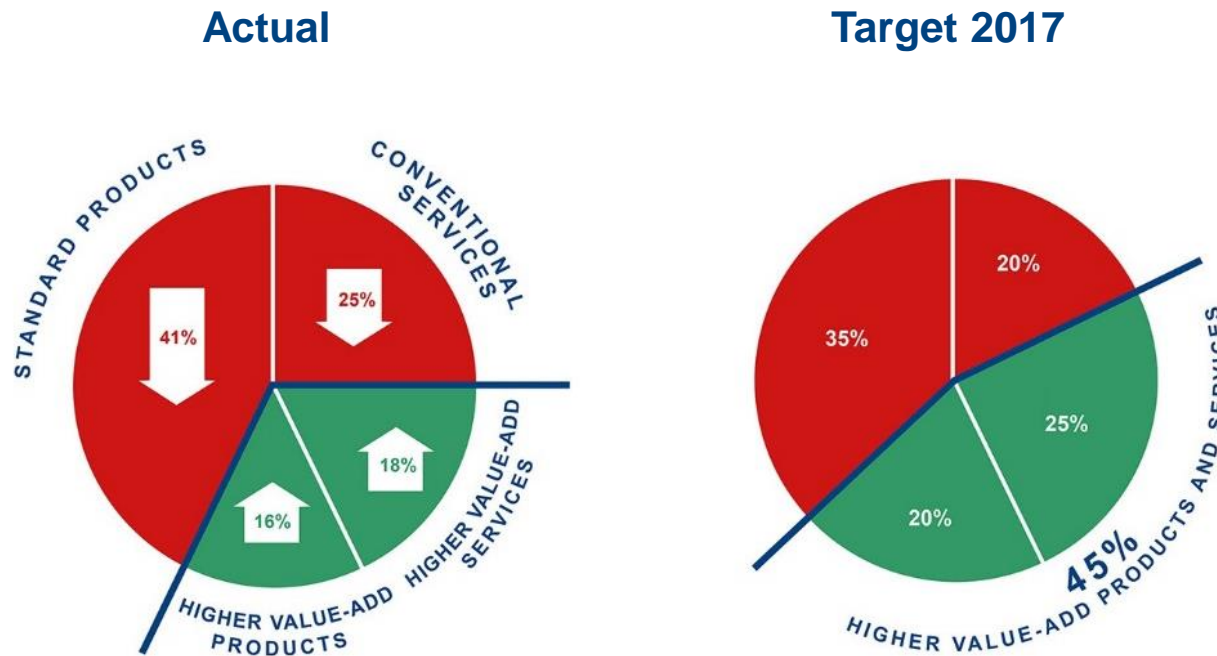


Lean Start-up Approach



- Sales share of higher value-add products and services increased in 2014 from 30% to 34%
- Further increase of higher margin business to 45% of sales planned until 2017
- Expansion of investments in higher value add of roughly 50% in 2015

2
Products and services



Measures

Effective salesforce management

- Advanced customer segmentation
- Structured sales approach
- Clear target-setting on all levels with mid- and long-term development of accounts
- Sales performance tracking and regular performance reviews
- Target-oriented incentive schemes
- Continuous sales staff training

Improved pricing

Dynamic pricing	<ul style="list-style-type: none"> • Pricing depending on market conditions • Pricing tool with algorithm
Optimized pricing	<ul style="list-style-type: none"> • Value based pricing • Ongoing price optimization
Minimum pricing	<ul style="list-style-type: none"> • Pricing based on profitability • Pricing metrics and review

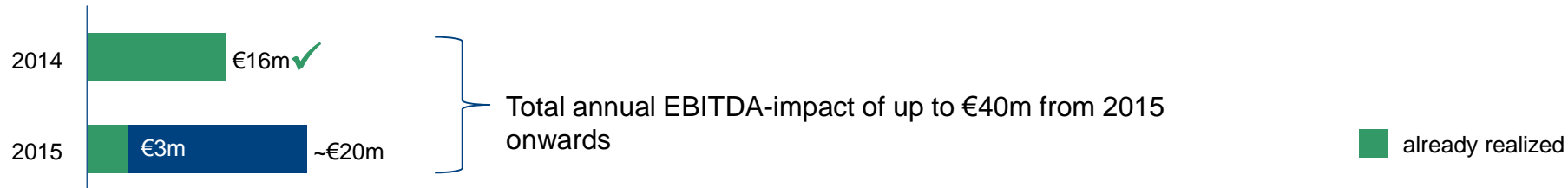
Current focus

✓

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

Operations 3



- Regional growth focus on US due to mid- to long-term better outlook
 - Continuing strong growth of steel demand driven by automotive and recovery of construction
- External growth in high-margin activities
 - Successful takeover of Swiss reinforcement steel specialist Riedo
 - US companies with higher value-add service capabilities are of particular interest
 - Healthy balance sheet and financing create room for maneuver

4
External & internal growth



