

Startup chases mother

Capital Markets Day

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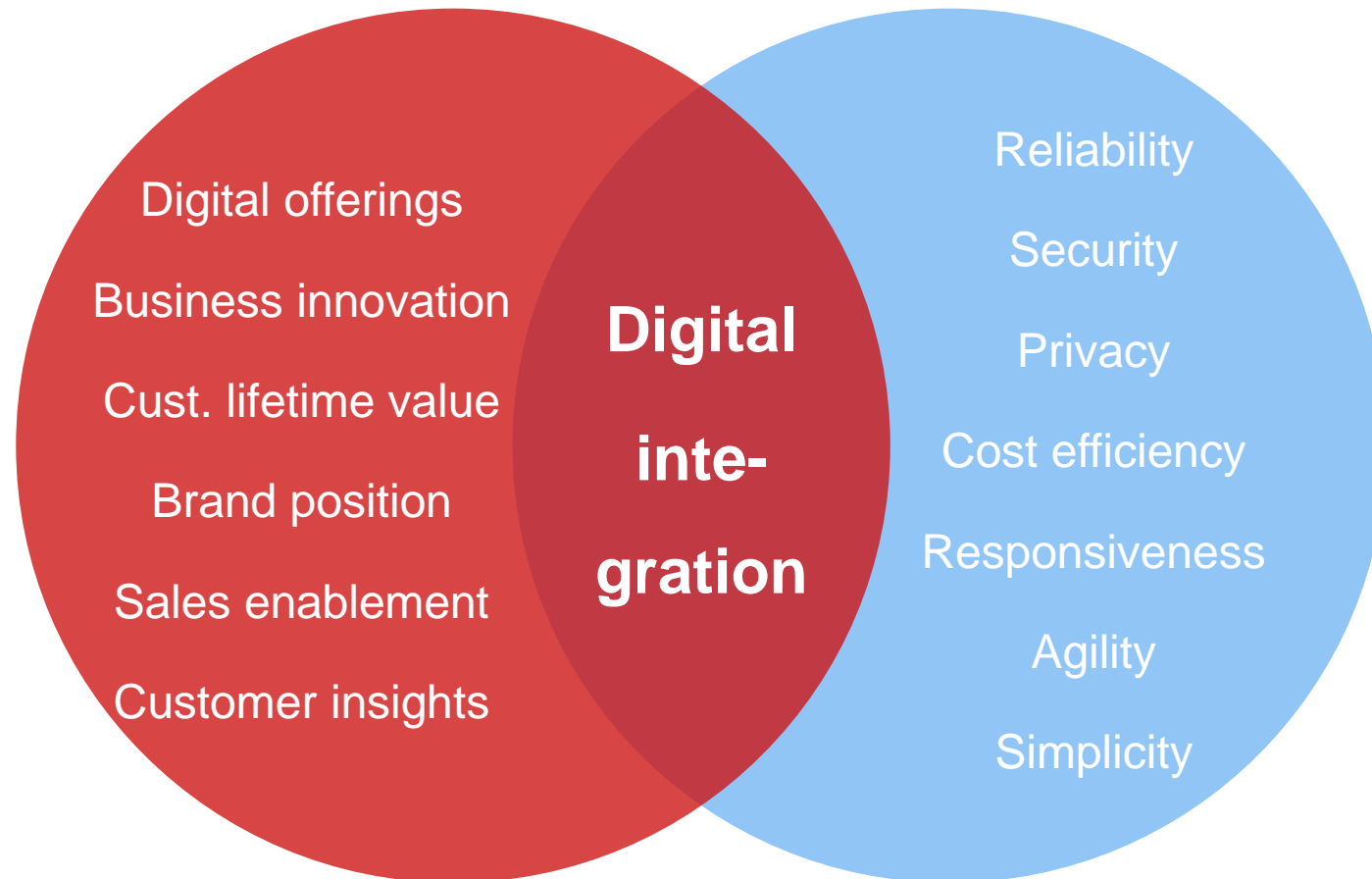
Valuation statements are unified and are presented as follows:

+/- 0-1%	+/- 1-5%	+/- 5-10%	+/- 10-15%	> +/- 15%
constant, stable	moderate, slightly	measureably, noticeable, substantial	considerably, dynamic, significant	sharp, strong

Agenda

- 1 **Digital meets enterprise IT**
- 2 State-of-the-art collaboration and processing systems
- 3 Artificial intelligence applied at Klöckner
- 4 Startup methodology taking over enterprise IT
- 5 Key take aways

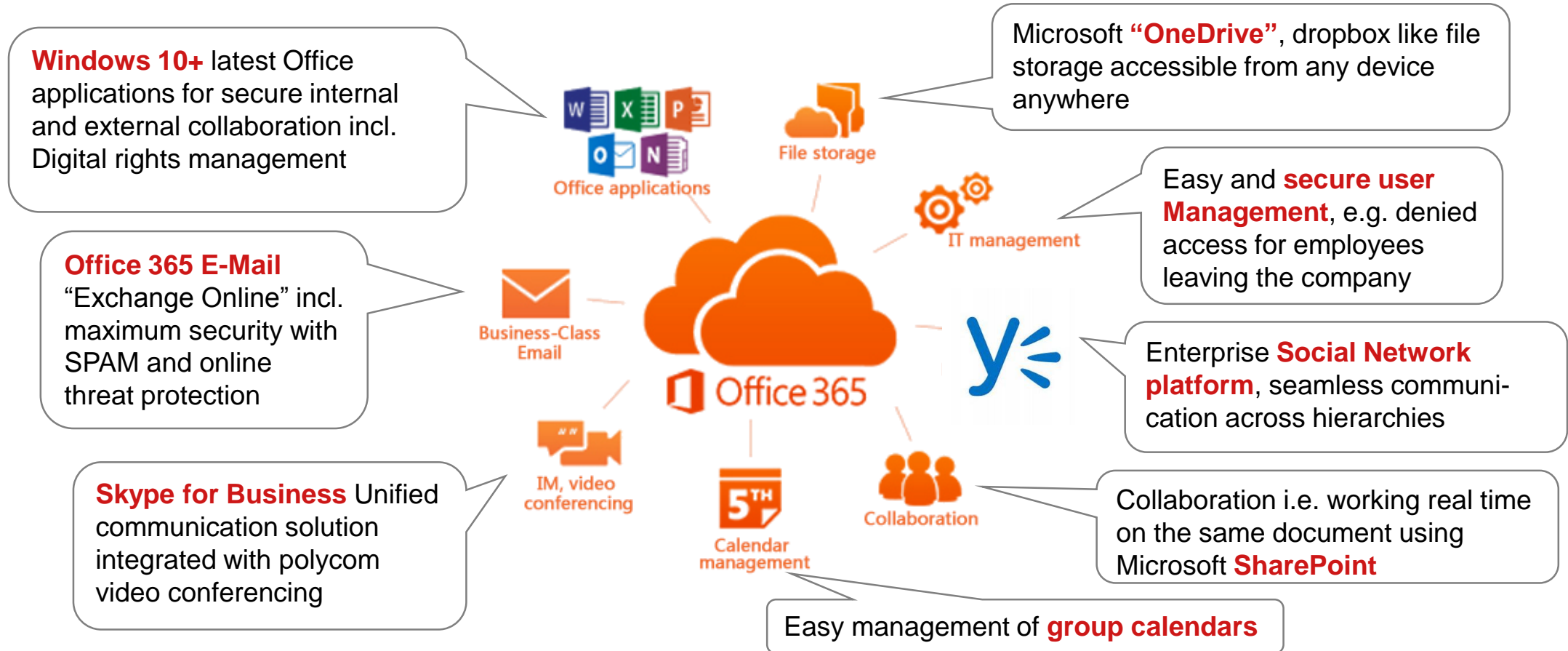
01 Digital meets enterprise IT



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02 Digital office collaboration environment using Microsoft Cloud



State-of-the-art Microsoft collaboration environment based on Office 365

02 ERP environment – SAP HANA for digitized business processes

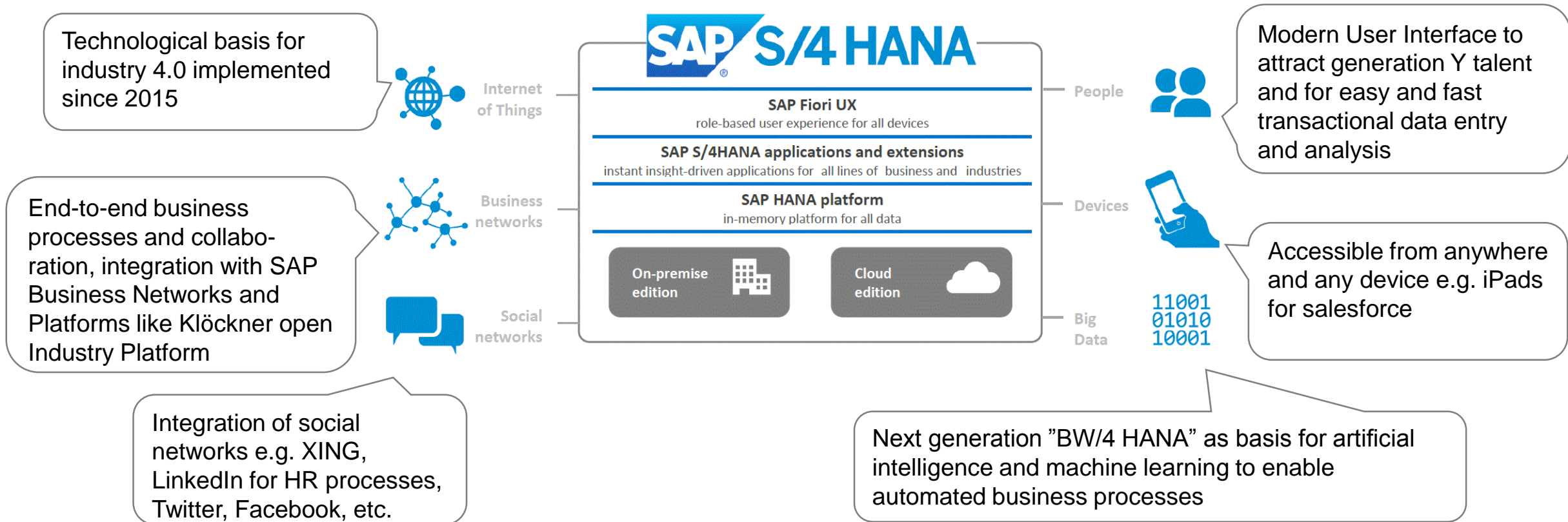
SAP HANA Platform for ERP and BW implemented in 2015

- **Largest ERP/ Suite on HANA customer installation**
- **Klöckner is SAP reference customer**
- High performance backbone for Klöckner business in Europe
- **Deep integration with “hybris!”-based Klöckner Onlineshop**
- Big data analytics with “BW on HANA”



Technology basis for future adoption of S/4 HANA

02 ERP environment – ready for S/4 HANA migration*



Utilize best in class business processes based on SAP standard

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03 Artificial intelligence to improve margins and to reduce capital employed

Aera Machine Learning algorithms for optimized steel purchasing decisions

Goal

Optimize steel purchase recommendations based on demand forecast, supply, pricing predictions

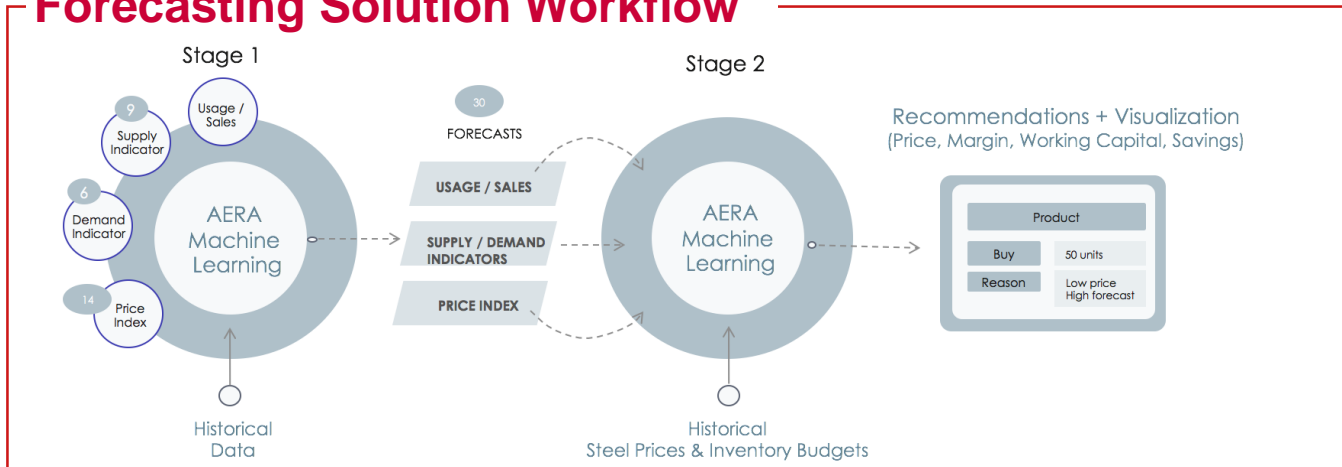
Impact

- Improve margin, reduce cost
- Reduce working capital
- Improve demand prediction

Accomplishments

- Completed content library of data supporting machine learning forecasts
- Web-based access
- Next: Automated "buy" recommendations

Forecasting Solution Workflow



Expected Benefit

- Opportunity to **reduce commodity inventory** by €1m (~1,000t) in every KCO location through improved demand forecast predictions
- Ability to sell and purchase at **better margins** due to advanced steel pricing predictions

03 Artificial intelligence automates KMC's IT



“HIRO” AI solution autonomously resolves IT incidents

Challenge

- Business critical ERP platform “Steel II” must be restarted manually for maintenance on weekends
- Several hours of manual efforts involved

Solution

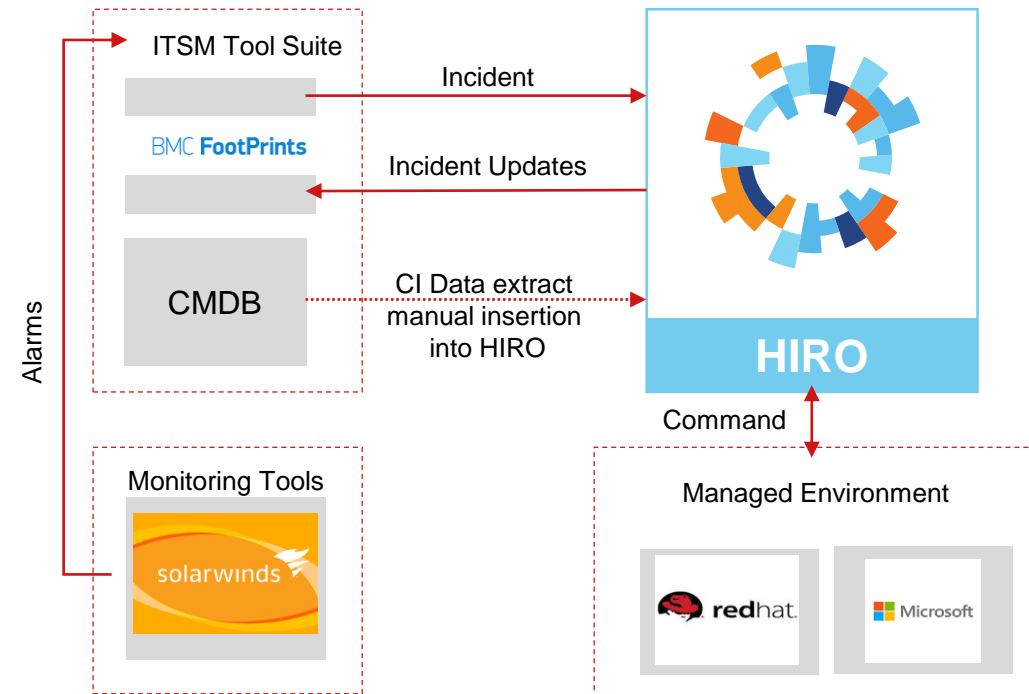
- Manual work replaced by digital automation powered by Arago’s “HIRO” AI engine

Impact

- Reduced downtimes and improved operational readiness
- Potential reduction in IT Headcount through AI support and greater offshoring opportunities

Used cases automated by HIRO (adding more)

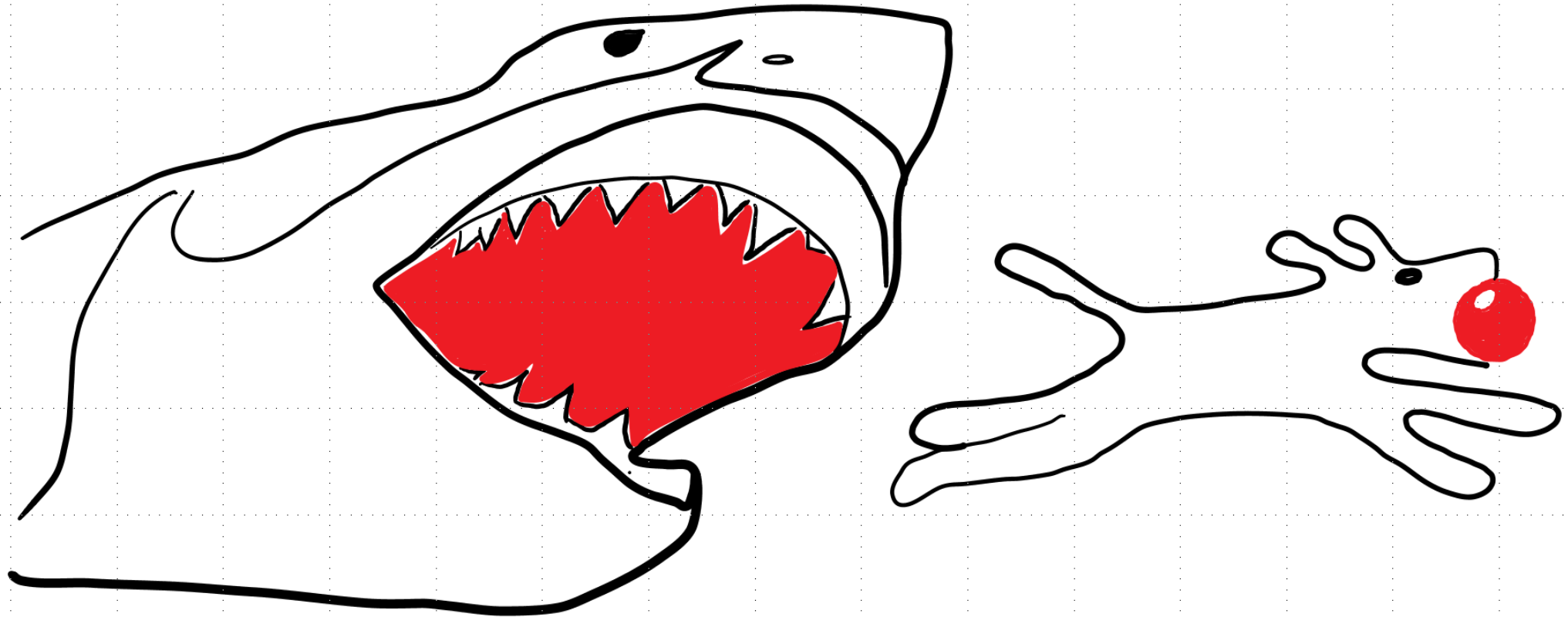
- Application server down
- File server unavailable – WIN
- File server unavailable – Linux
- High CPU usage – WIN
- High CPU – Linux
- High memory usage – WIN
- High memory usage – Linux
- Low disk space – WIN
- Low disk space – Linux
- Scheduled task failure



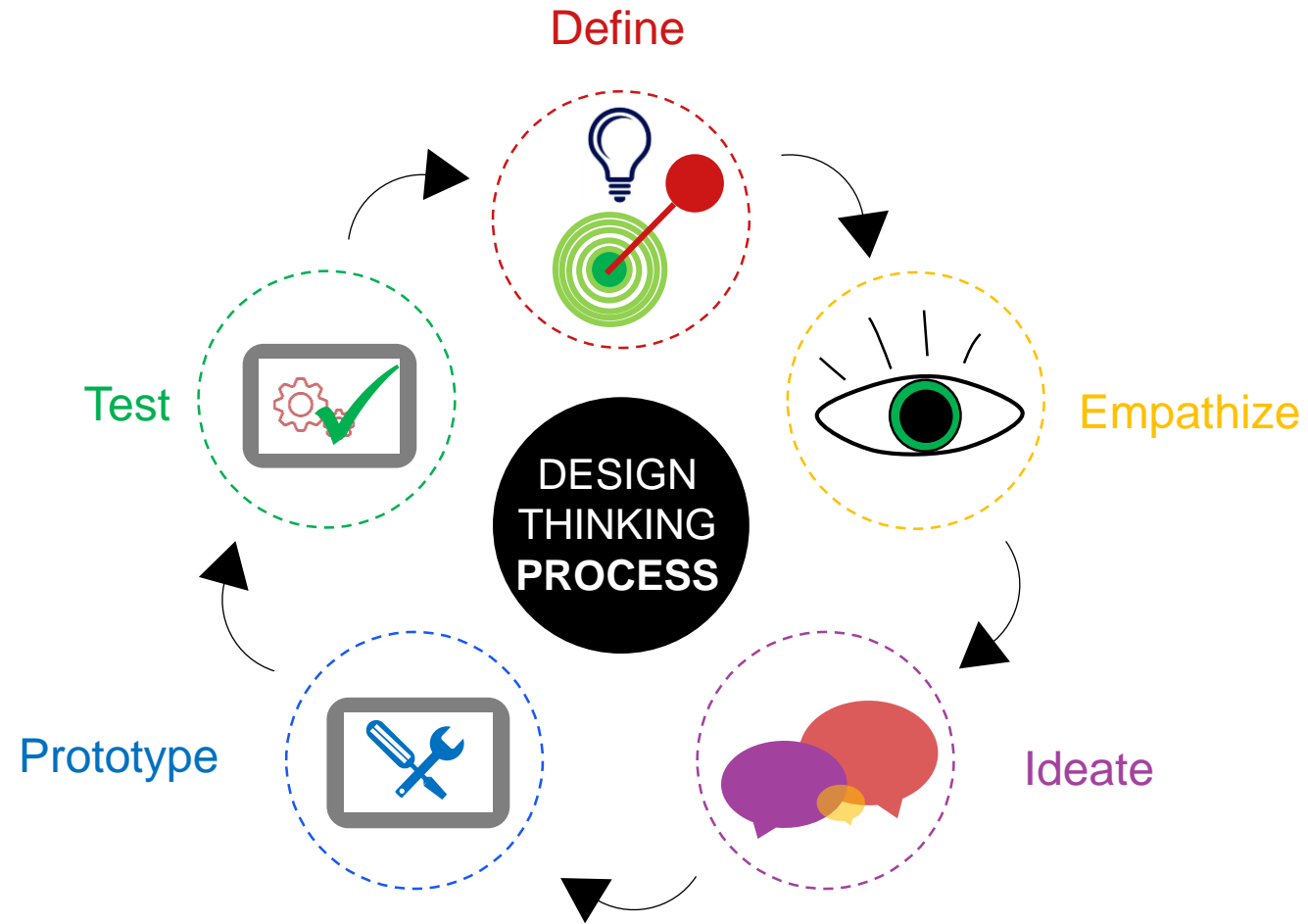
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04 “Uber yourself before you get Kodak‘ed”



04 Design Thinking



04 Development of successful solutions



What we thought our customers wanted

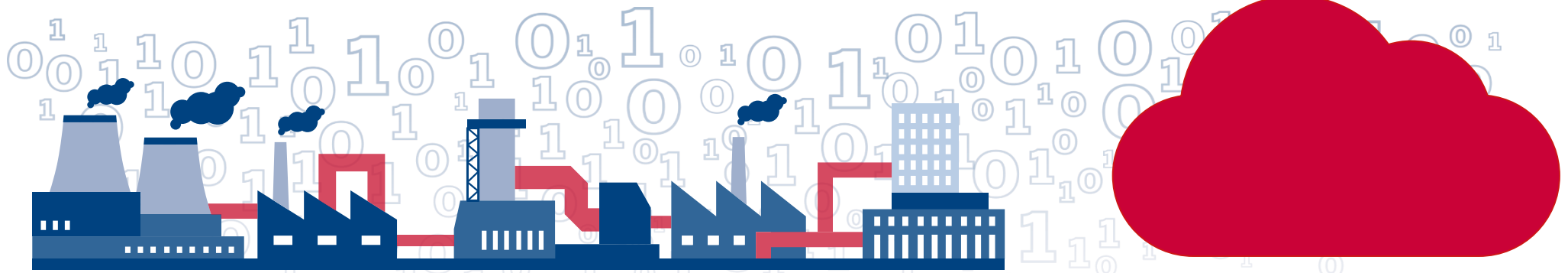
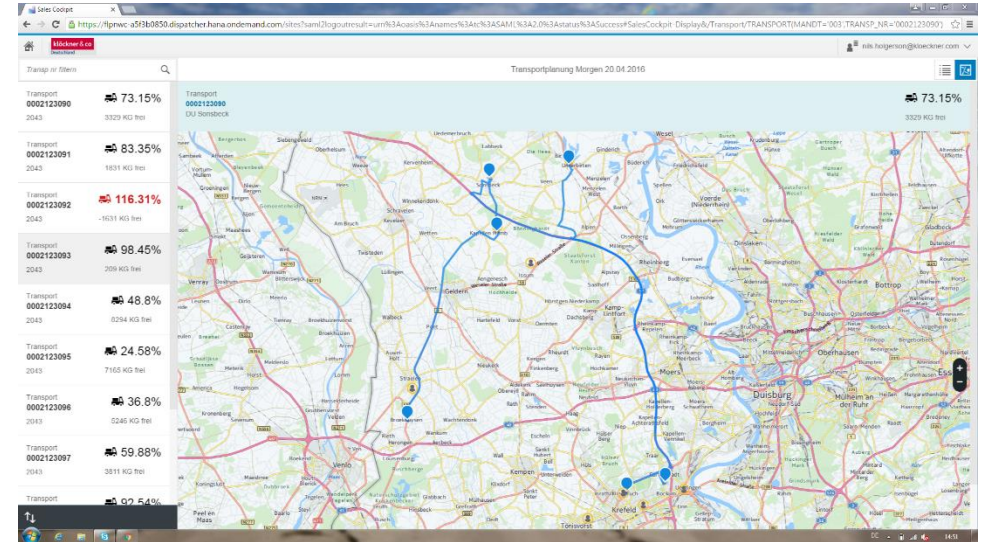
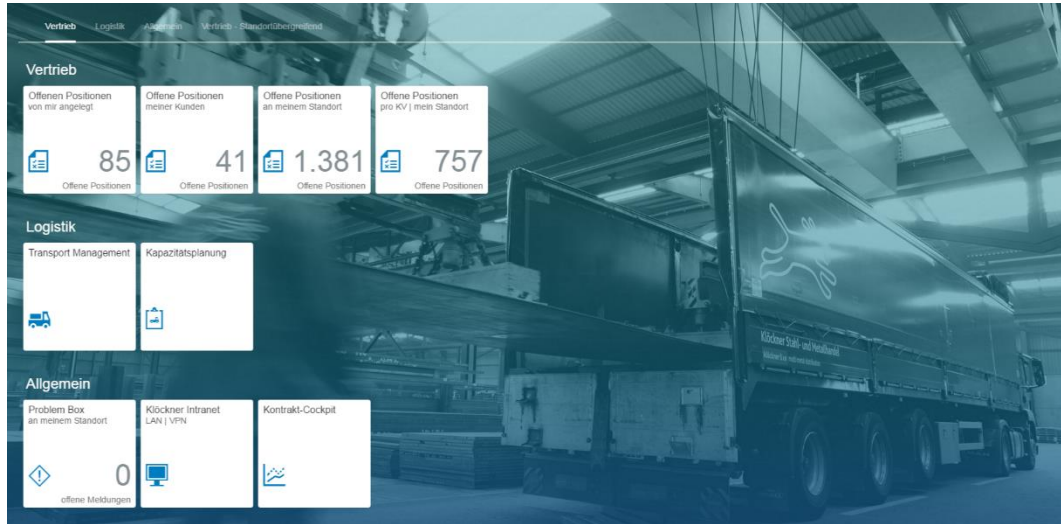


→ What the customer actually needed

04 Lean, agil and customer centric innovation process



04 Klöckner Sales Cockpit developed in six weeks



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05 Key take aways

- Enterprise IT needs to adapt to the speed digital transformation, i.e. no two speed/ “bi-modal” IT
- Klöckner has invested early on in state-of-the-art collaboration and processing IT environment
- Competitive advantage through early adoption and intergration of AI solutions
- Lean startup methodologies transform enterprise IT
- MVP + fail fast but fail cheap vs. waterfall + high write-offs
- Cloud solutions for fast development and deployment of digital products and solutions

