Q3 2018 Results

Analysts' and Investors' Conference

October 24, 2018

Marcus A. Ketter | CFO
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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.
Agenda

1. Highlights and update on strategy
2. Financials
3. Outlook
4. Appendix
01 Highlights Q3 2018

- Shipments with 1.5mt slightly down compared to last year’s level
- Sales increased by 12.1% yoy to €1.8bn mainly due to higher price level
- Gross profit up from €310m in Q3 2017 to €332m in Q3 2018 mainly due to positive price effect
- Gross profit margin decreased to 18.9% after 19.8% in Q3 2017
- Operating result (EBITDA) for Q3 of €59m within forecasted guidance range of €55m to €65m
- Sales share via digital channels increased from 21% at the end of Q2 2018 to 23% at the end of Q3 2018
- FY guidance confirmed: EBITDA at least slightly above last year
01 Digital sales share improved and XOM continues to expand

- Digital sales share improved to 23% at the end of Q3
- Multi-product dealer SixBros newest vendor partner on market place
- Already eleven third party providers live, with several more in the pipeline
- Now around 90 employees working for kloeckner.i in Berlin

- Already 96 customers and seven vendors under contract
- Office opened in Atlanta this month
- Preparation for US-launch (planned for beginning of 2019)
- Closing of first financing round planned by end of 2018
01 Update on HVAB & efficiency improvement

**Higher value-added business**

**US business**
- Entire PVD*) equipment now operational
  - Move into limited production, initial product quality very well received
  - Targeting architectural and industrial niche applications
- New tube laser (Dallas facility) and further key equipment upgrades (alloy business) approved

**Alu business of Becker Stahl-Service**
- Facility now fully online with slitter, cut-to-length line and high speed cutter
- First body in white orders processed
- Promising order book for upcoming years

**Efficiency improvement**

**One Europe & One US**
- Both programs are on track
- EBITDA contribution ytd
  - One Europe €12m
  - One US $7m (more than budgeted)

**Original EBITDA contribution targets**

<table>
<thead>
<tr>
<th>Year</th>
<th>One Europe EBITDA contribution</th>
<th>One US EBITDA contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>€15m</td>
<td>$4m</td>
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<td>2019</td>
<td>€5m</td>
<td>$5m</td>
</tr>
<tr>
<td>2020</td>
<td>$6m</td>
<td></td>
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</table>

*) Physical Vapor Deposition.
Agenda

1. Highlights and update on strategy
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4. Appendix
02 Shipments/Sales and Gross profit

- **Shipments** down due to lower volumes in Europe despite healthy demand in the US
- **Sales** increased yoy due to on average higher sales prices

- **Gross profit** up by €22m yoy mainly due to higher average sales prices
- **Margin** with 18.9% down qoq and yoy due to higher average inventory cost
EBITDA in Q3 2018

EBITDA impact: Q3 yoy (€m)

- Strong positive price effect due to high prices in the US (Section 232)
- EBITDA contribution of One Europe and One US of €8m
- OPEX increased mainly driven by higher personnel expenses and shipping cost in the USA
- F/x and other include minor positive f/x effect
- EBITDA margin 3.4%
02 Segment performance Q3 2018

Europe (€m)

- Volume effect -€7m and price effect -€4m
- Slight OPEX improvement yoy (+€2m)
- Minor f/x and other effects of €1m
- EBITDA margin 2.5%

Americas (€m)

- Volume effect of €7m and price effect of €20m
- OPEX at -€10m mainly due to personnel and shipping-related costs
- Minor f/x and other effects of €1m
- EBITDA margin 5.4%
02 Cash flow and net debt development

Cash flow Q3 2018 (€m)

- EBITDA Q3 2018: 59
- Change in NWC: -31
- Interest: -8
- Taxes: -10
- Cash flow from operating activities: -15
- Capex (net): -5
- Net capex: -13
- Free cash flow Q3 2018: -18

Comments

- **Net working capital** seasonally and price-related increased by €31m
- **Other** (-€15m) includes changes in other operating assets (mainly supplier bonuses of €11m) and liabilities and provisions
- **Cash flow from operating activities** -€5m
- **Net capex** -€13m (Gross capex: -€15m)
- **Free cash flow** accordingly -€18m

Net financial debt 09/2018 vs. 06/2018 (€m)

- Net debt 06/2018: 552
- Free cash flow: -18
- Net debt 09/2018: 569

- **Net financial debt** increased, driven by NWC build-up from €552m to €569m
- Only minor **f/x translation** effects and effects from settlement of **f/x swaps** of in total €1m
**Maturity profile – well-balanced & diversified funding portfolio**

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<tr>
<th>Facility</th>
<th>Committed (€m)</th>
<th>Drawn amount (€m, IFRS*)</th>
<th>FY 2017</th>
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<td>Syndicated Loan</td>
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<td>ABS Europe</td>
<td>300</td>
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<td>ABS/ABL USA</td>
<td>475</td>
<td>205</td>
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<td>Convertible 2016 1)</td>
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<td>137</td>
<td>135</td>
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<td>Bilateral Facilities 2)</td>
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<td>132</td>
<td>113</td>
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<td>Total Debt</td>
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<td>484</td>
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<td>Cash</td>
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<tr>
<td>Net Debt</td>
<td>569</td>
<td>330</td>
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</table>

*) Including interest accrued, excluding deferred transaction costs.

1) Principal €148m, equity component €18m at issuance (September 8, 2016).
2) Including finance lease; committed and drawn bilaterals mainly Switzerland.
3) Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2013.

**€m**

- Adjusted equity: 1,292
- Net debt: 569
- Leverage: 2.5x
- Gearing 3): 44%

**Maturity profile of committed facilities & drawn amounts (€m)**

[Graph showing maturity profile] Renewal (3y term) executed in September.
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03 Segment specific business outlook 2018

- **Europe**: 1-2%
  - Real steel demand
  - Construction industry
  - Manufacturing, machinery and mechanical engineering, etc.

- **US**: 2-3%
  - Shipbuilding
  - Energy industry
  - Automotive industry
  - Construction industry

- **Shipbuilding**
- **Energy industry**
- **Automotive industry**
- **Construction industry**
- **Manufacturing, machinery and mechanical engineering, etc.**
- **Real steel demand**
- **Europe**
- **US**
03 Outlook

Higher sales anticipated due to higher average price level

EBITDA at least slightly above last year’s level (€220m)
Agenda

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## Quarterly and FY results

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<td>1,443</td>
<td>1,539</td>
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<td>1,500</td>
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<td>310</td>
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<td>20.2</td>
<td>19.8</td>
<td>20.6</td>
<td>22.9</td>
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<td>22.0</td>
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<td>19.2</td>
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<td>220</td>
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<td>-79</td>
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<td>5</td>
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<td>Net income</td>
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<td>33</td>
<td>102</td>
<td>38</td>
<td>-349</td>
<td>22</td>
<td>-90</td>
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<td>Minority interests</td>
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<td>1</td>
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<td>1</td>
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<td>1</td>
<td>1</td>
<td>-2</td>
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<td>-6</td>
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<td>Net income KCO</td>
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<td>33</td>
<td>21</td>
<td>30</td>
<td>12</td>
<td>23</td>
<td>36</td>
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<td>32</td>
<td>-14</td>
<td>101</td>
<td>37</td>
<td>-347</td>
<td>22</td>
<td>-85</td>
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<tr>
<td>EPS basic (€)</td>
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<td>0.21</td>
<td>0.30</td>
<td>0.12</td>
<td>0.23</td>
<td>0.36</td>
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<td>0.31</td>
<td>0.32</td>
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<td>EPS diluted (€)</td>
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<td>0.20</td>
<td>0.28</td>
<td>0.12</td>
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<td>0.34</td>
<td>-0.13</td>
<td>0.31</td>
<td>0.32</td>
<td>-0.14</td>
<td>0.96</td>
<td>0.37</td>
<td>-3.48</td>
<td>0.22</td>
<td>-0.85</td>
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<tr>
<td>Net debt</td>
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<td>552</td>
<td>472</td>
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<td>435</td>
<td>486</td>
<td>475</td>
<td>444</td>
<td>438</td>
<td>435</td>
<td>383</td>
<td>330</td>
<td>444</td>
<td>385</td>
<td>472</td>
<td>325</td>
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<tr>
<td>NWC</td>
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<td>1,428</td>
<td>1,318</td>
<td>1,132</td>
<td>1,282</td>
<td>1,306</td>
<td>1,296</td>
<td>1,120</td>
<td>1,197</td>
<td>1,168</td>
<td>1,134</td>
<td>1,132</td>
<td>1,120</td>
<td>1,128</td>
<td>1,321</td>
<td>1,216</td>
</tr>
</tbody>
</table>
04 Segment performance

Europe

Shipments (Tto)

Sales (€m)

EBITDA adj*) (€m)

Americas

Shipments (Tto)

Sales (€m)

EBITDA adj**) (€m)

*) adjusted for BPO expenses in Q2 2018.
**) adjusted for Deep Water Horizon Oil Spillage Claim Settlement gain in Q2 2018.
04 Strong balance sheet

**Comments**
- Equity ratio further healthy at 41%
- Net debt of €569m
- Leverage 2.5x
- Gearing*) at 44%
- NWC increased from €1,132m to €1,467m

*) Gearing = Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2013.
04 Sales by markets, products and industries

As of December 31, 2017.

Sales by markets:
- UK: 4%
- France/Belgium: 10%
- Switzerland: 15%
- Germany/Austria: 30%
- USA: 37%

Sales by industry:
- Construction industry: 40%
- Machinery/Mechanical engineering: 26%
- Others: 13%
- Automotive industry: 13%
- Household appl./Consumer goods: 8%
- Local dealers: 8%
- Miscellaneous: 5%

Sales by products:
- Flat products: 48%
- Long products: 19%
- Others: 11%
- Quality steel/Stainless steel: 9%
- Aluminum: 8%
- Tubes: 5%
04 Current shareholder structure

Geographical breakdown of identified institutional investors

- 49% Germany
- 35% US
- 6% Rest of EU
- 1% France
- 1% Switzerland
- 5% UK
- 3% Rest of world

Comments

- Identified institutional investors account for 73%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 51%
- Retail shareholders represent 19%

As of July 2018.
At the beginning of Q3 2018, the price of the Klöckner share rose significantly, reaching the level of €10.19 on July 19, 2018.

In the aftermath the share price fell to €9.14 on July 26, 2018.

In the following, the share was on a sideway track and fell to €8.83 on September 6, 2018 which was the lowest point of the quarter.

The share price increased strongly again and went out of trading on September 28, 2018 with €9.97.
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 will do 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 in 2011, 2012 and 2013 as well as 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 financial year

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<tr>
<td></td>
<td>€0.80</td>
<td>€0.80</td>
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<td>€0.30</td>
<td>-</td>
<td>€0.20</td>
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<td>€0.20</td>
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Financial calendar

March 12, 2019  Annual financial statements 2018
April 30, 2019  Q1 interim statement 2019
May 15, 2019  Annual General Meeting 2019
July 31, 2019  Q2 interim report 2019
October 30, 2019  Q3 interim statement 2019

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