Q3 2019 Results

Analysts’ and Investors’ Conference

October 30, 2019

Gisbert Rühl | CEO
Dr. Oliver Falk | CFO
John Ganem | CEO Americas
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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:

<table>
<thead>
<tr>
<th>+/-%</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;5%</td>
<td>considerable</td>
</tr>
<tr>
<td>&gt;1-5%</td>
<td>slight</td>
</tr>
<tr>
<td>&gt;0-1%</td>
<td>stable</td>
</tr>
</tbody>
</table>
1. Highlights and update on strategy
2. Financials
3. Outlook
4. Appendix
01 Details of Q3 2019

<table>
<thead>
<tr>
<th></th>
<th>Q3 2019</th>
<th>Q3 2018</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shipments</strong></td>
<td>1,420</td>
<td>1,519</td>
<td>-6.5%</td>
</tr>
<tr>
<td>(Tto)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sales (€m)</strong></td>
<td>1,565</td>
<td>1,754</td>
<td>-10.8%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>284</td>
<td>332</td>
<td>-14.6%</td>
</tr>
<tr>
<td>(€m)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA (€m)</strong></td>
<td>26</td>
<td>59</td>
<td>-56.7%</td>
</tr>
<tr>
<td><strong>Oper. CF (€m)</strong></td>
<td>82</td>
<td>-5</td>
<td>+€87m</td>
</tr>
<tr>
<td><strong>Digital sales</strong></td>
<td>30%</td>
<td>22%</td>
<td>+8%pts</td>
</tr>
</tbody>
</table>

**Delta Notes:**
- Negative market sentiment especially in Germany and in the US as well as portfolio changes in France
- Weaker volumes and in addition lower price level
- Negative windfall effects in the US, margin pressure and weaker volumes
- Reported EBITDA of €21m incl. material special effects of -€4.8m
- Strict NWC management
- Expansion in the USA
01 Update on digitalization: kloeckner.i & XOM Materials

- Digital sales share further increased to 30% (Q3 2018: 22%) – corresponds to a tripling within the last three years
- Game changing AI project Kloeckner Assistant launched to completely automate order processing regardless how an RFQ or order is received → every customer becomes a digital customer
  - At least €100m efficiency gains expected (FY2022)
  - Prototype in the US already up and running

- 43 vendors under contract, >450 registered customers and >10,400 products
- Increasing Iberian footprint with ten vendors from Spain
- Two strategic investors with convertible loans locked-in
- Expansion of product offerings in plastics and extended product portfolio with marketplace, eShops and eProcurement solutions
Agenda

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02 EBITDA (€m) in Q3 2019

- Negative **volume** and **price effect** of in total €55m mainly due to yoy negative windfall effects in the US, weaker automotive and machinery business and negative market sentiment in Germany and in the US
- Main driver for **OPEX** improvement were lower personnel expenses
- **Material special effects**: €2m gain from insurance compensation in the US, €7m restructuring costs (France and Holding)
- **EBITDA margin** before material special effects of 1.6%
02 Cash flow and net debt development

Cash flow Q3 2019 (€m)

<table>
<thead>
<tr>
<th>EBITDA Q3 2019</th>
<th>Change in NWC</th>
<th>Interest</th>
<th>Taxes</th>
<th>Other</th>
<th>Cash flow from operating activities</th>
<th>Capex (net)</th>
<th>Free Cash flow Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>89</td>
<td>-9</td>
<td>-6</td>
<td>-13</td>
<td>-12</td>
<td>82</td>
<td>70</td>
<td></td>
</tr>
</tbody>
</table>

- **Strict NWC management** results in significant NWC decrease
- **Other** of -€13m include changes in other operating assets and liabilities (mainly supplier bonuses)

Net financial debt 06.2019 vs. 09.2019 (€m)

<table>
<thead>
<tr>
<th>Net debt 06.2019</th>
<th>Free Cash flow</th>
<th>F/X, Swaps</th>
<th>IFRS 16</th>
<th>Other</th>
<th>Net debt 09.2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>684</td>
<td>70</td>
<td>-18</td>
<td>-3</td>
<td>-1</td>
<td>634</td>
</tr>
</tbody>
</table>

- **Net financial debt decreased** from €684m to €634m driven by strict NWC management
02  Cash and net debt development (€m)

- **Net debt incl. leases**
  - Dec-18: 820
  - Sep-19: 684
  - (Original Q2 target)
  - Δ 82
  - (Original Q3 target)
  - (Implied Q4 target)

- **Net debt excl. leases**
  - Dec-18: 611
  - Sep-19: 556
  - (Original Q2 target)
  - 474
  - (Q4 target)

- **Group cash balances**
  - Dec-18: 357
  - Mar-19: 474
  - Jun-19: 166
  - Sep-19: 128
  - 51
  - 141
  - 166
  - 128
Agenda

1. Highlights and update on strategy
2. Financials
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4. Appendix
## 03 Region specific business outlook 2019

<table>
<thead>
<tr>
<th>Region</th>
<th>Real steel demand</th>
<th>Construction industry</th>
<th>Manufacturing, machinery and mechanical engineering, etc.</th>
<th>Energy industry</th>
<th>Automotive industry</th>
<th>Shipbuilding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>-1.5 to -0.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US</td>
<td>-0.5 to 0.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
03 Outlook

Shipments and sales are expected to considerably decline yoy

EBITDA expectation of €120m–€130m before material special effects
Agenda

1. Highlights and update on strategy
2. Financials
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4. Appendix
## 04 Quarterly and FY results

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Shipments (Tto)</td>
<td>1,420</td>
<td>1,479</td>
<td>1,499</td>
<td>1,519</td>
<td>1,505</td>
<td>1,564</td>
<td>1,443</td>
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<td>6,107</td>
<td>6,135</td>
<td>6,149</td>
<td>6,476</td>
<td>6,598</td>
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<tr>
<td>Sales</td>
<td>1,565</td>
<td>1,682</td>
<td>1,703</td>
<td>1,619</td>
<td>1,754</td>
<td>1,789</td>
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<td>6,790</td>
<td>6,292</td>
<td>5,730</td>
<td>6,444</td>
<td>6,504</td>
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<tr>
<td>Sales (currency effect)</td>
<td>38</td>
<td>50</td>
<td>61</td>
<td>28</td>
<td>2</td>
<td>-89</td>
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<td>-172</td>
<td>-83</td>
<td>-90</td>
<td>556</td>
<td>28</td>
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<tr>
<td>Gross profit</td>
<td>284</td>
<td>304</td>
<td>303</td>
<td>301</td>
<td>332</td>
<td>364</td>
<td>331</td>
<td>310</td>
<td>339</td>
<td>319</td>
<td>329</td>
<td>362</td>
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<td>1,316</td>
<td>1,315</td>
<td>1,237</td>
<td>1,261</td>
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<td>18.1</td>
<td>18.1</td>
<td>17.8</td>
<td>18.6</td>
<td>18.9</td>
<td>20.3</td>
<td>20.4</td>
<td>19.8</td>
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<td>82</td>
<td>34</td>
<td>30</td>
<td>59</td>
<td>82</td>
<td>56</td>
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<td>72</td>
<td>227</td>
<td>220</td>
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<td>% margin</td>
<td>1.3</td>
<td>4.9</td>
<td>2.0</td>
<td>1.9</td>
<td>3.4</td>
<td>4.6</td>
<td>3.4</td>
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<td>1</td>
<td>3</td>
<td>1</td>
<td>-8</td>
<td>-5</td>
<td>-3</td>
<td>-2</td>
<td>1</td>
<td>1</td>
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<td>-9</td>
<td>-3</td>
<td>-1</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>EBIT</td>
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<td>2</td>
<td>8</td>
<td>38</td>
<td>60</td>
<td>35</td>
<td>9</td>
<td>25</td>
<td>41</td>
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<td>48</td>
<td>49</td>
<td>141</td>
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<td>85</td>
<td>-350</td>
<td>98</td>
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<td>Financial result</td>
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<td>-10</td>
<td>-8</td>
<td>-10</td>
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<td>-33</td>
<td>-33</td>
<td>-99</td>
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<td>-59</td>
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<tr>
<td>EBT</td>
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<td>-9</td>
<td>-2</td>
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<td>51</td>
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<td>17</td>
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<td>107</td>
<td>97</td>
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<td>39</td>
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<td>-1</td>
<td>-5</td>
<td>-8</td>
<td>-18</td>
<td>-7</td>
<td>-29</td>
<td>-4</td>
<td>-9</td>
<td>-10</td>
<td>2</td>
<td>-9</td>
<td>-9</td>
<td>-38</td>
<td>5</td>
<td>-14</td>
<td>50</td>
<td>-17</td>
</tr>
<tr>
<td>Net income</td>
<td>-23</td>
<td>28</td>
<td>-10</td>
<td>-7</td>
<td>22</td>
<td>33</td>
<td>21</td>
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<td>31</td>
<td>33</td>
<td>69</td>
<td>102</td>
<td>38</td>
<td>-349</td>
<td>22</td>
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<td>Minority interests</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>-2</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Net income KCO</td>
<td>-23</td>
<td>28</td>
<td>-10</td>
<td>-7</td>
<td>22</td>
<td>33</td>
<td>21</td>
<td>30</td>
<td>12</td>
<td>23</td>
<td>36</td>
<td>-12</td>
<td>31</td>
<td>32</td>
<td>69</td>
<td>101</td>
<td>37</td>
<td>-347</td>
<td>22</td>
</tr>
<tr>
<td>EPS basic (€)</td>
<td>-0.23</td>
<td>0.28</td>
<td>-0.10</td>
<td>-0.07</td>
<td>0.22</td>
<td>0.33</td>
<td>0.21</td>
<td>0.30</td>
<td>0.12</td>
<td>0.23</td>
<td>0.36</td>
<td>-0.13</td>
<td>0.31</td>
<td>0.32</td>
<td>0.68</td>
<td>1.01</td>
<td>0.37</td>
<td>-3.48</td>
<td>0.22</td>
</tr>
<tr>
<td>EPS diluted (€)</td>
<td>-0.23</td>
<td>0.27</td>
<td>-0.10</td>
<td>-0.07</td>
<td>0.21</td>
<td>0.31</td>
<td>0.20</td>
<td>0.28</td>
<td>0.12</td>
<td>0.22</td>
<td>0.34</td>
<td>-0.13</td>
<td>0.31</td>
<td>0.32</td>
<td>0.66</td>
<td>0.96</td>
<td>0.37</td>
<td>-3.48</td>
<td>0.22</td>
</tr>
<tr>
<td>NWC</td>
<td>1,325</td>
<td>1,386</td>
<td>1,501</td>
<td>1,229</td>
<td>1,467</td>
<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>1,229</td>
<td>1,132</td>
<td>1,120</td>
<td>1,128</td>
<td>1,321</td>
</tr>
</tbody>
</table>
04 Segment performance

**Shipments (Tto)**

- **KM US**
  - Q3 2018: 676, Q4 2018: 674, Q1 2019: 686, Q2 2019: 657, Q3 2019: 621

- **KM Switzerland**

**Sales (€m)**

- **KM US**

- **KM Switzerland**
  - Q3 2018: 266, Q4 2018: 252, Q1 2019: 221, Q2 2019: 259, Q3 2019: 259

**EBITDA adj* (€m)**

- **KM US**
  - Q3 2018: 40, Q4 2018: 19, Q1 2019: 14, Q2 2019: 21, Q3 2019: 10

- **KM Switzerland**
  - Q3 2018: 15, Q4 2018: 10, Q1 2019: 10, Q2 2019: 17, Q3 2019: 17

*) adjusted for insurance compensation in Q3 2019.
04 Segment performance

**KM Services**

**Shipments (Tto)**
- Q3 2018: 234
- Q4 2018: 221
- Q1 2019: 265
- Q2 2019: 241
- Q3 2019: 228

**Sales (€m)**
- Q3 2018: 187
- Q4 2018: 178
- Q1 2019: 211
- Q2 2019: 195
- Q3 2019: 178

**EBITDA adj (€m)**
- Q3 2018: 9
- Q4 2018: 5
- Q1 2019: 9
- Q2 2019: 6
- Q3 2019: 4

**KM Distribution**

**Shipments (Tto)**
- Q3 2018: 436
- Q4 2018: 393
- Q1 2019: 411
- Q2 2019: 384
- Q3 2019: 374

**Sales (€m)**
- Q3 2018: 556
- Q4 2018: 498
- Q1 2019: 540
- Q2 2019: 506
- Q3 2019: 463

**EBITDA adj* (€m)**
- Q3 2018: 1
- Q4 2018: -7
- Q1 2019: 6
- Q2 2019: 12
- Q3 2019: 1

*) adjusted for restructuring expenses in Q2 and in Q3 2019 and for a gain on the sale of London site in Q2 2019.
## 04 Strong balance sheet

### Assets

<table>
<thead>
<tr>
<th>Category</th>
<th>Dec 31, 2018</th>
<th>Sep 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>832</td>
<td>989</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,242</td>
<td>1,144</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>740</td>
<td>823</td>
</tr>
<tr>
<td>Other current assets</td>
<td>141</td>
<td>106</td>
</tr>
<tr>
<td>Liquidity</td>
<td>109</td>
<td>109</td>
</tr>
</tbody>
</table>

### Equity & liabilities

<table>
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<tr>
<th>Category</th>
<th>Dec 31, 2018</th>
<th>Sep 30, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>1,282</td>
<td>1,225</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>521</td>
<td>758</td>
</tr>
<tr>
<td>Pensions</td>
<td>260</td>
<td>302</td>
</tr>
<tr>
<td>Trade payables</td>
<td>753</td>
<td>642</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>245</td>
<td>266</td>
</tr>
</tbody>
</table>

- **Equity ratio** further healthy at 38%
- **Net debt** of €634m incl. IFRS 16 Leases (impact of €178m)
- **Gearing** at 52%
- **NWC** at €1,325m (FY 2018: €1,229m)

*) Gearing = Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2019.
04 Maturity profile – well-balanced & diversified funding portfolio

<table>
<thead>
<tr>
<th>Facility</th>
<th>Committed (€m)</th>
<th>Drawn amount (€m, IFRS*)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3 2019</td>
<td>FY 2018</td>
</tr>
<tr>
<td>Syndicated Loan</td>
<td>300</td>
<td>0</td>
</tr>
<tr>
<td>ABS Europe</td>
<td>300</td>
<td>160</td>
</tr>
<tr>
<td>ABS/ABL USA</td>
<td>505</td>
<td>178</td>
</tr>
<tr>
<td>Convertible 2016</td>
<td>148</td>
<td>140</td>
</tr>
<tr>
<td>Bilateral Facilities</td>
<td>171</td>
<td>79</td>
</tr>
<tr>
<td>Leases</td>
<td>204</td>
<td>204</td>
</tr>
<tr>
<td>Total Debt</td>
<td>1,628</td>
<td>761</td>
</tr>
<tr>
<td>Cash</td>
<td>128</td>
<td>141</td>
</tr>
<tr>
<td>Net Debt</td>
<td>634</td>
<td>383</td>
</tr>
</tbody>
</table>

€m

<table>
<thead>
<tr>
<th></th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted equity</td>
<td>1,217</td>
</tr>
<tr>
<td>Net debt</td>
<td>634</td>
</tr>
<tr>
<td>Gearing 4)</td>
<td>52%</td>
</tr>
</tbody>
</table>

Maturity profile of financial instruments (excl. leasing) in €m

*) Including interest accrued, excluding deferred transaction costs.
1) Principal €148m, equity component €18m at issuance (September 8, 2016).
2) Mainly Switzerland.
3) First time application of IFRS 16 in Q1 2019. FY 2018 as reported (based on IAS 17 and not adjusted for IFRS 16).
4) Net debt/Equity attributable to shareholders of Klöckner & Co SE less goodwill from business combinations subsequent to May 23, 2019.
## 04 IFRS 16 impact

<table>
<thead>
<tr>
<th>Key Figure</th>
<th>€m</th>
<th>Tendency</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>-</td>
<td></td>
<td>No impact</td>
</tr>
<tr>
<td>OPEX</td>
<td>~45</td>
<td></td>
<td>Recognition of lease expenses as depreciation and interest costs; exception: short-term leases and low-value assets, remaining material costs</td>
</tr>
<tr>
<td>EBITDA</td>
<td>~45</td>
<td></td>
<td>Lower leasing expenses</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>~40-45</td>
<td></td>
<td>Capitalized operating-lease-assets as new depreciation</td>
</tr>
<tr>
<td>EBIT</td>
<td>~5</td>
<td></td>
<td>Depreciation and interest instead of operating lease expense</td>
</tr>
<tr>
<td>Financing costs</td>
<td>~6</td>
<td></td>
<td>Interest cost included in financing costs</td>
</tr>
<tr>
<td>Operating and Free Cash flow</td>
<td>~40</td>
<td></td>
<td>Principal payments on IFRS 16 lease liabilities included in Cash flow from financing activities</td>
</tr>
</tbody>
</table>

Main impact consists of considerable **EBITDA and Free Cash flow increase**
04 Sales by markets, products and industries

Sales by markets
- 39% USA
- 29% Germany/Austria
- 15% Switzerland
- 9% France/Belgium
- 9% France/Belgium
- 3% Netherlands
- 1% Brazil
- 4% UK

Sales by industry
- 40% Construction industry
- 13% Automotive industry
- 8% Local dealers
- 8% Household appl./Consumer goods
- 4% Miscellaneous

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

As of December 31, 2018.
Geographical breakdown of identified institutional investors

- Identified institutional investors account for 65%
- German investors incl. retail dominate
- Top 10 shareholdings represent around 53%
- Retail shareholders represent 29%

As of June 2019.
• In the third quarter of 2019 the Klöckner & Co share price reached its quarterly low at €4.35 on July 22

• In second half of August it could improve again and reached its quarterly high at €6.00 on September 16

• The share went out of trading at a price of €5.57 on September 30
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 would 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 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 fiscal year**
- **Dividend payment per share for the 2018 fiscal year:** €0.30
04 Sustainability strategy

A **qualified** and **motivated** workforce of **employees** who feel at ease in the workplace pave the way for us to generate **added value**.

An **integral part** of our corporate culture is **compliance** on the part of our employees and business partners, constituting the **basis of corporate responsibility**.

One of the **greatest challenges** of our times is **climate change**, and we consider it our duty to counter related risks with a suitable **contribution** to **protecting the environment**.

In many cases today’s tasks have increased in **complexity**. The measures developed by us therefore aim at anchoring **modern, digital ways of working and thinking** in the company and thus to advance the **internal cultural change**.

The **high level of customer satisfaction** – which we aim to continue improving – is a key **competitive advantage** for us. Therefore we always conceptualize **products and services, sales channels and innovations** from the customer perspective.
## Contact details

Felix Schmitz  
Head of Investor Relations,  
Internal Communications & Sustainability  
Phone: +49 203 307 2295  
Fax: +49 203 307 5025  
Email: felix.schmitz@kloeckner.com  
Internet: www.kloeckner.com

## Financial calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 10, 2020</td>
<td>Annual financial statements 2019</td>
</tr>
<tr>
<td>May 5, 2020</td>
<td>Q1 quarterly statement 2020</td>
</tr>
<tr>
<td>May 20, 2020</td>
<td>Annual General Meeting 2020</td>
</tr>
<tr>
<td>August 14, 2020</td>
<td>Half-yearly financial report 2020</td>
</tr>
<tr>
<td>November 3, 2020</td>
<td>Q3 quarterly statement 2020</td>
</tr>
</tbody>
</table>