SMART STEEL

Q3 2018 Results

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November 8, 2018

Agenda

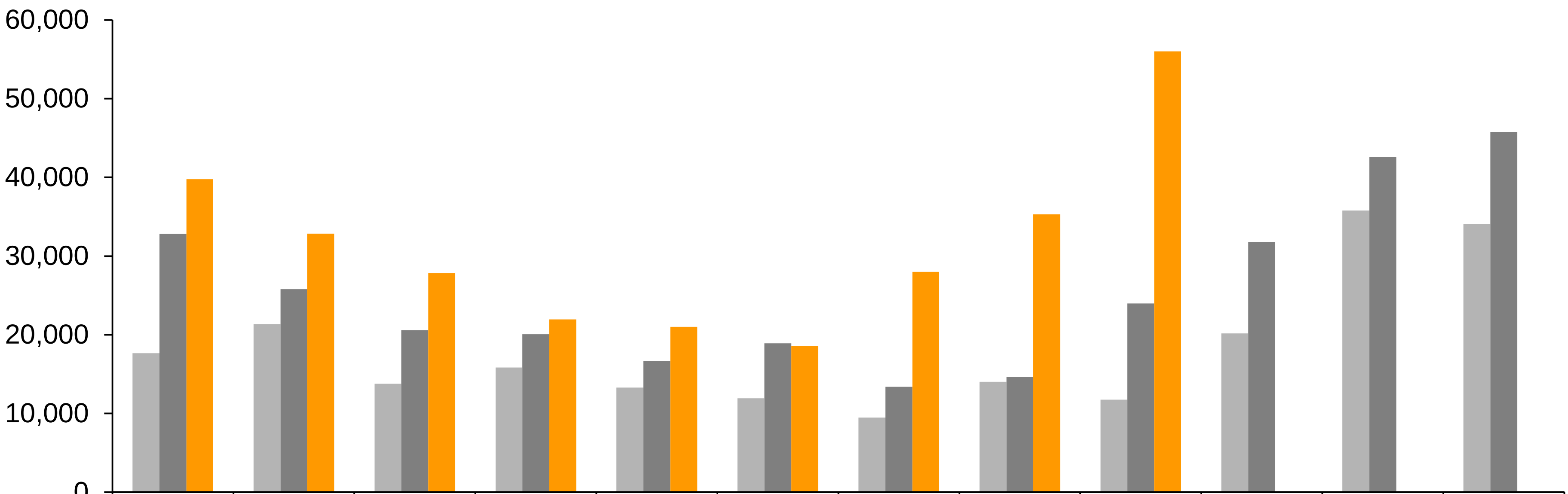
- Business Summary – Preliminaries confirmed
- Market update
- Segments: Status and profitability trend in the regions
- Group targets in sales and earnings FY 2018

Business Summary: Q3 2018 – Preliminaries confirmed

- Q3 2018 sales growth of 22.9%; Highest Q3 sales level ever of € 340.6 (py: 277.1) mn
- Organic sales growth of 15.0%
- Continued burden from increased operating cost related to realignment of the new US production network and high steel prices in North America; But: Successive profitability improvement in the Americas also in Q3
- Much higher than expected sales contributions from the US, however at clearly below-Group average margin
- Extraordinary income of € 4.4 mn from partial settlement of US medical plan
- Q3 2018 adjusted EBIT at € 27.1 mn and adj. EBIT margin at 8.0% (py: 7.5%)
- Clean adjusted EBIT margin of 6.7% (excl. € 4.4 mn in extraordinary income)
- Net income achieved € 15.3 (py: 7.5) mn up 104.0%

Trailer market trend North America: Sustained strong order intake, backlog extending up to six months

Trailer net orders



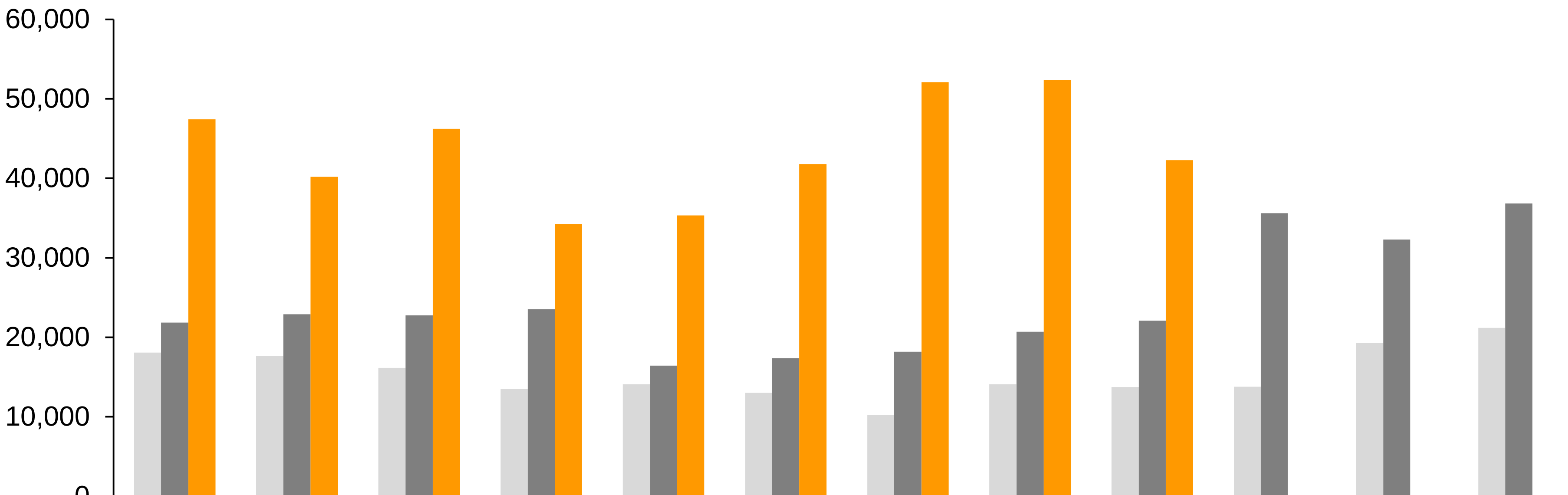
	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
2016	17,649	21,360	13,789	15,840	13,302	11,931	9,482	14,031	11,746	20,158	35,790	34,060
2017	32,818	25,798	20,587	20,056	16,645	18,911	13,380	14,620	23,994	31,793	42,618	45,792
2018	39,764	32,863	27,811	21,941	21,008	18,600	28,000	35,300	56,000			

Sept. 2018 net trailer orders in NA were 56,000 units, up 59% m/m and massively up 133% y/y. In the first nine months of 2018 net trailer orders increased by 51% following up on truck segment boom.

 Source: FTR, October 2018

Truck market trend North America: Order boom meets stressed supply chain

Class-8 net orders



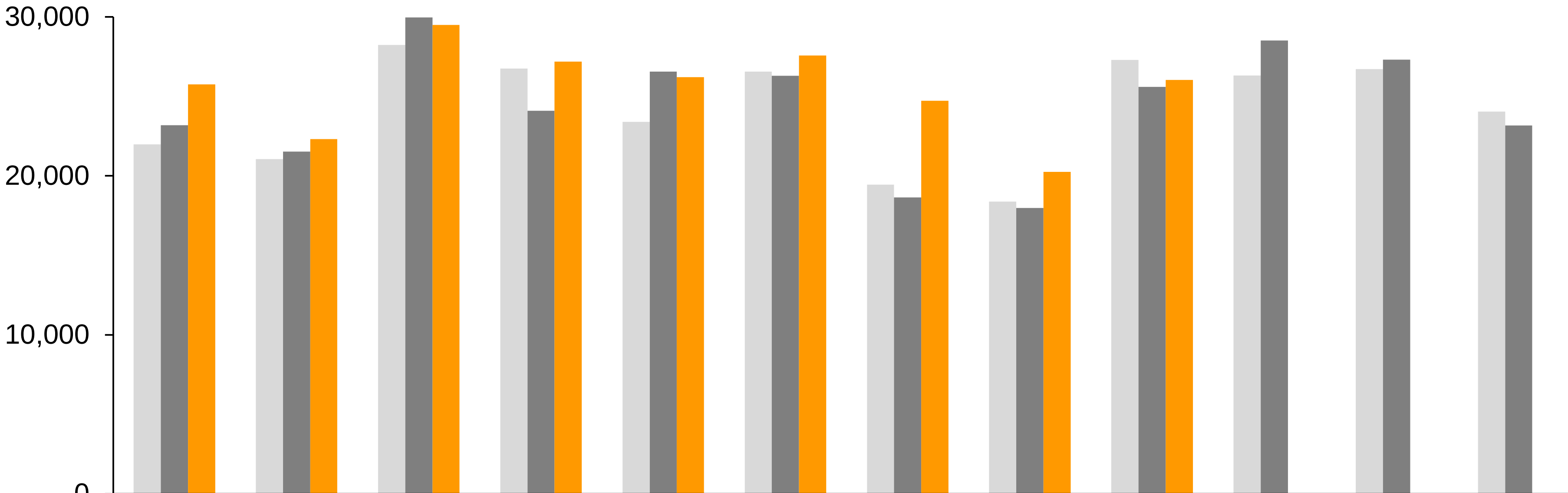
	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
2016	18,062	17,650	16,147	13,500	14,095	13,000	10,263	14,078	13,753	13,775	19,300	21,200
2017	21,863	22,886	22,765	23,538	16,419	17,375	18,197	20,683	22,082	35,613	32,293	36,820
2018	47,426	40,185	46,248	34,262	35,319	41,800	52,100	52,400	42,300			

NA Class-8 net order intake for Sept. 2018 almost doubled to 42,300 units. In the 9-months period class-8 net orders soared 140%. Electronic locking device (ELD), E-economy, increase in ton milage and freight rates combined with still moderate fuel cost. Order backlog 6 to 7 months.

 Source: FTR, Truck OEMs - Total N.A. Cl. 8 Orders (US/CAN/MEX/EXP), October 2018

Heavy truck market in the EU: Solid trend persists

New registrations of heavy commercial vehicles (HCV) >16 tons



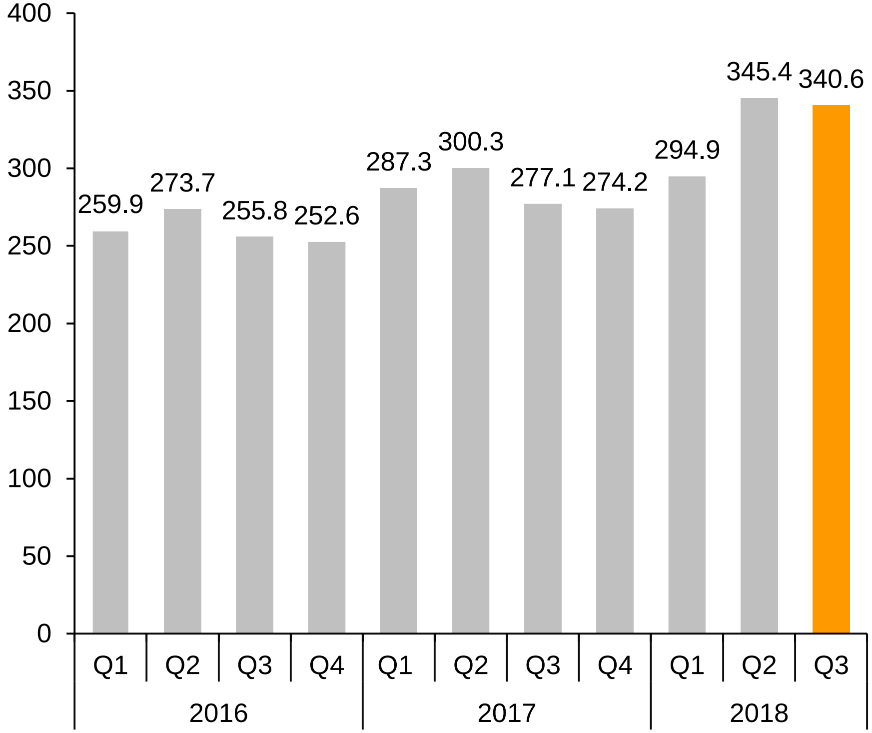
	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
2016	21,989	21,052	28,250	26,756	23,402	26,571	19,453	18,387	27,305	26,324	26,727	24,044
2017	23,195	21,531	29,971	24,096	26,572	26,307	18,646	17,984	25,598	28,521	27,314	23,177
2018	25,753	22,312	29,501	27,189	26,212	27,580	24,722	20,249	26,036			

In Sept. 2018, demand for heavy commercial vehicles continued to increase by 1.7%. In the first 9 months of 2018 the heavy duty truck market in the EU expanded by 7.3%.

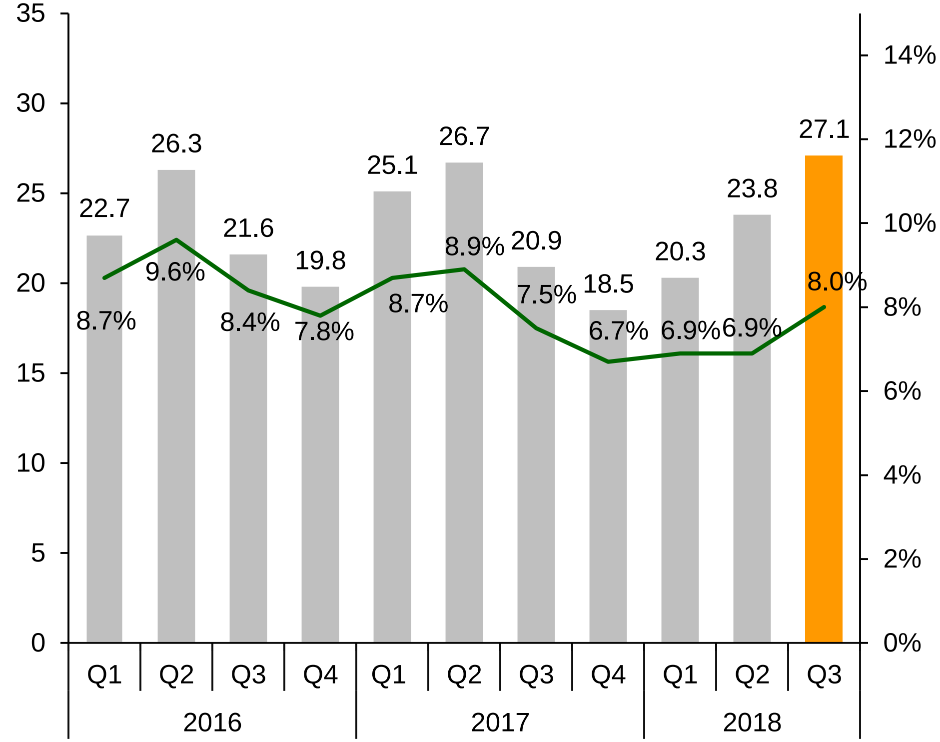
 Source: ACEA, Commercial vehicle registrations, October 2018

Group sales and adjusted EBIT by quarter

Sales **in € mn**

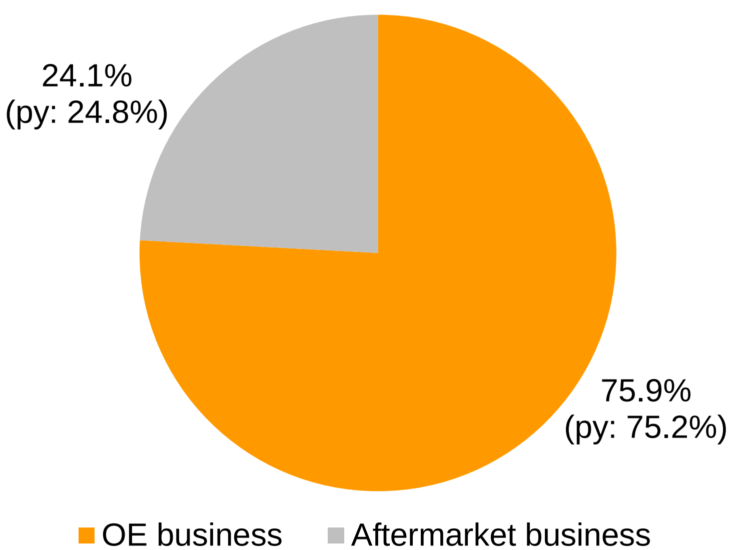


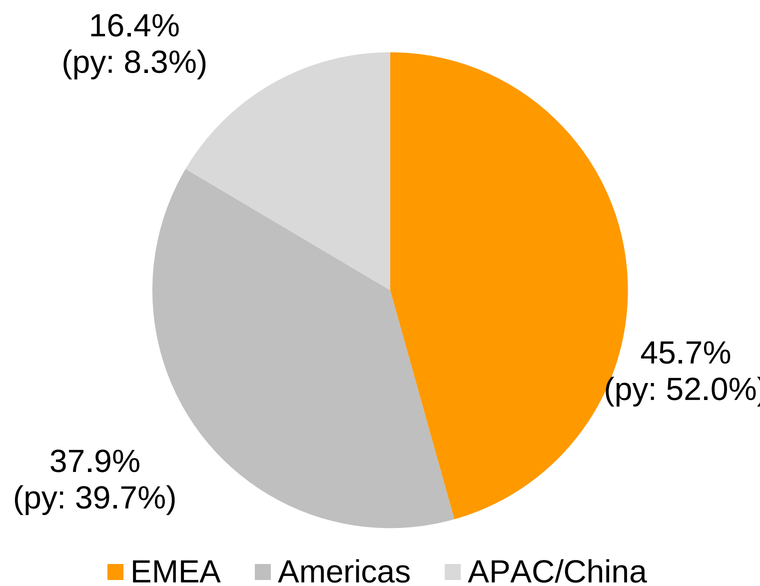
Adj. EBIT **in € mn. and** **adj. EBIT** **margin in %**



Q3 2018 top line grew by 22.9% reaching a record third quarter level of € 340.6 (py: 277.1) mn.
Adjusted EBIT margin (incl. extraordinary income of € 4.4mn) rose to 8.0% (py: 7.5%), clean 6.7%

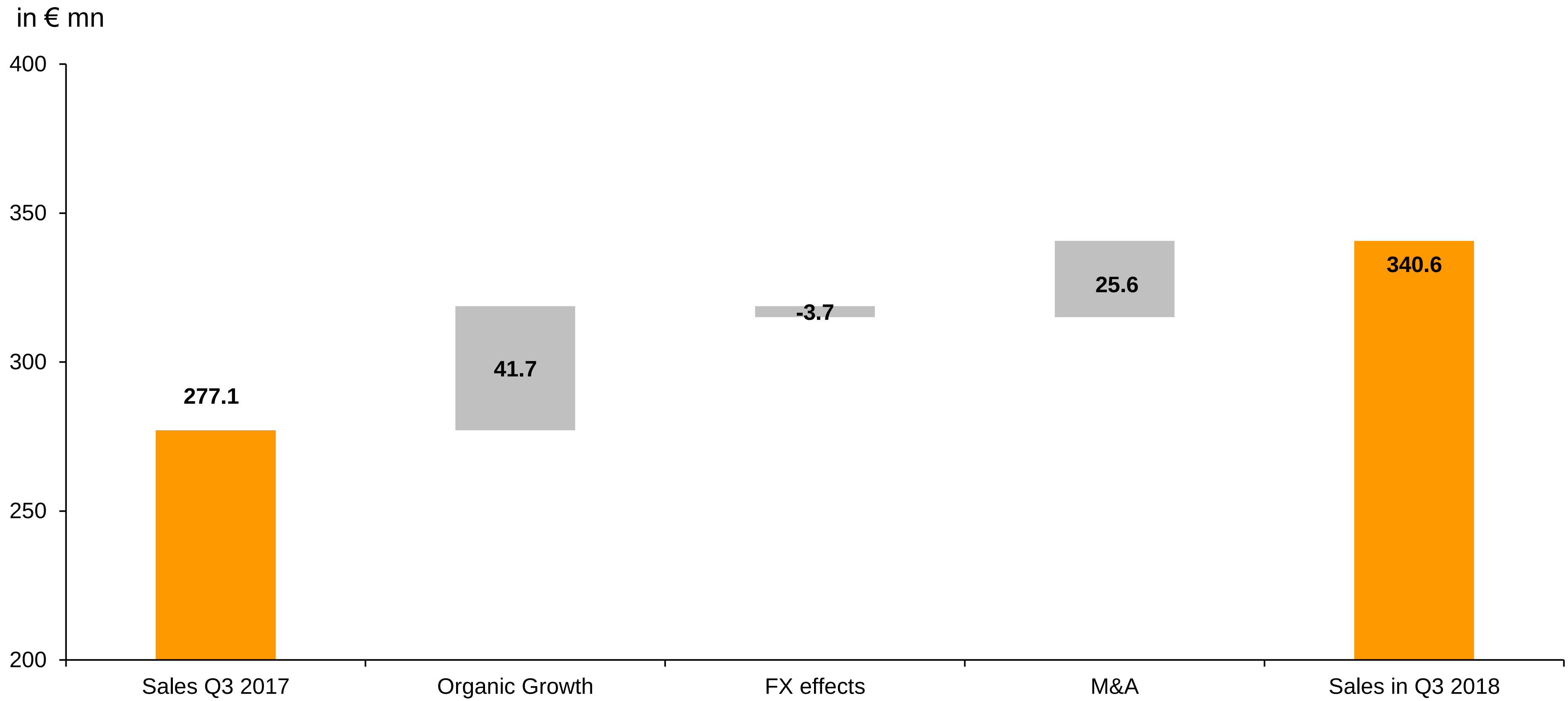
Share of group sales by channel and region in Q3 2018





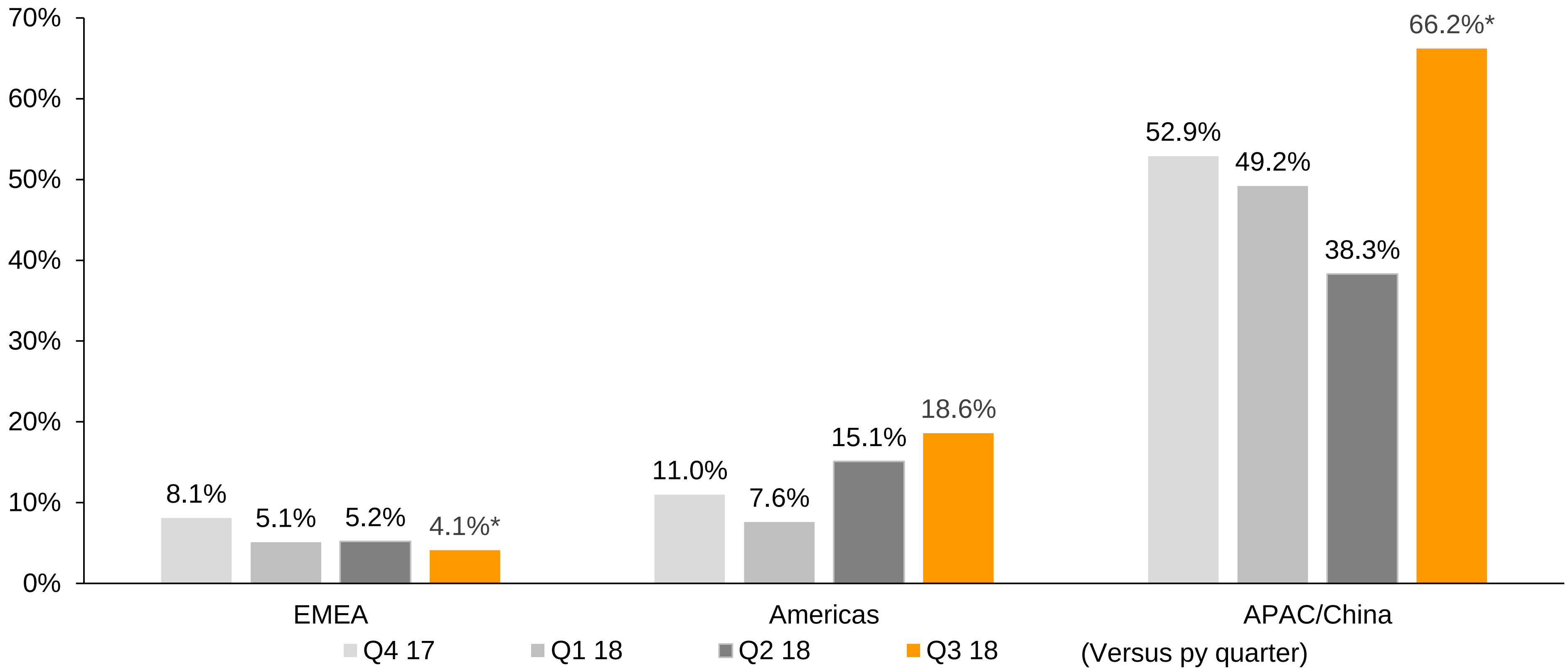
Share of the OEM business increases slightly to 75.9% driven by higher than expected demand in all regions. Share of APAC/China picks up significantly to 16.4% helped by York acquisition.

Development of sales from Q3 2017 to Q3 2018



Reported top line in Q3 2018 increased by 22.9 % to € 340.6 (py: 277.1) mn, incl. contributions from V.Orlandi, York and Axscend acquisitions; Dynamic organic growth of 15.0%; Still significant negative translational effects of € 3.7 mn in Q3, expected to come in lower in Q4.

Sustained above-plan organic sales growth in all regions paving the way for realizing value in the AM

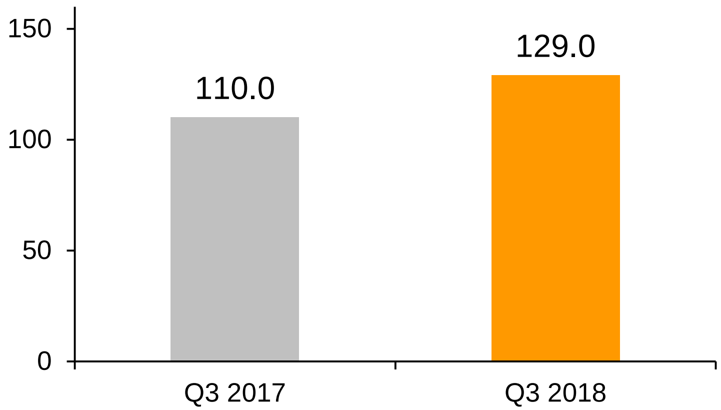


(* As compared to Q3 2018 pre. Results, retroactive adjustment of the allotment of the sales in India to the new segment structure)

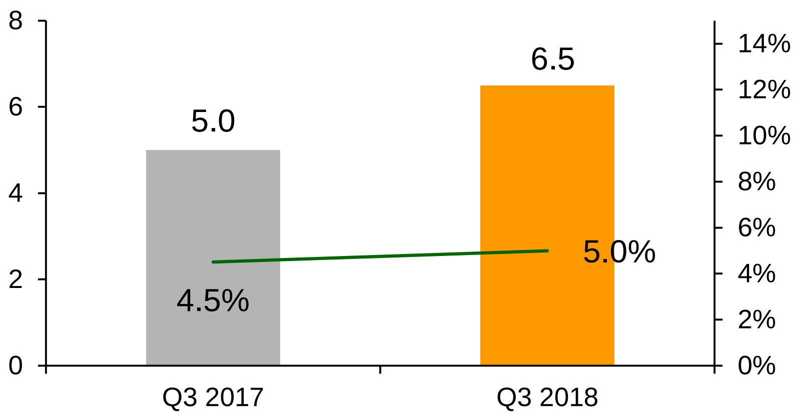
Positive trend in organic sales growth continued in all reporting regions
Dynamic APAC/China region versus already high prior year comparables; US successfully managed strong unit sales growth despite ongoing realignment measures within the new US production network

Segment Americas: Cost for realignment of plant network and high steel prices impact earnings - Sequential improvement in soaring markets

Sales in € mn



Adj. EBIT in € mn and **margin** in %



Summary

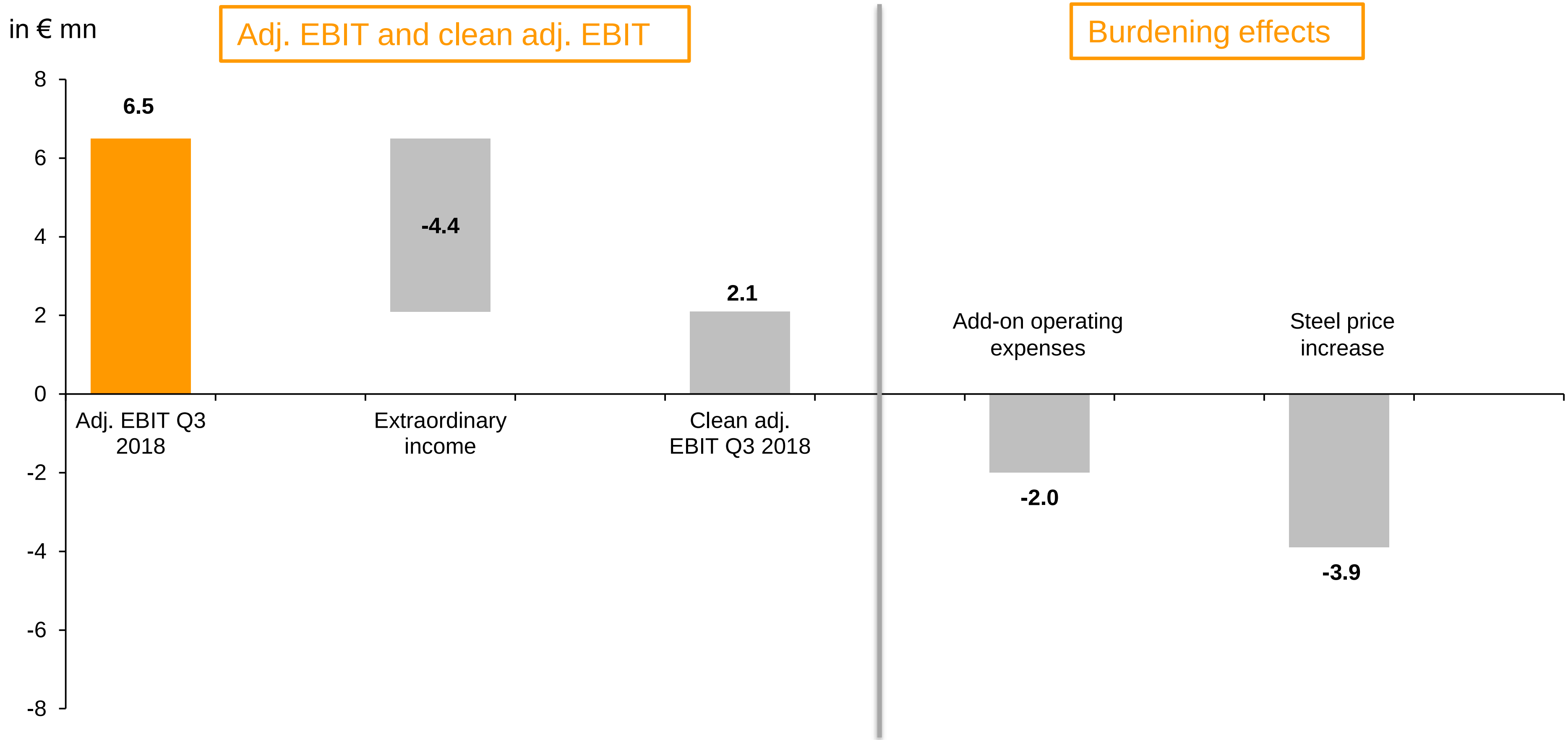
- Soaring customer demand and net order intake coincide with completely strained industry supply chain
- Despite ongoing realignment measures, organic sales growth well-above expectations at 18.6% (€ 130.5 mn)
- Negative exchange rate effects (-1.3%)
- Sales reported up 17.3% to reach € 129.0 (py: 110.0) mn, up € 6.0 mn versus Q2 2018

- Q3 2018 adj. EBIT at € 6.5 (py: 5.0) mn incl. contribution from partial settlement of US medical plan of €4.4 mn; immediate annual cost savings of € 0.4 mn
- Successive clean adj. EBIT margin improvement versus Q2 2018 to 1.6% (0.7%)
- Additional operating expenses of € 2.0 (Q2: 2.3) mn were incurred, due to continued start-up inefficiencies and realignment of the new production network in the US
- Steel price burden of € 3.9 (Q2: 4.3) mn as quarterly average steel price index remained at a very high level

HRC steel price index peaking in Q3 2018 – negative effects expected to gradually decline in the mid-term

In view of the current trend in commodity prices, the company reckons the negative effects of the sharp rise in steel prices to have peaked and in the mid-term expects these effects to tend to decline, also as a result of largely passing on these effects in its own selling prices with a time lag

Americas Region: Adj. EBIT and burdening effects Q3 2018

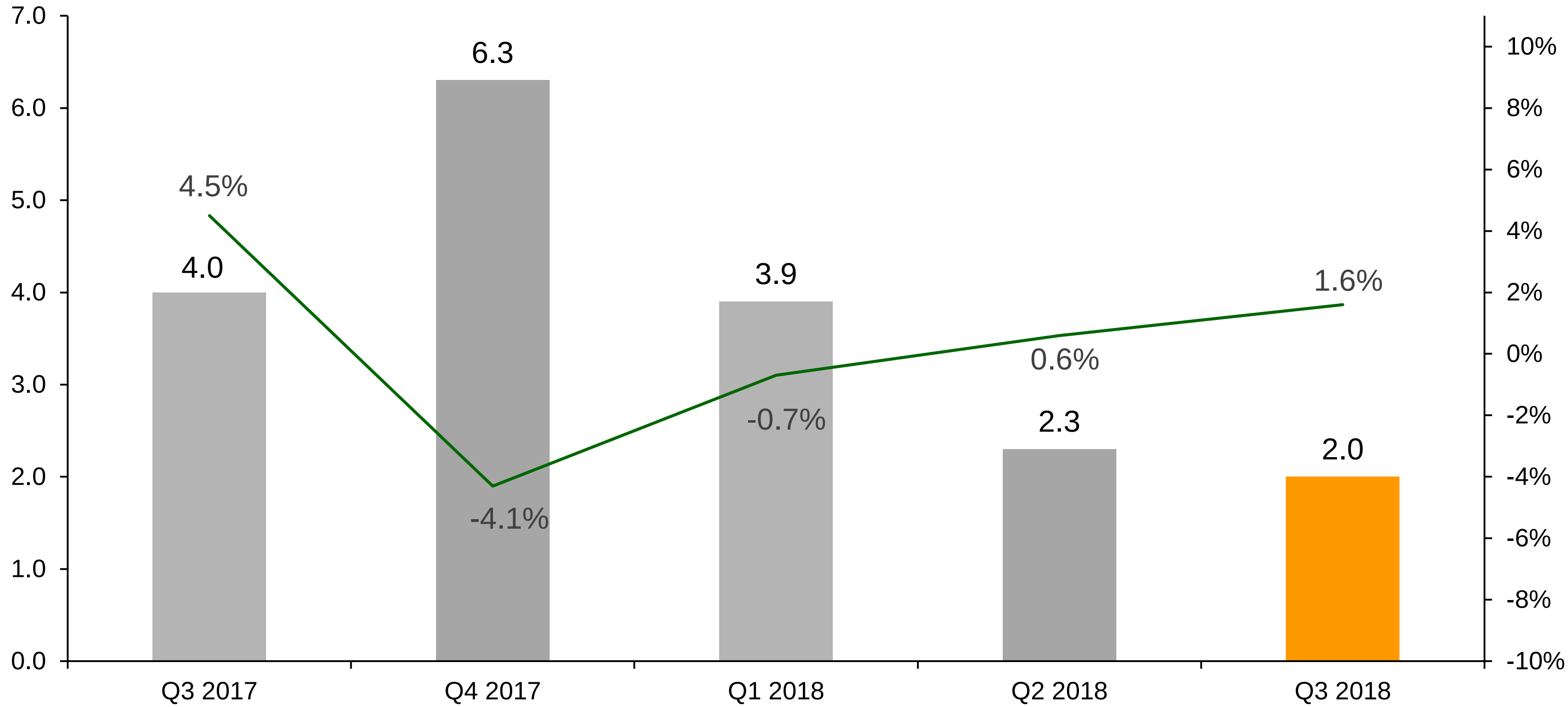


Clean adj. EBIT margin (pre extraordinary income of € 4.4 mn) continued to improve quarter-over-quarter from 0.6% to 1.6% in Q3 2018; Add-on operating expenses dropped to EUR 2.0 mn in Q3 2018 versus Q2: EUR 2.3 mn and Q1: EUR 3.9 mn; Steel price burden still relatively high at EUR 3.9 (Q2: 4.3) mn.

Segment Americas: Add-on operating cost and clean adjusted EBIT margin trend continues to improve successively

Add-on operating cost in € mn

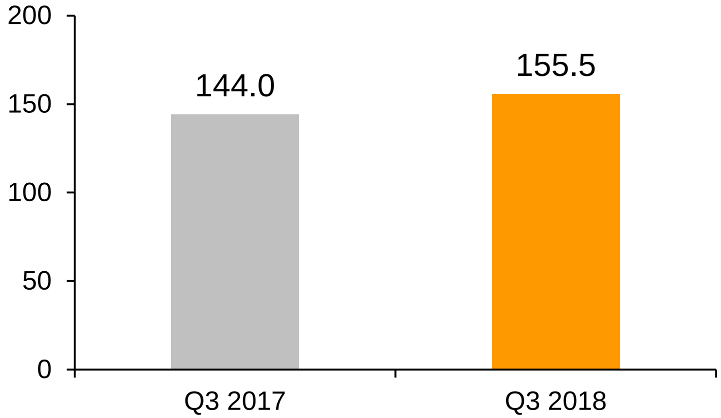
Clean adj. EBIT margin in %



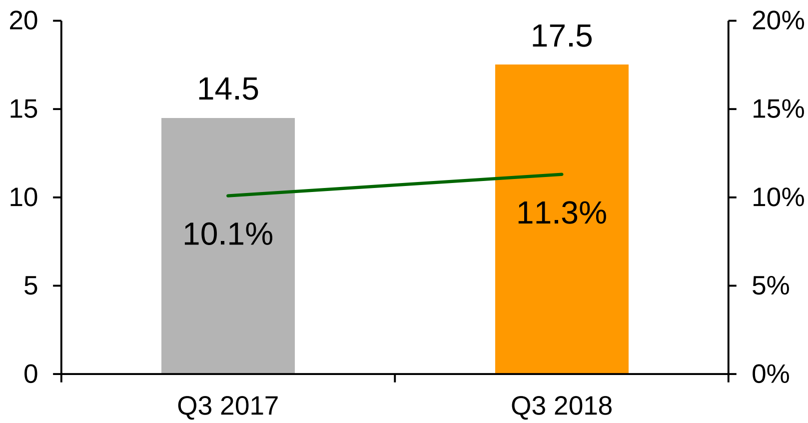
Cost situation earmarked by remaining inefficiencies from realignment and ramp-up of new production network in the US with measures ongoing; Successive margin improvement since low-point in Q4 2017 and return to profitability in Q2 2018.

Segment EMEA: Solid organic sales growth enables operational leverage

Sales in € mn



Adj. EBIT in € mn and **margin** in %



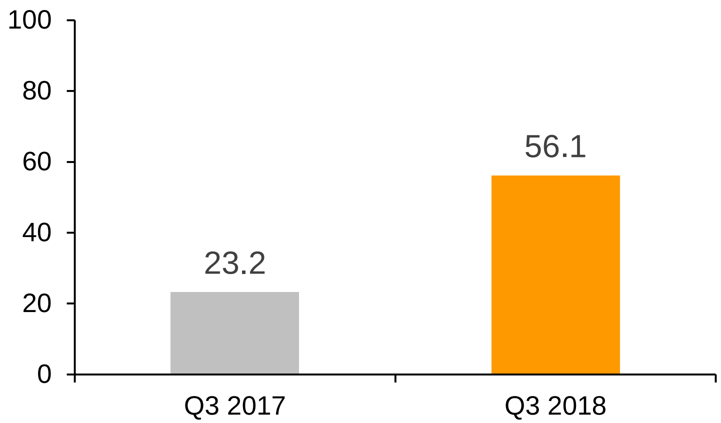
Summary

- Q3 2018 sales growth of 8.0 % to € 155.5 (py: 144.0) mn
- On an organic basis – adj. for forex and acquisition effects – sales were up +4.0% yoy
- Aftermarket (AM) growth of 6.3% on a high basis

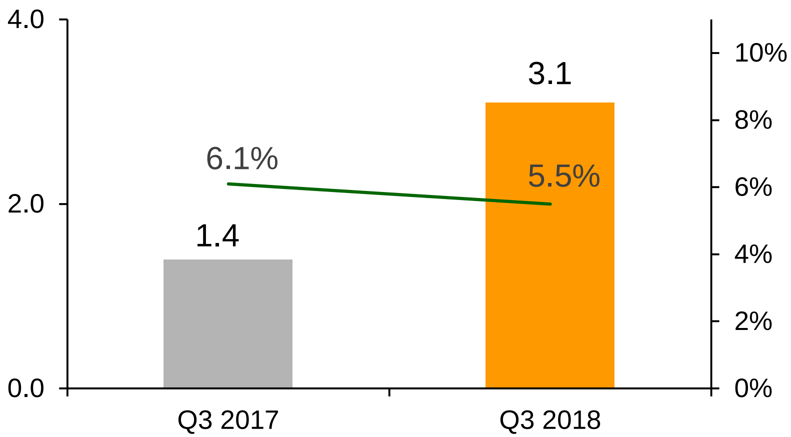
- Q3 2018 adj. EBIT rose 20.7% to € 17.5 (py: 14.5) mn
- Despite seasonal sales retraction versus Q2, adj. EBIT margin holds up at 11.3% (py: 10.1%) supported by positive mix effects and operational leverage

Segment APAC/China: Highest percentage organic sales growth within the Group stepped up by the York acquisition

Sales in € mn



Adj. EBIT in € mn and **margin** in %

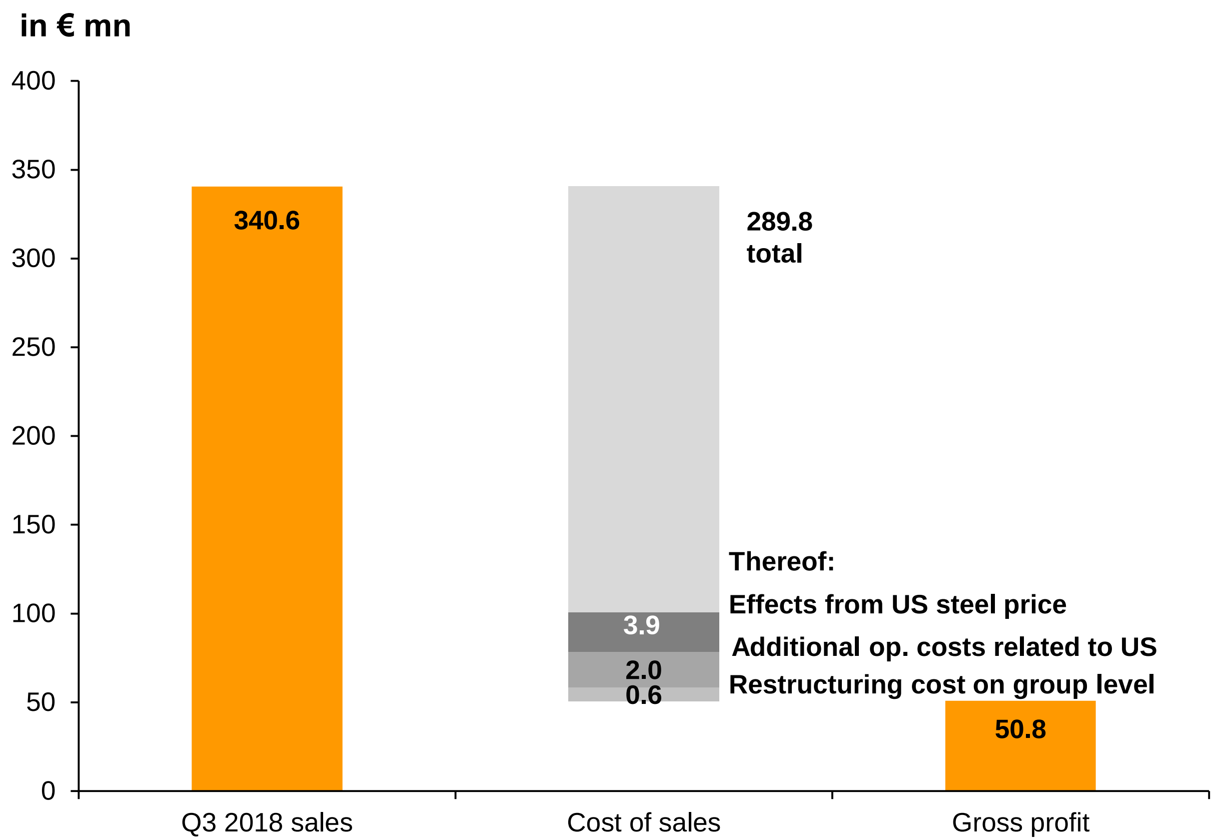


Summary

- Acquired York Group consolidated as of May 2018 contributing close to € 20 mn in sales in Q3 2018
- Q3 2018 sales more than doubled from € 23.2 mn to € 56.1 mn
- On an organic basis sales were up 66.2%
- The new regulatory load limits for CVs and stricter safety regulations for hazardous goods and automotive transporters continue to provide strong growth in the premium segment in China.

- Adj. EBIT in the region APAC/China increased to € 3.1 (py: 1.4) mn
- As expected temporary margin dilution from including York in the scope of consolidation of the segment
- Adj. EBIT margin came in at 5.5% (py: 6.1%) despite still marginal share of aftermarket business in the region

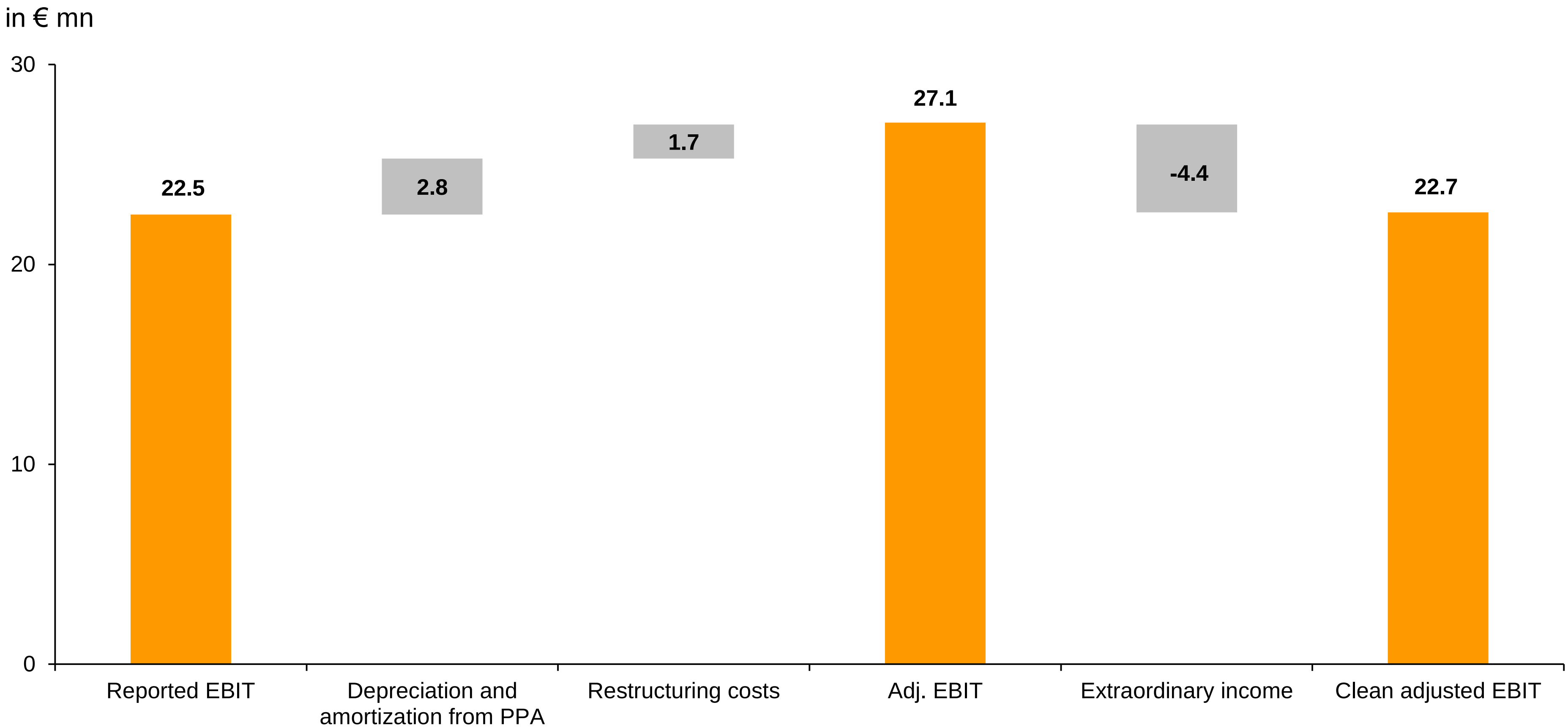
Reconciliation of sales to gross profit Q3 2018



Impact on gross margin in Q3 2018	
Temp. workforce	-
Volume	+ -
Raw materials	-
Product mix	-
Restructuring cost	-
Exchange rate	-
Operating efficiencies	+ -

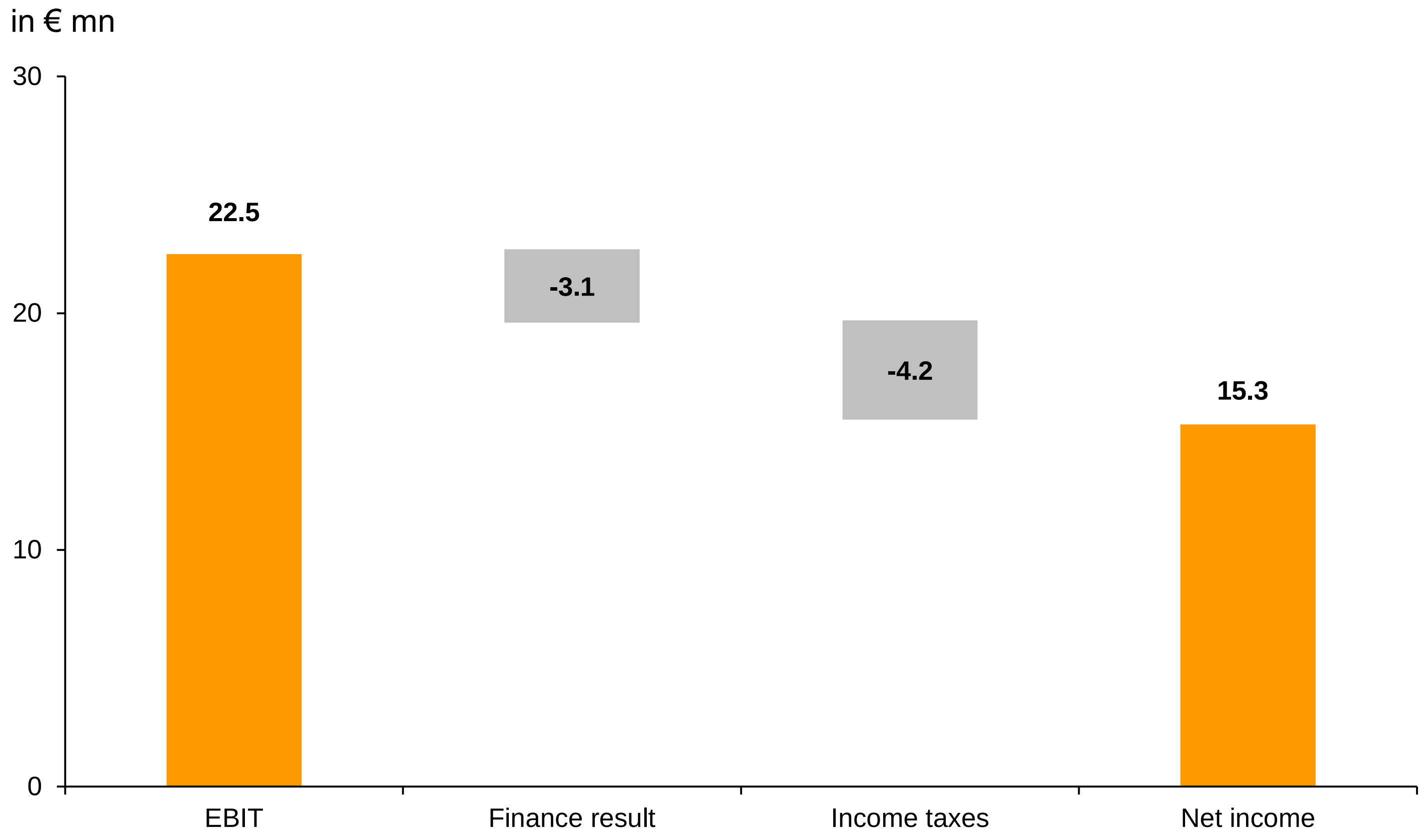
Q3 2018 gross profit at € 50.8 (py: 46.5) mn and gross margin at 14.9% (py: 16.8%) still impacted by additional operating expenses (€ 2.0 mn) related to US plant realignment and significant rise in steel price leading to upfront material cost of € 3.9 mn. Adjusted gross profit margin at 16.8%.

Reconciliation of reported EBIT to clean adjusted EBIT Q3 2018



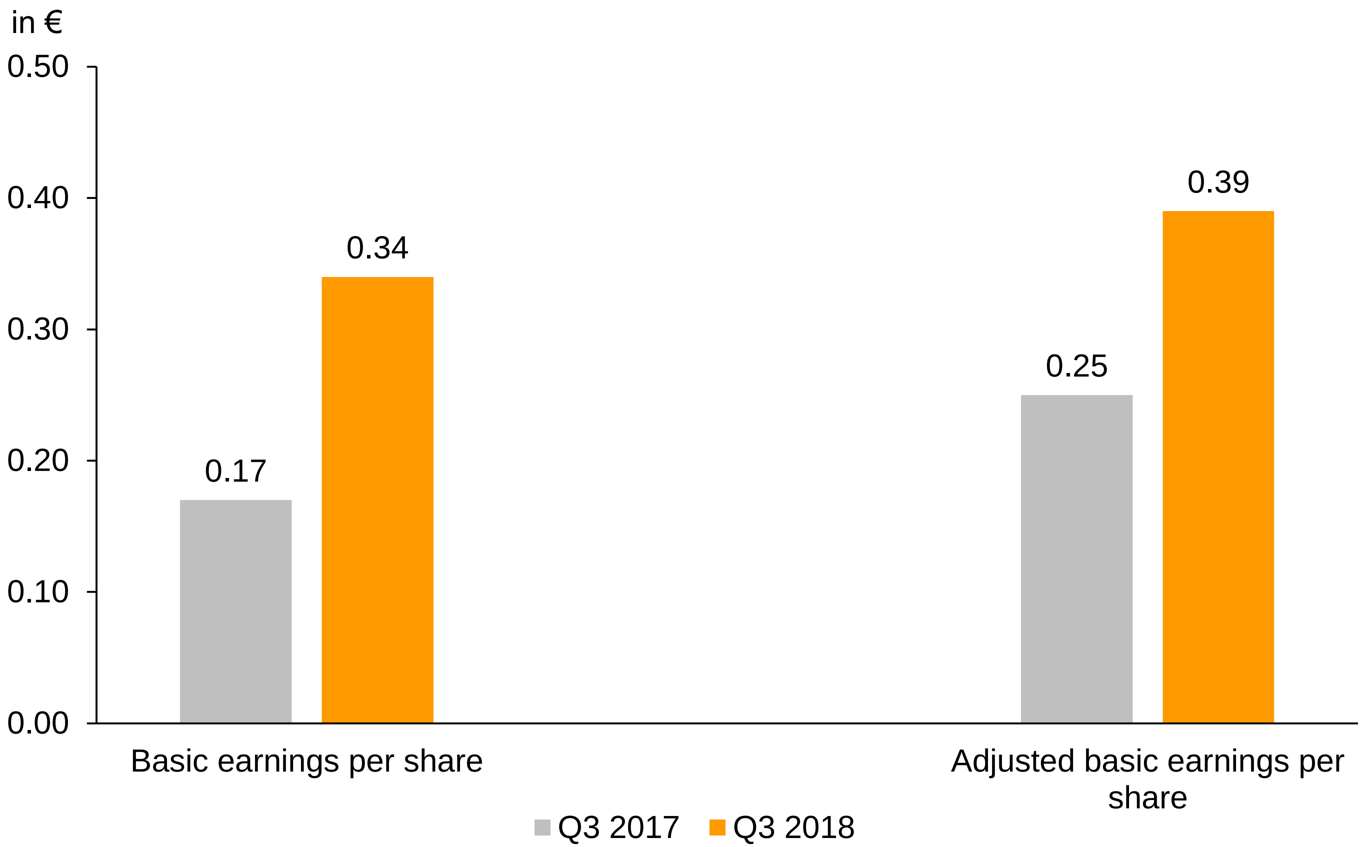
Excl. restructuring and transaction costs totaling € 1.7 mn and PPA of € 2.8 mn adjusted EBIT reached EUR 27.1 mn; Before extraordinary income from the partial settlement of US medical plan of € 4.4 mn, the clean adjusted EBIT still increased by 8.6% and amounted to € 22.7 (py: 20.9) mn.

From EBIT to net income Q3 2018



Net income rose to € 15.3 (py: 7.5) mn driven by higher EBIT (excl. extraordinary income of € 4.4 mn) of € 22.5 (py: 20.9) mn, lower net finance cost of € 3.1 (py: 4.5) mn and lower Group income tax rate of 25.5% (py: 30.2%).

Stong increase in basic EPS and adjusted EPS



Based on 45.4 mn shares outstanding, basic EPS doubled to € 0.34 (py: 0.17);
Adjusted basic EPS was up 56.0% ánd amounted to € 0.39 (py: 0.25).

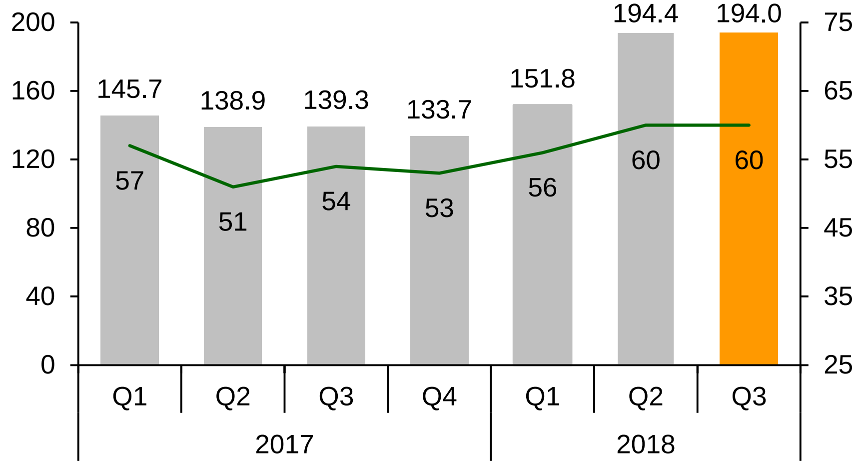
Financial key figures Q3 2018

	Q3 2018	Q3 2017	Chg yoy
Net finance cost	- € 3.1 mn	- € 4.5 mn	- € 1.4 mn
Pre-tax profit	€ 19.5 mn	€ 11.0 mn	+ 77.3%
Income taxes	- € 4.2 mn	- € 3.5 mn	+ € 0.7 mn
Net income	€ 15.3 mn	€ 7.5 mn	+ 104%
Basic EPS	€ 0.34	€ 0.17	+ 100%

Pre-tax profit in Q3 2018 increased to € 19.5 (py: 11.0) mn. Supported by lower finance costs and a lower tax rate, net income rose to € 15.3 (py: 7.5) mn. Undiluted EPS share reached € 0.34 (py: € 0.17).

Inventories and net working capital (NWC)

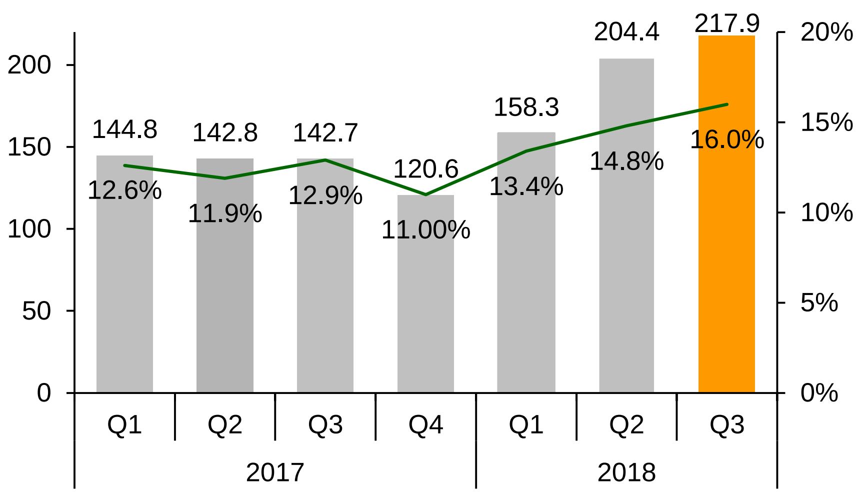
Inventories in € mn and days of inventories



Summary

- Inventories increased to € 194.0 mn (End of Q3 2018) versus Dec. 31, 2017 (€ 133.7 mn) driven by strong organic sales growth and soaring steel prices.
- Positive: Sequentially lower in Q3 versus Q2
- Inventories increase due to contribution of acquisitions: € 19.5 mn
- Elevated steel price level in absolute terms
- DOI at 60 days (Sept 30, 2017: 54 days)

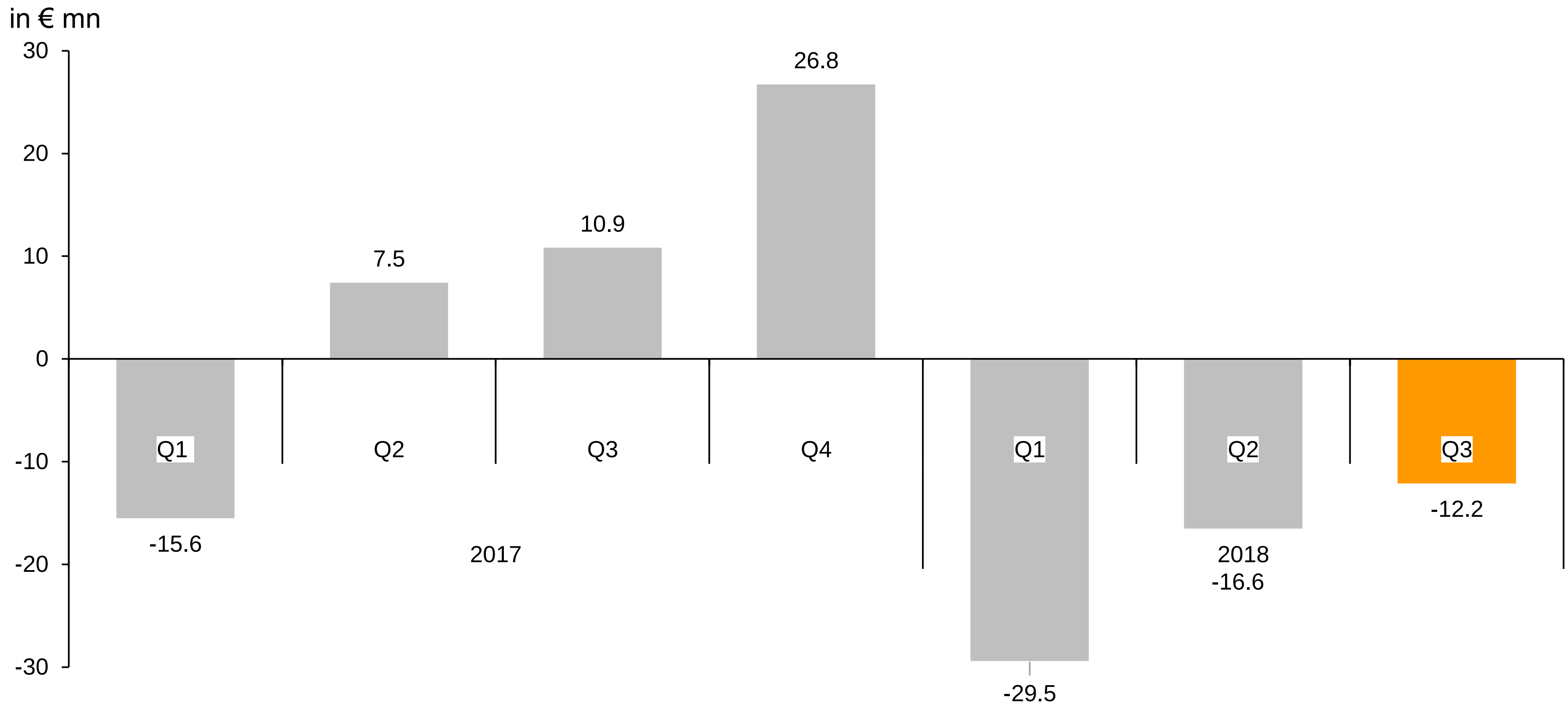
Net working capital in € mn and as % of sales



Summary

- 22.9% sales increase causes pick-up in Q3 NWC driven by higher inventories (+ € 54,7 mn yoy) and rise in trade receivables (+€ 49.7 mn yoy) partly compensated by payables (+ € 39.6 mn yoy)
- Acquisitions related increase in receivables largely offset by payables
- Negative regional mix effect with regard to receivables
- NWC in Q3 amounted to € 217.9 mn in absolute terms, up €75.2 mn on Q3 2017,
- NWC ratio at 16.0% (py: 12.9%)

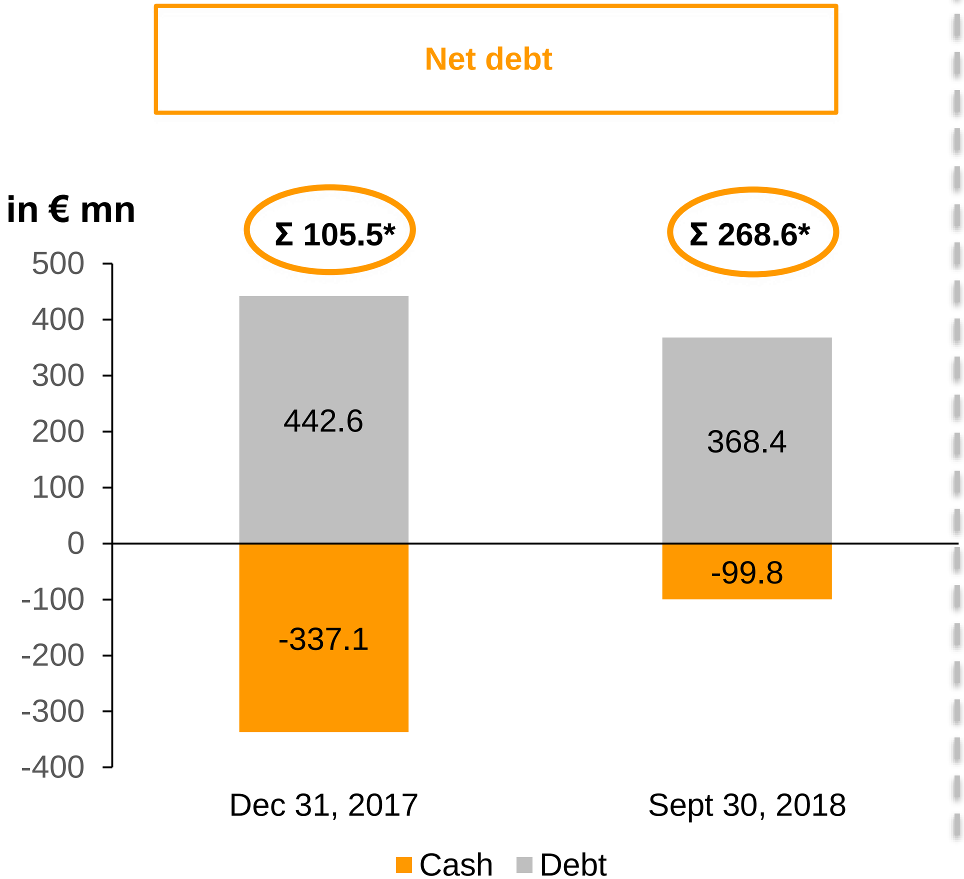
Operating free cash flow by quarter

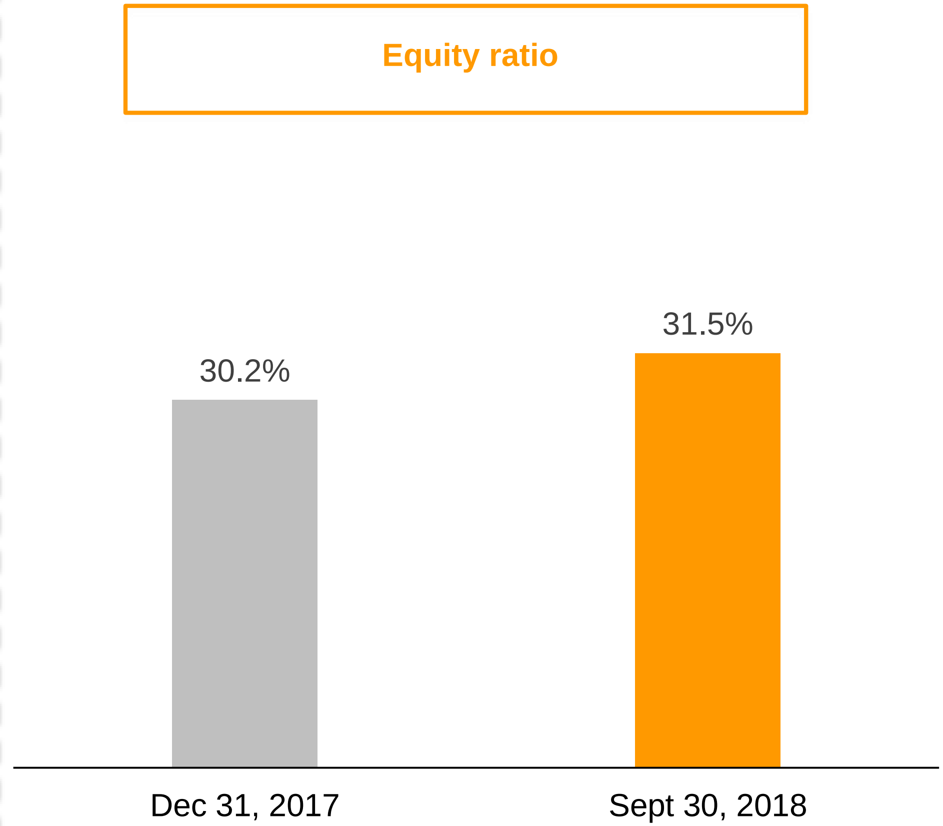


(OFCF: net cash flow from operating activities less investments in PPE and intangible assets, pre M&A, pre-dividend)

Q3 2018 Operating FCF came in negative but sequentially improved at € -12.2 (py: 10.9) mn caused a.o. by strong sales growth and corresponding net working capital expansion (Q3 reduction in trade liabilities by € 17.1 mn, increase in trade receivables by € 5.5 mn and € 2.7 mn in inventories)

Net debt at € 268.6 mn - Equity ratio remains solid at 31.5%





* Net debt (incl. cash and cash equivalents and other short-term investments) in Q3 2018 increased to € 268.6 mn (Dec. 31,2017: € 105.5 mn); Cash and cash equivalents and other short-term investments amounted to € 99.8 mn (Dec. 31, 2017: € 337.1 mn). The equity ratio as of Sept 30, 2018 was 31.5%.

Development of net debt Q2 2018 to Q3 2018

Net debt increased by € 16.6 mn compared to June 30 2018, mainly due to working capital requirements and cash outflow for M&A (Axscend Ltd., remainder for York).

Financial targets 2018 (refined on Oct. 19 2018) and mid-term planning 2020 confirmed

	FY 2018 outlook refined*	FY 2018*	Strategy 2020
Sales	Organic increase of 9 to 10% assuming stable FX rates and unchanged scope of consolidation + contribution from V.Orlandi and York takeovers (~ € 65 to € 70 mn) + potential further M&A	Organic increase of 5 to 7% assuming stable FX rates and unchanged scope of consolidation + contribution from V.Orlandi and York takeovers (~ € 60 mn) + potential further M&A	Organic: € 1,250 mn + M&A: Coops, JVs, acquisitions Total: € 1,500 mn
Adj. EBIT margin	Rather tending to the lower end of the 7.0% to 8.0% range (incl. extraordinary income of € 4.4 mn)	7.0% to 8.0%	≥ 8%
Net working capital ratio	12%	12%	12%
CAPEX	€ 38 to 40 mn incl. high single-digit Euro mn amount related to new China plant	€ 38 to 40 mn incl. high single-digit Euro mn amount related to new China plant	€ 26 mn to € 28 mn p.a. ~2.5% of sales

* Projections assume that there is no significant deterioration of the political, economic or industry-specific environment; organic projections do not include potential sales and earnings contributions from acquisitions or JVs

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