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Financial results H1 2019

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August 8, 2019



Agenda

- **H1 2019 at a glance**
- Financial performance H1 2019
- Outlook

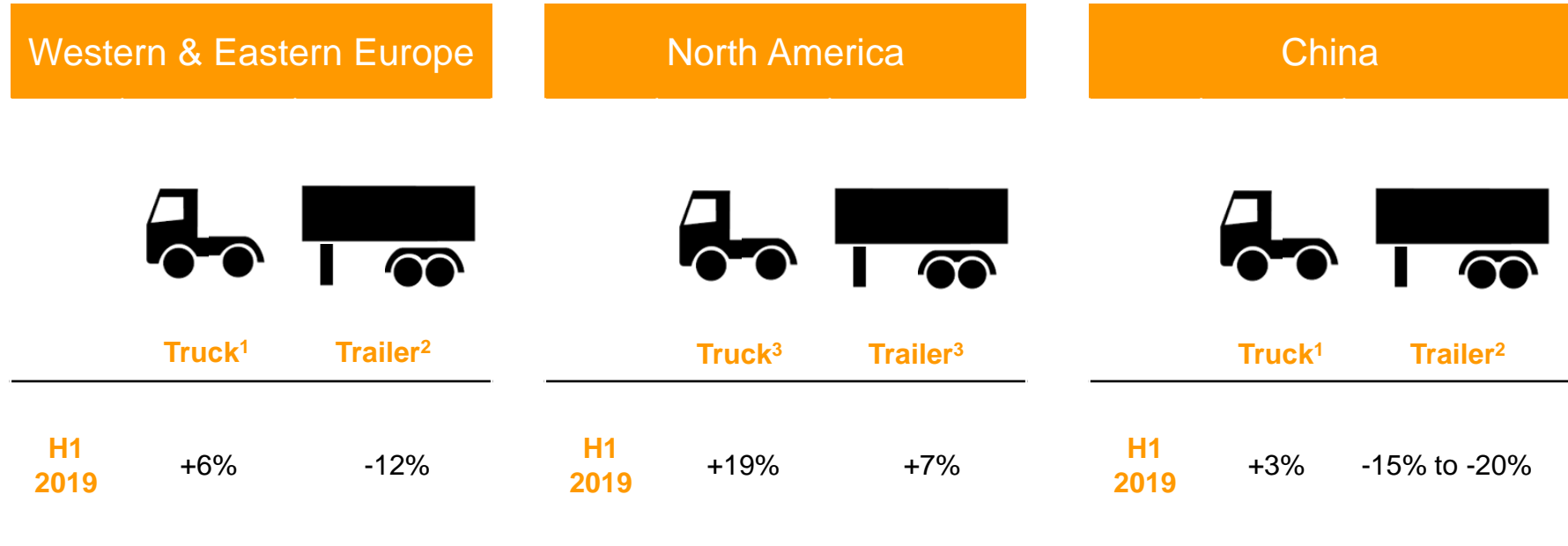
H1 2019 at a glance


1. Sales and adj. EBIT margin development on track
2. Americas region: earnings development stabilizes
3. China region: reorganisation underway in a challenging market environment
4. Continued high investment level to support future growth
5. Operating free cash flow: significant turnaround into positive territory
6. Acquisition of PressureGuard and Stara Group strengthen competitive position on the product respectively market side
7. Two big orders for trailer axles in the low three digit million range strengthen our leading market position for trailer axles in Europe

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Truck and trailer production H1 2019



 Sustained upswing in North America. European trailer market easing after historic highs in 2018. Trade conflict between China and the US weighed on trailer production in China.

5 ¹ LMC Global Commercial Vehicles Forecast Q2 2019, medium & heavy truck
² CLEAR, local sources
³ ACT Truck & Trailer Outlook, July 2019

Truck and trailer production H1 2019

South America



Truck¹

Trailer²

H1 2019

+9%

+19%

India



Truck¹

Trailer²

H1 2019

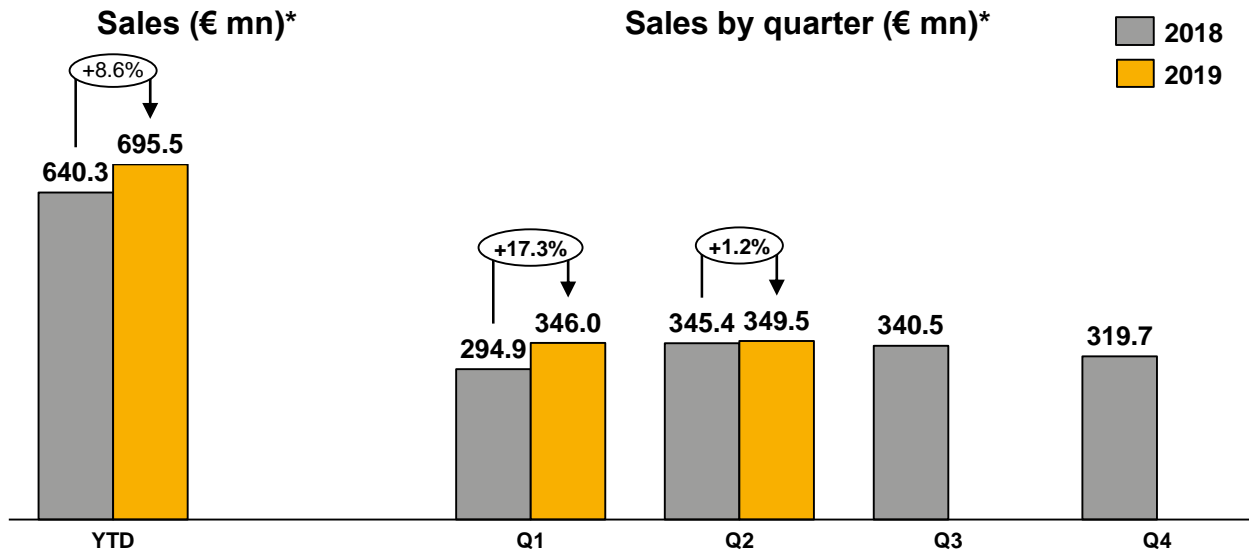
-5%

-36%

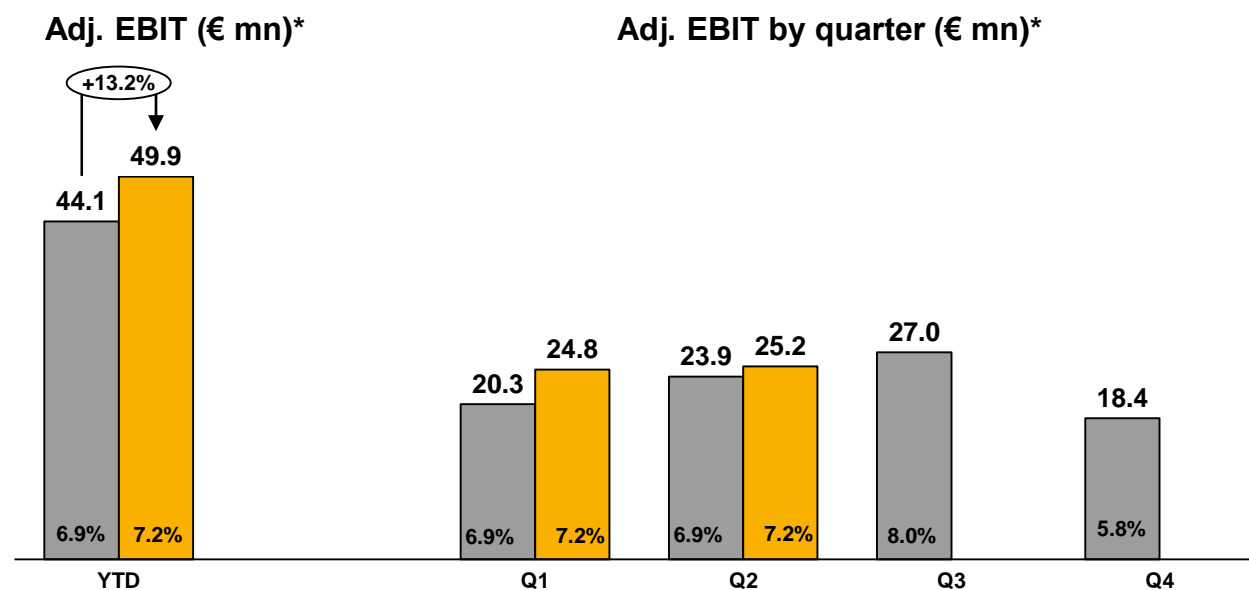


Lasting recovery in South America; strong slump of the Indian trailer market as the expected catch-up effect after the April/May elections did not yet materialize

Group



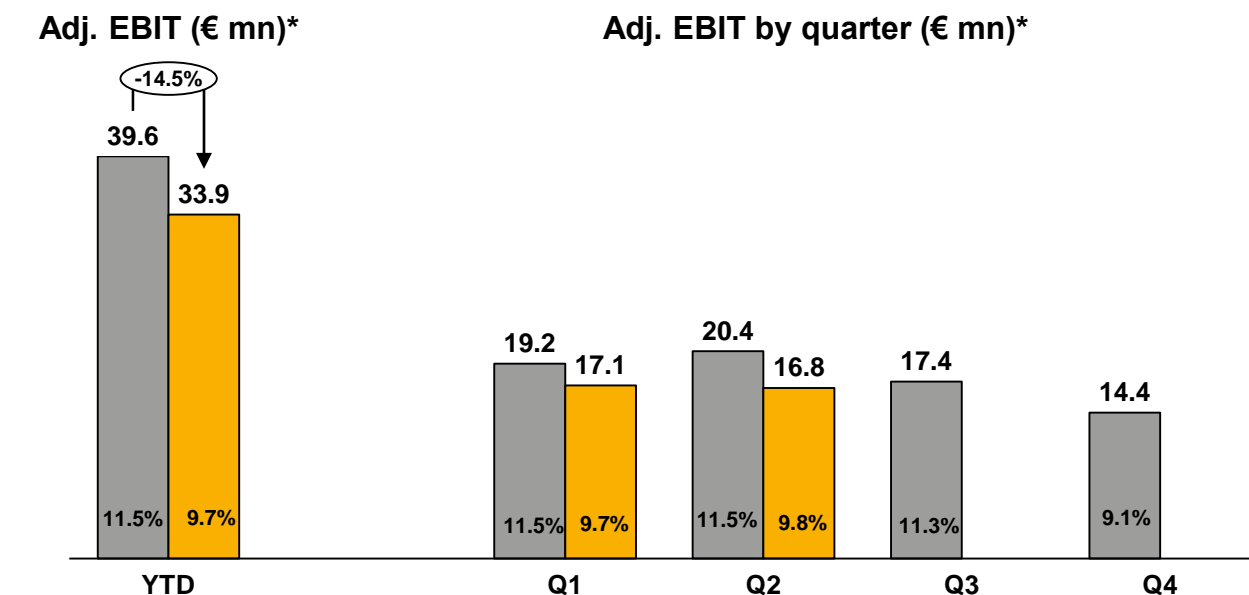
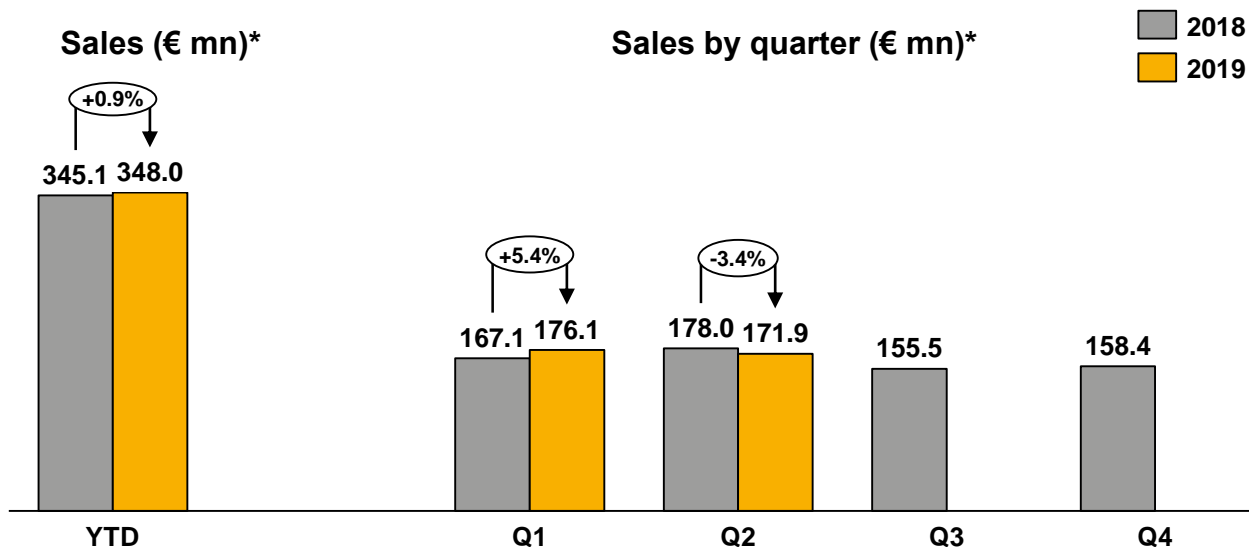
- H1 sales influenced by
 - Acquisition effects (€ 34.5 mn)
 - FX effects (€ 16.4 mn)
 - Organic effects (€ 4.2 mn net; solely driven by the strong organic growth in the Americas region compensating for the other regions)



- Adj. EBIT margin in H1 above previous year's level due to
 - Sharp rise in earnings achieved by the Americas region

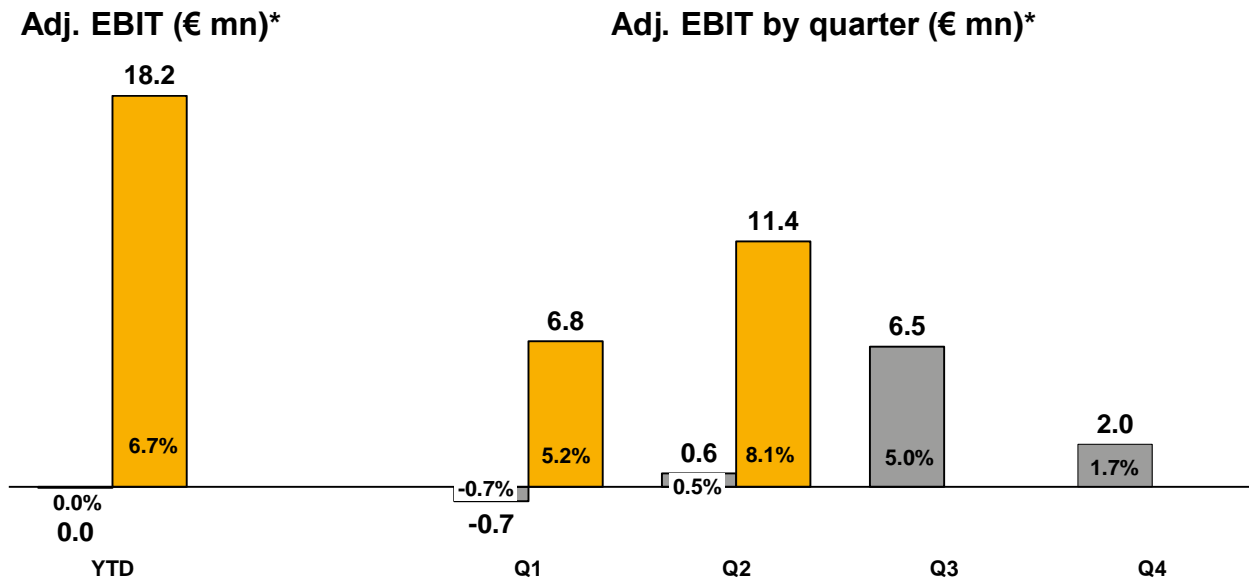
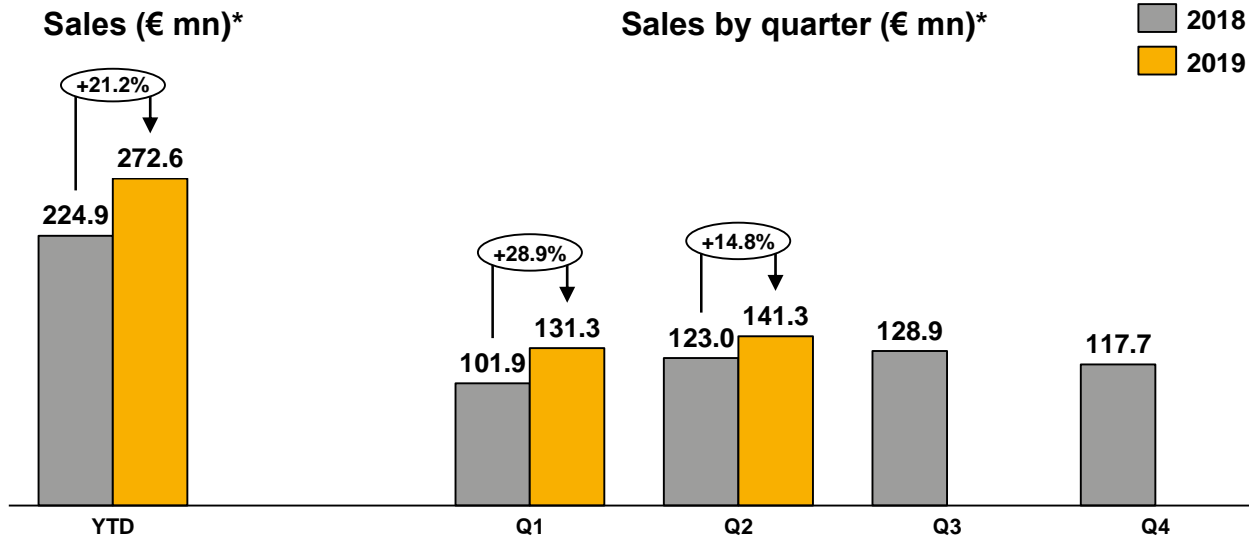
7 * All figures shown are rounded, minor discrepancies may arise from additions of these amounts.

Business segment: EMEA



- H1 sales influenced by
 - Acquisitions effects (+4.0 per cent respectively € 14.0 mn)
 - FX effects (0.0 per cent respectively € 0.0 mn)
 - Organic effects (-3.2 per cent respectively € -11.1 mn)
- Adj. EBIT margin in H1/2019 affected by
 - Companies acquired since January 2018 (+)
 - Declining volumes and higher personnel expenses (-)
- Adj. EBIT margin in H1/2018 affected by
 - Reversal of warranty provision in H1/2018 (+)
 - Consolidation effect from the elimination of intercompany results (+)

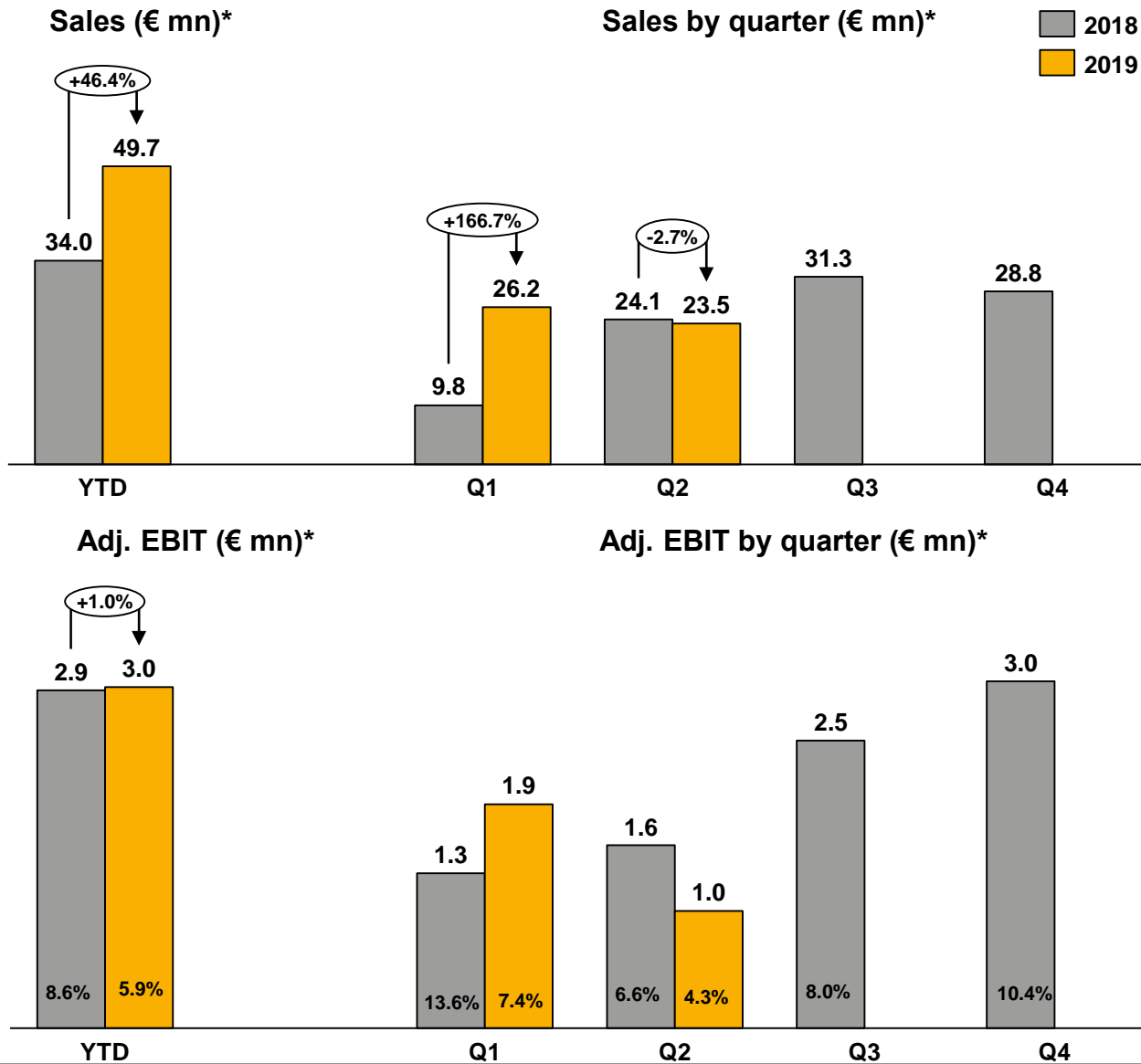
Business segment: Americas



- H1 sales influenced by
 - Organic effects (+14.0 per cent respectively € 31.5 mn; outperformed the market)
 - Positive development of disc braked axle business
 - FX effects (+7.1 per cent respectively € 16.0 mn)
- Adj. EBIT margin in H1 improved due to
 - Project FORWARD
 - Lower add-on operating expenses
 - Contractual passing on of prior year's steel price increases
 - Lower steel purchase prices
 - Lasting price increases in the US and Canadian aftermarket business

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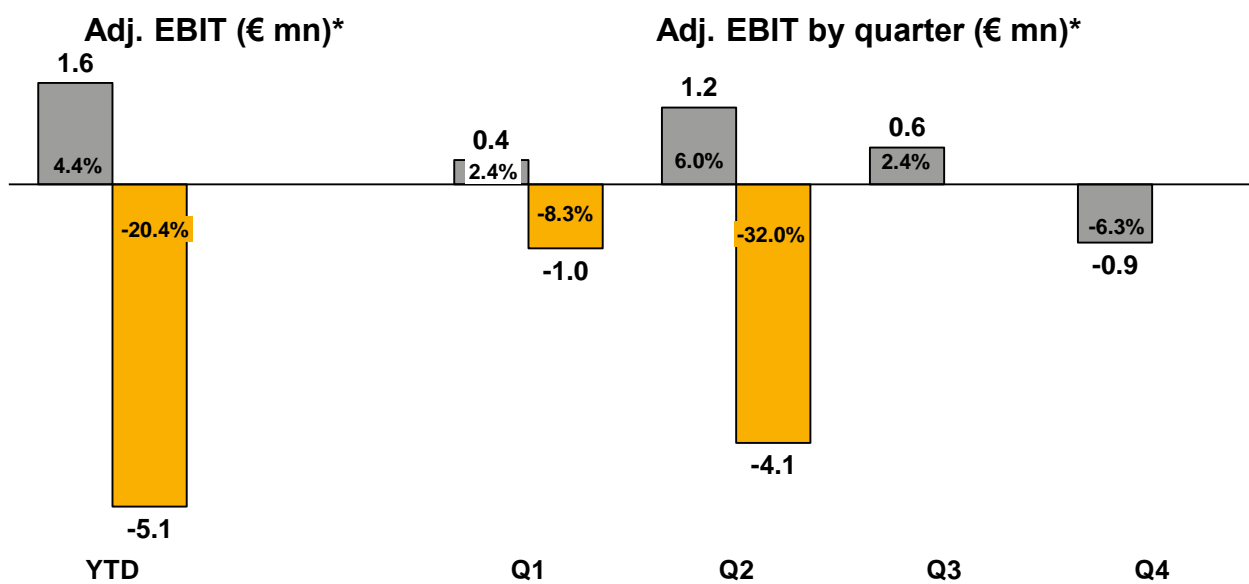
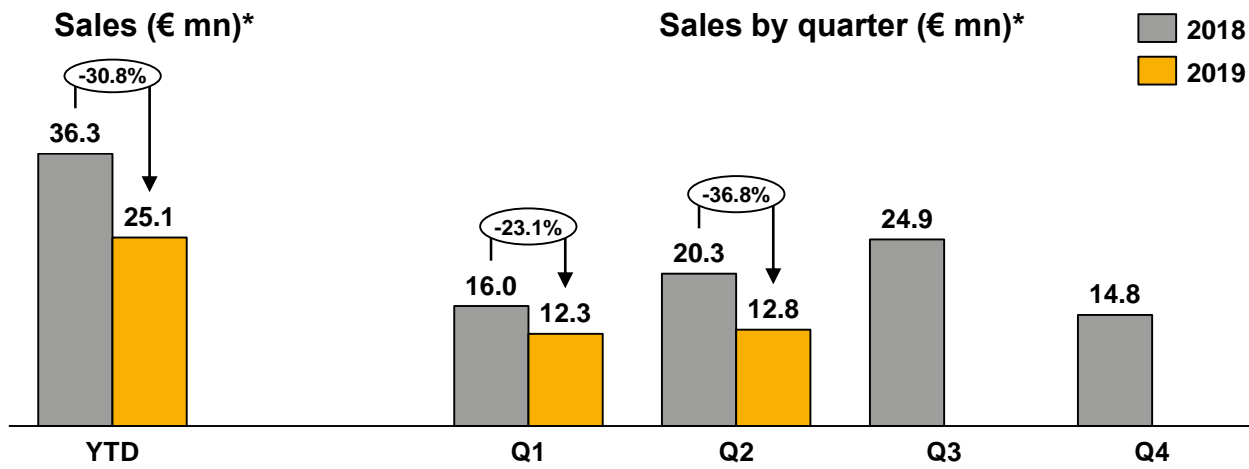
Business segment: APAC




- H1 sales influenced by
 - Acquisition effects (+59.7 per cent respectively € 20.3 mn)
 - Organic effects (-14.0 per cent respectively € -4.8 mn due to unfavourable market development in India)
- Adj. EBIT margin in H1 substantially below previous year's level due to
 - Lack of profit contributions due to missing volume of the Indian subsidiary York

10 * All figures shown are rounded, minor discrepancies may arise from additions of these amounts.

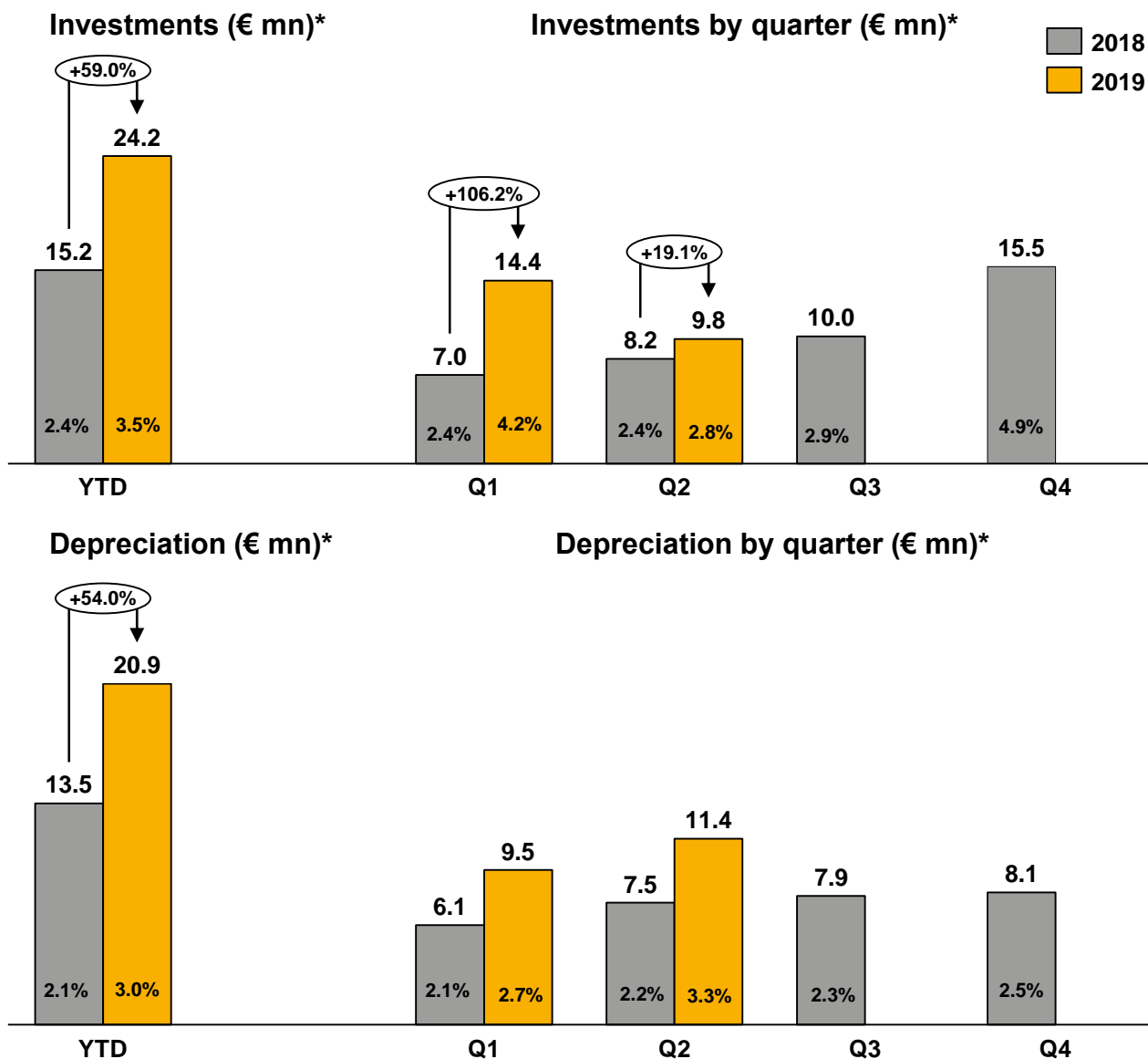
Business segment: China



- H1 sales influenced by
 - Declining export business of Chinese customers following the trade dispute between China and the US
 - Short notice cancellations and delays in orders
 - Temporary strikes following the announcement of plant closures
- Adj. EBIT margin burdened by
 - Low level of capacity utilization at the Xiamen and Qingdao plant
 - Temporary cost burden from duplicate structures in the course of the integration of the other Chinese locations into the new Greenfield plant
 - Inventory and accounts receivable impairments
 - Strike-related costs

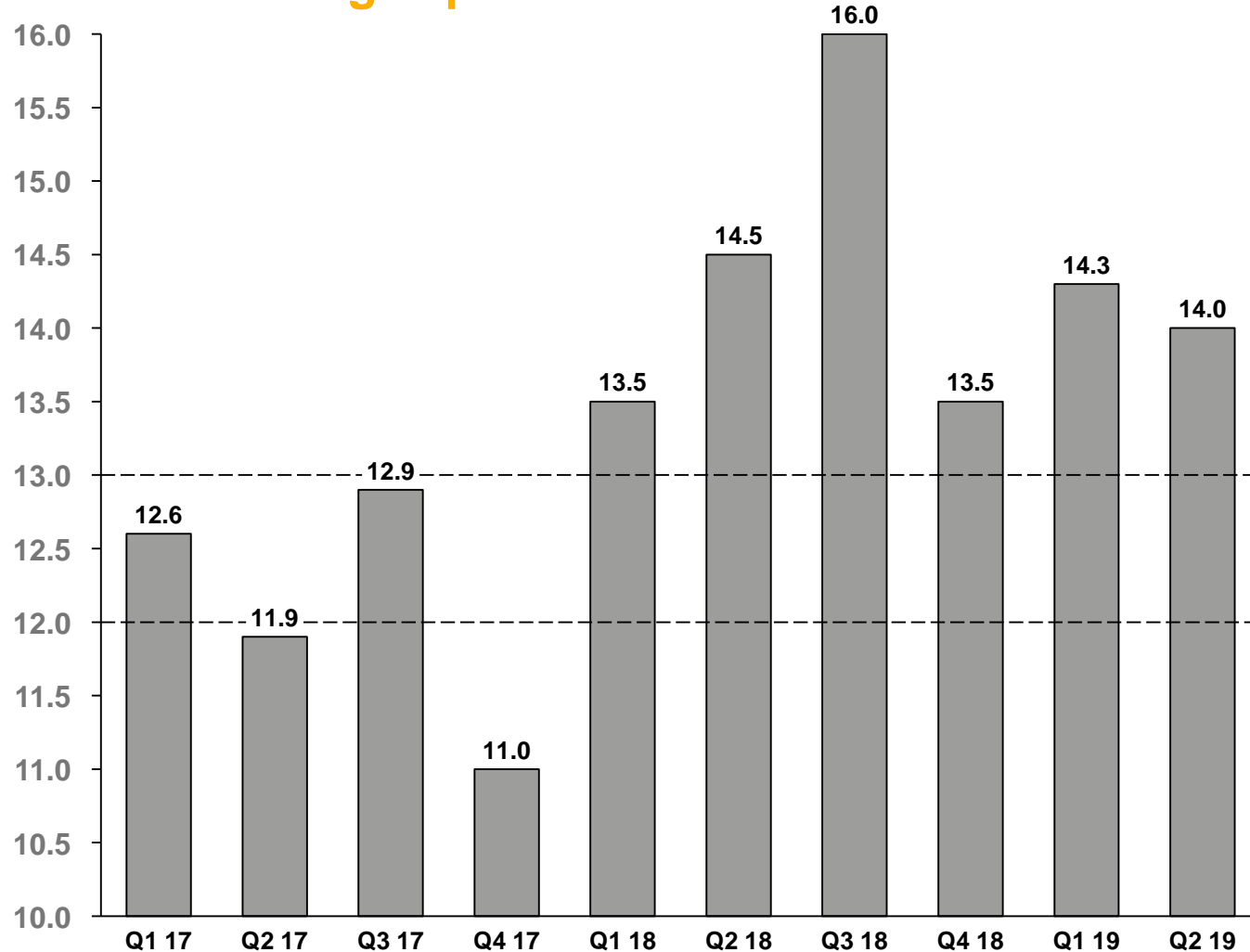
 Reorganisation underway in a challenging market environment

Investments and depreciation



- Investments in plant, property, equipment and intangible assets of € 24.2 mn
- Focus of investments: construction of the Chinese Greenfield project, rationalisation and expansion investments in the US, office building in Germany
- Close monitoring of the investment approval process
- Depreciation increased due to higher investments compared to previous years and IFRS 16 effects

Net working capital ratio

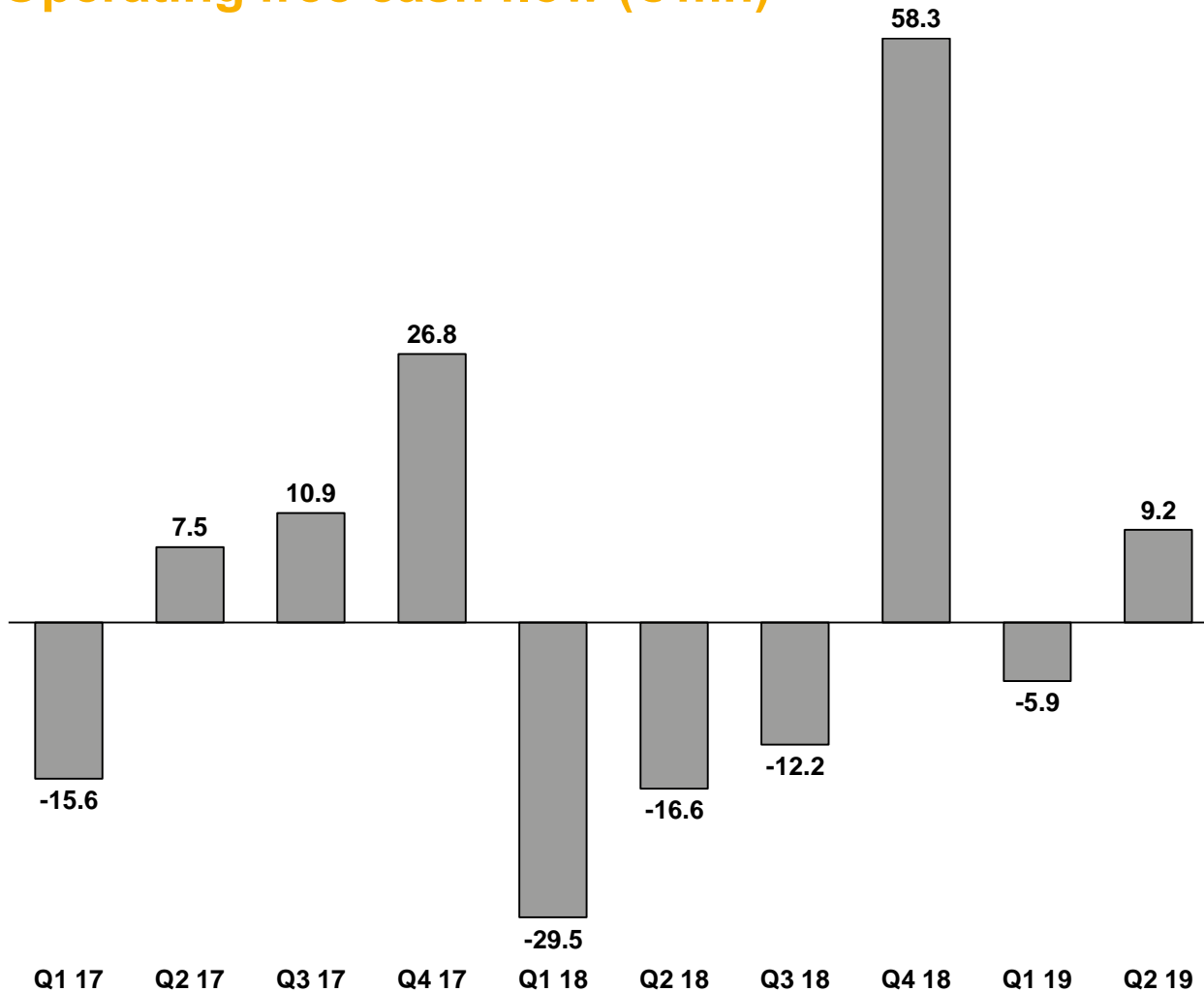


- Net working capital (NWC) 4.6 per cent or € 9.3 mn below previous year's figure
 - Inventories on previous year's level despite sales increase of 8.6 per cent
 - Trade receivables down 16.9 per cent on substantially improved cash collection
 - Trade payables down 14.0 per cent or € 24.6 mn compared to H1 2018
 - NWC ratio decreased from 14.5 per cent to 14.0 per cent despite sales increase of 8.6 per cent



Stringent focus on NWC management

Operating free cash flow (€ mn)*



- Operating cash flow at € 27.6 mn (H1 2018: € -30.9 mn)
- Increase of net working capital in H1 2019 significantly lower than in H1 2018
- Investing cash flow: +59.0 per cent to € 24.2 mn
- Positive operating FCF










Measures to improve the operating free cash flow continued

Agenda





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- **Outlook**


Outlook: Truck and trailer production

Western & Eastern Europe			North America			China		
	 Truck ¹	 Trailer ²		 Truck ³	 Trailer ³		 Truck ¹	 Trailer ²
2018	-2%	+6%	2018	+27%	+12%	2018	-7%	-4%
2019E	+1%	-10%	2019E	+5%	+3%	2019E	-3%	-15%

 Stable growth in North America; Western & Eastern Europa and China weaker

Outlook: Truck and trailer production

	South America		India	
	 Truck ¹	 Trailer ²	 Truck ¹	 Trailer ²
2018	+23%	+55%	+41%	+13%
2019E	+11%	+5%	-11%	-25%


 South America with steady recovery, India with a weaker development

Financial targets 2019

	FY 2018	FY 2019*
Sales	€ 1,300.6 mn	+ 4 to 5 per cent
Adj. EBIT margin	6.9 per cent	Around the mid-point of the 7 to 8 per cent range
Net working capital ratio	13.5 per cent	13 per cent
CAPEX	€ 40.8 mn	€ 68 to 70 mn

Your key takeaways



-  Mixed picture and outlook in relevant markets
-  Americas region well on track
-  China: reorganisation underway in a challenging market environment
-  Stringent focus on NWC management
-  We take back control of our performance

Financial Calendar 2019

Dates	Events
08.08.2019	Half-yearly Financial Report 2019
14.08.2019	M.M. Warburg Roadshow, Warsaw
28.08.2019	Commerzbank Sector Conference, Frankfurt
10.09.2019	dbAccess IAA Cars Conference 2019, Frankfurt
24.09.2019	Berenberg and Goldman Sachs German Corporate Conference, Munich
07.11.2019	Quarterly Statement Q3 2019

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