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Analysts and Investors Conference 2019

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March 22, 2019



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2018 at a glance

1. Strong organic sales growth above the originally planned figure and EBIT margin slightly below guidance
2. Dividend stable at previous year's level of € 0.45 per share
3. Investments at record level to support future growth
4. Acquisitions strengthen competitive position on the product and market side
5. Management team completed with new Chief Operating Officer
6. New syndicated loan of € 200 million gives enough headroom to finance the future organic growth and the opportunity for bolt-on acquisitions

Agenda

1 2018 at a glance

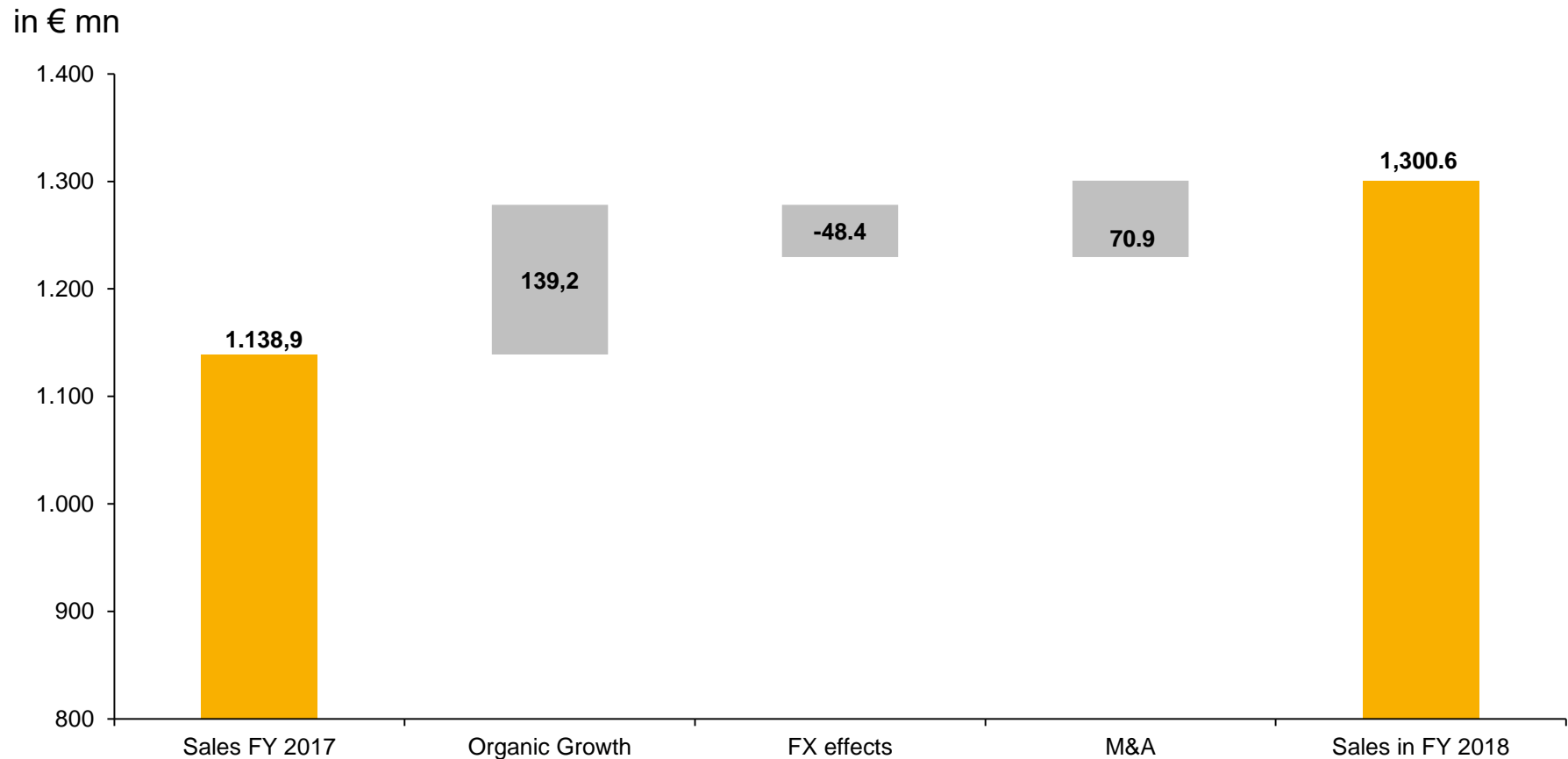
2 **Financial performance 2018**

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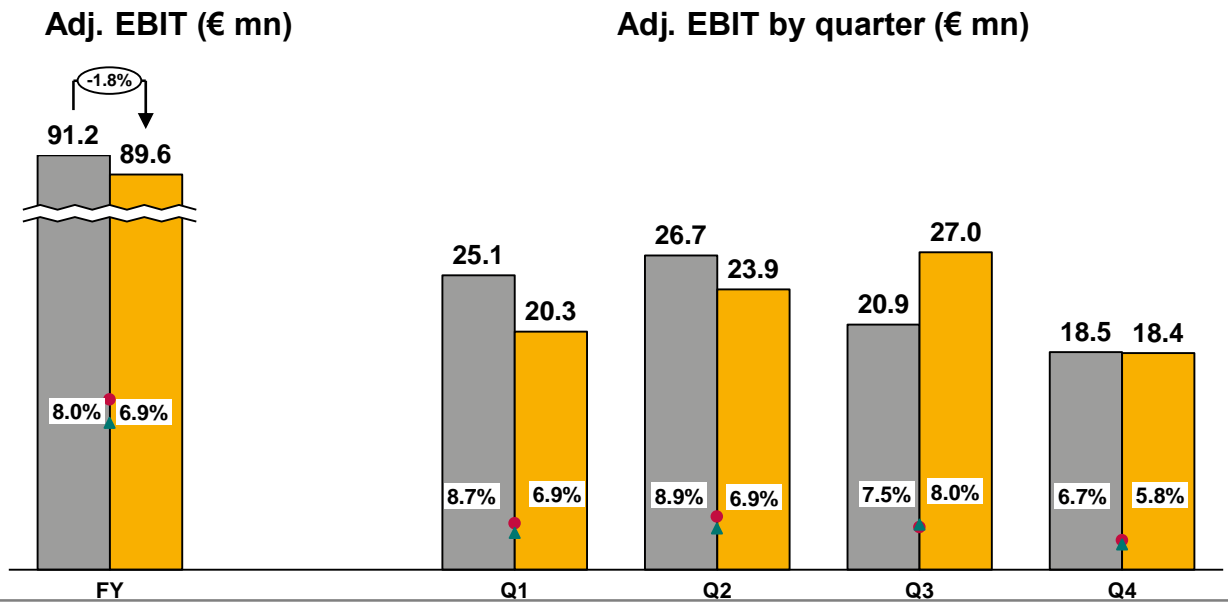
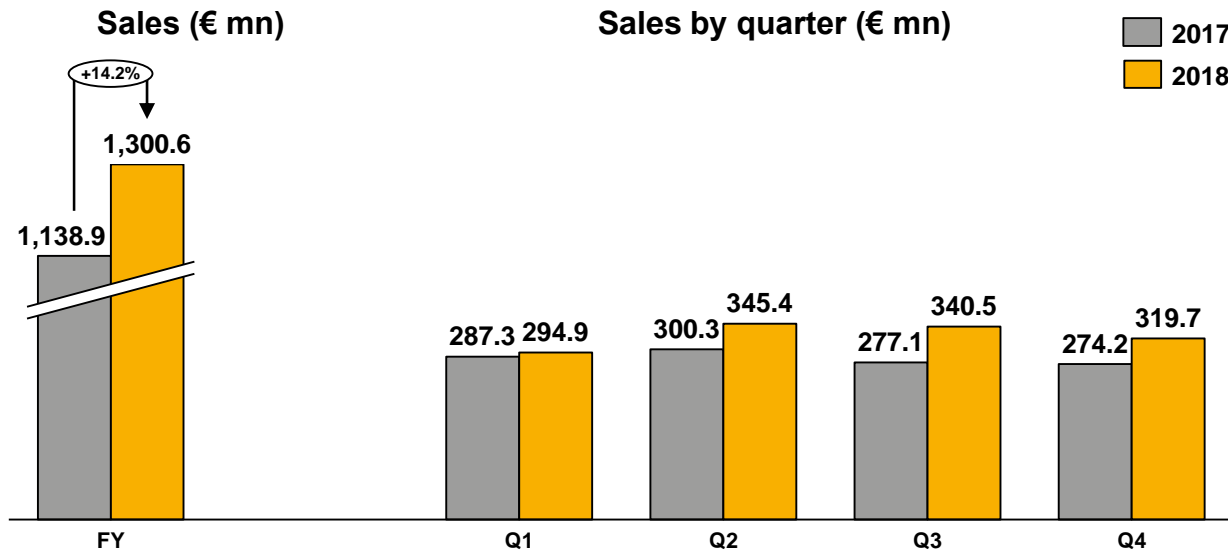
5 Outlook

Strong organic sales growth of almost € 140 mn in FY 2018



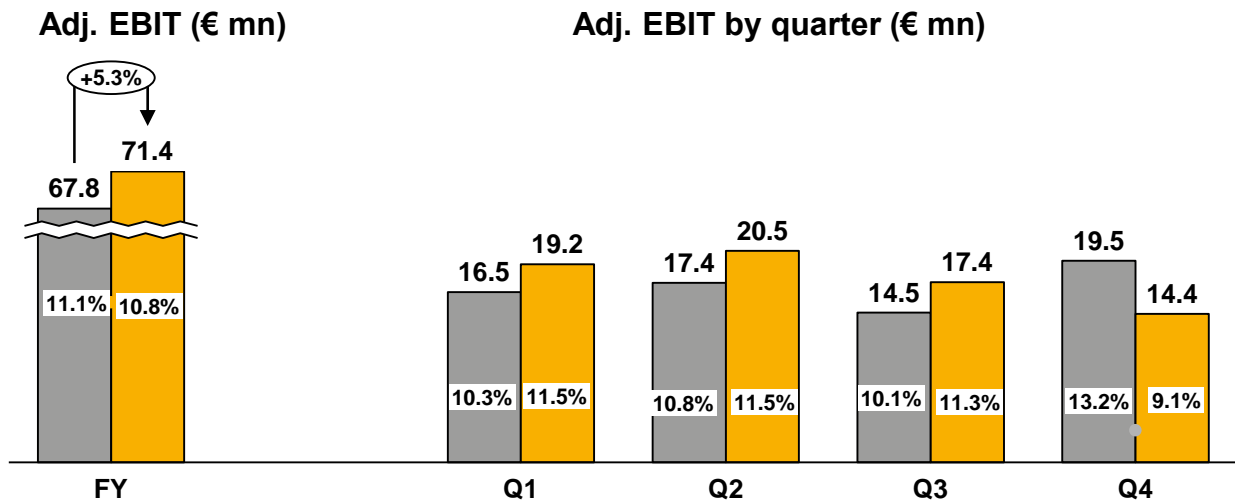
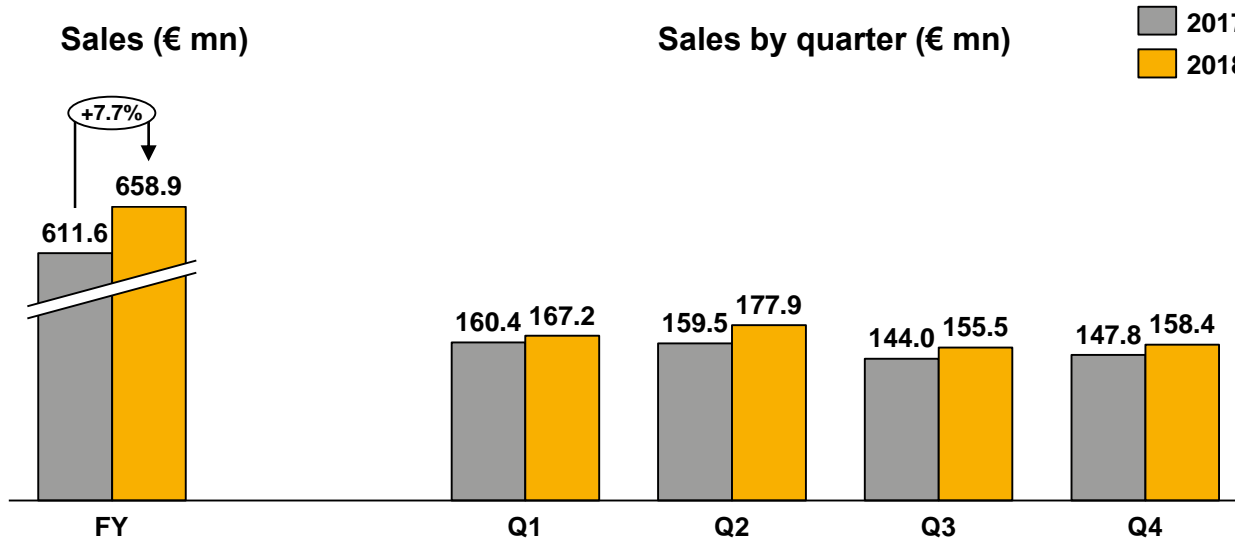
→ FY 2018 reported top line increased by 14.2% yoy to € 1,301 mn driven by strong organic sales growth of 12.2% which was well above the originally planned figure of 4 to 5%. Contributions from M&A were partly offset by significant negative translational effects of € 48.4 mn (incl. EUR/TRY and EUR/USD).

Group



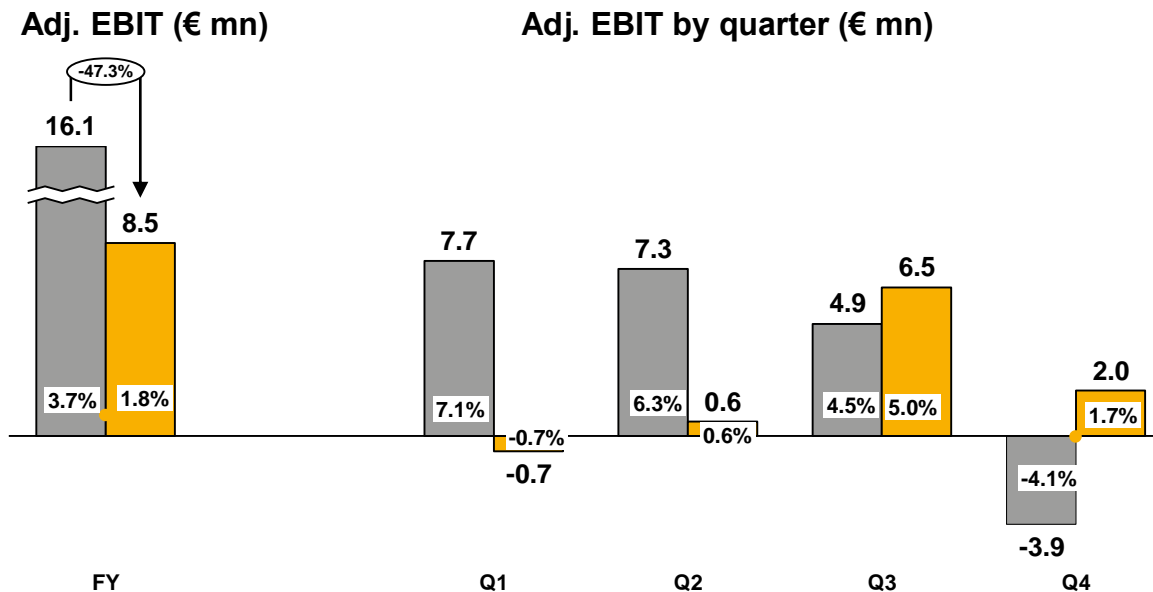
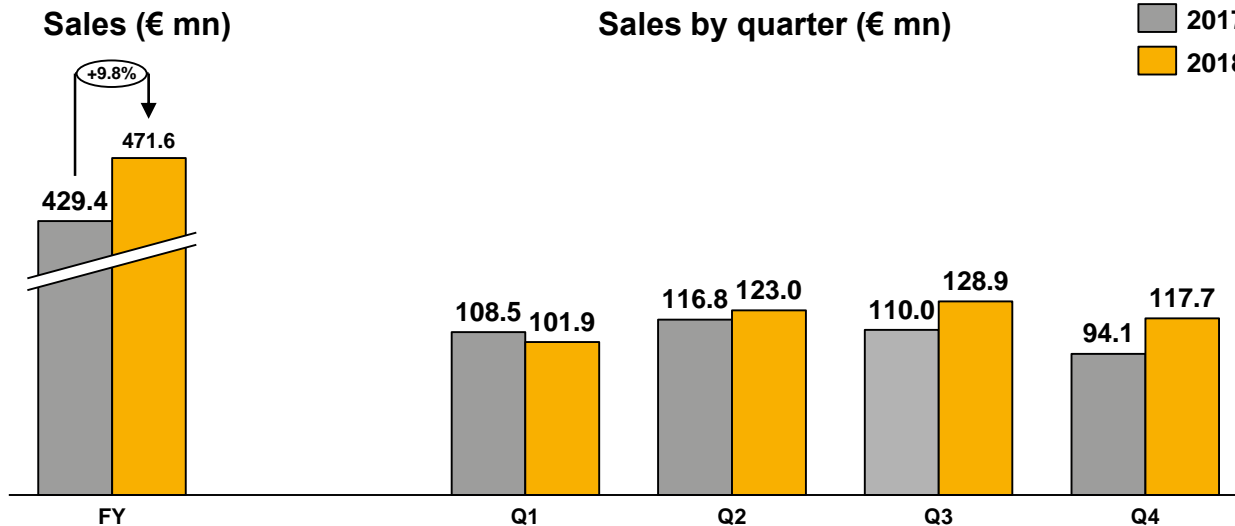
- Sales growth driven by
 - souring customer demand from the US truck and trailer industries
 - double-digit growth in the APAC/China region
 - solid increase in EMEA
 - acquisitions (€ 70.9 million)
- Adj. EBIT margin below previous year's level due to
 - negative impact from steel price increase
 - unfavourable product mix on high OE demand
 - unplanned additional operating costs from US plant consolidation measures

Business segment: EMEA*



- Solid sales growth due to
 - favourable environment for trucks and trailers throughout the year
 - first-time contribution of V.ORLANDI and Axscend totalling € 18.8 million
- Adj. EBIT margin slightly lower
 - Q4 2017 included rebate linked to the achievement of certain purchasing volumes in procurement
 - Negative effect of higher steel prices
 - Positive earnings effect from inclusion of V.Orlandi

Business segment: Americas

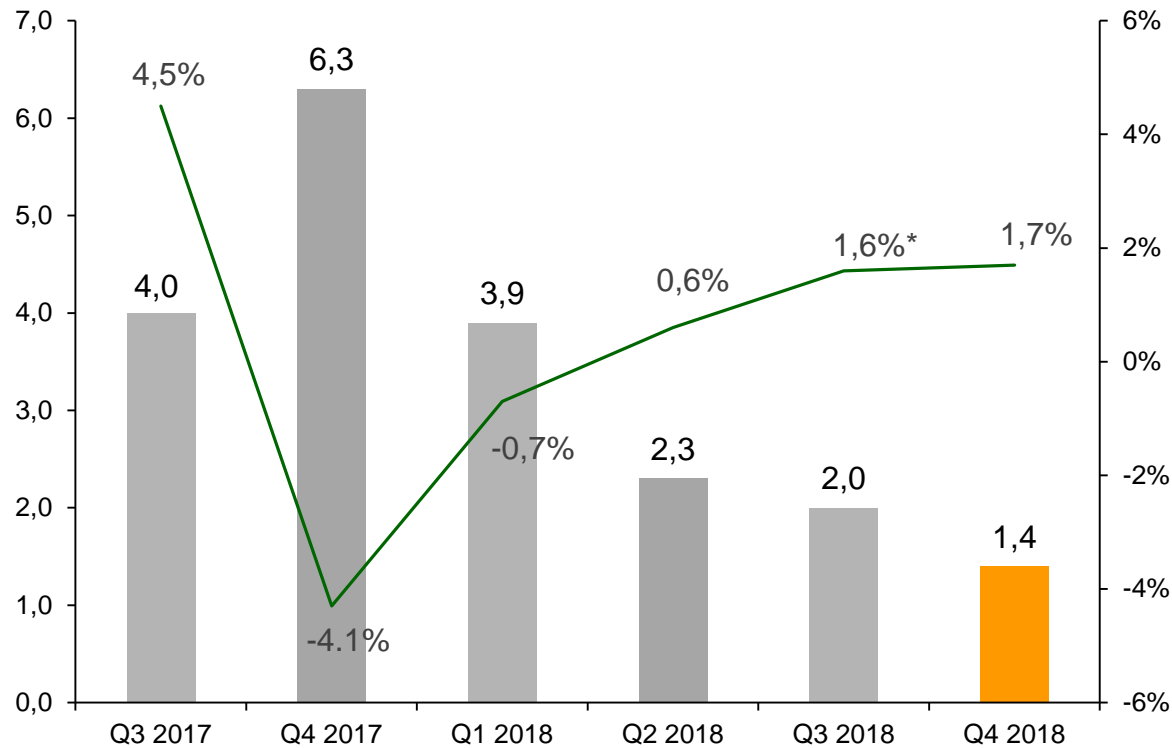


- Sales up on extremely strong customer demand
- Capacity bottlenecks throughout the entire supply chain across the industry
- Adj. EBIT margin burdened by
 - additional operating expenses
 - higher steel prices
 - negative product mix effects
- Positive effect from partial settlement of a US medical plan in Q3/2018

Business segment: Americas

Add-on operating cost in € mn

Adj. EBIT margin in %



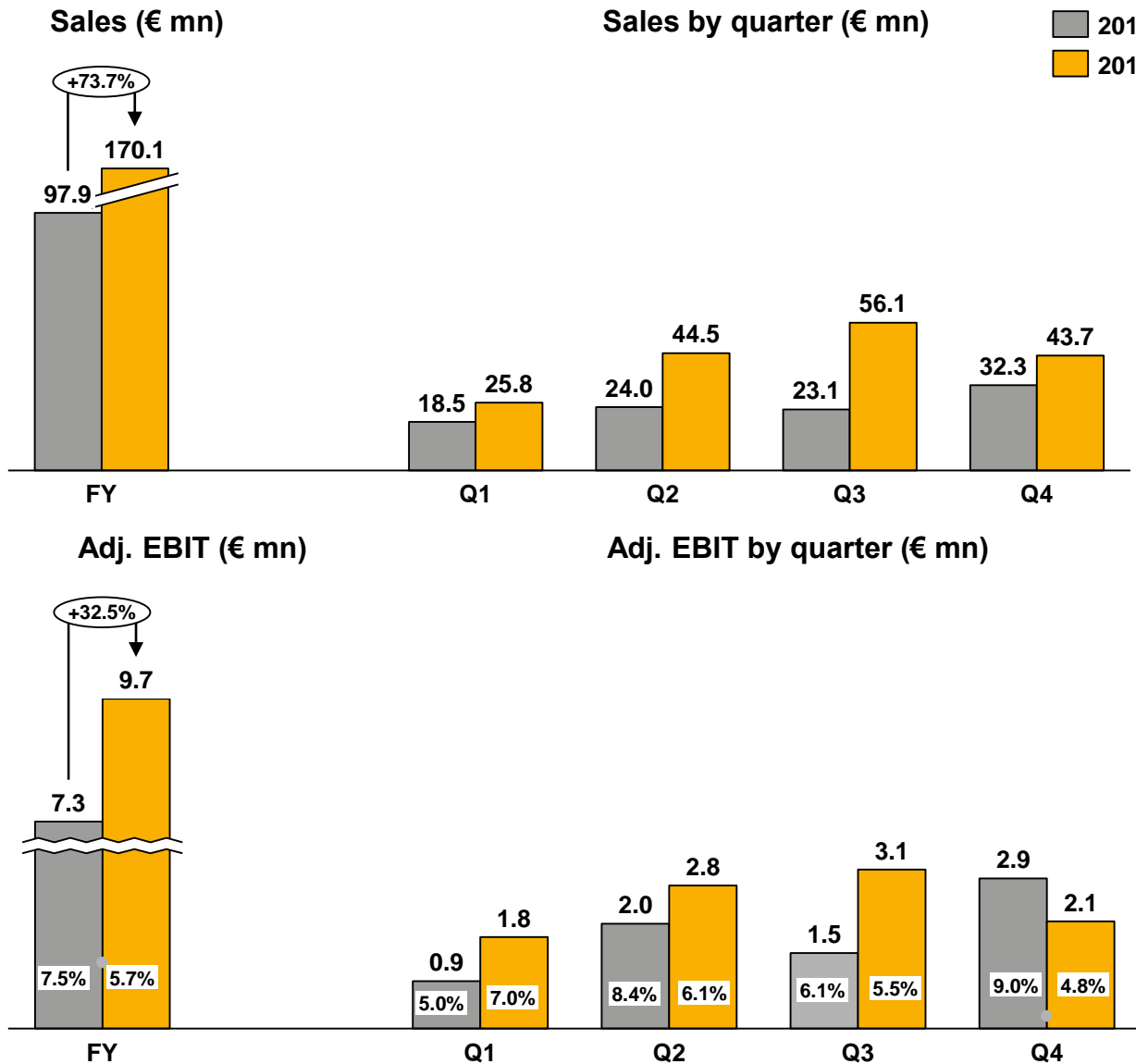
* excl. extraordinary income of € 4.4 million from partial settlement of US medical plan

- Costs related to inefficiencies from realignment and ramp-up of new production network in the US fell qoq in 2018
- Successive margin improvement since low-point in Q4 2017 and return to profitability in Q2 2018
- Adj. EBIT margin in Q4 2018 increased despite holidays and thus less working days



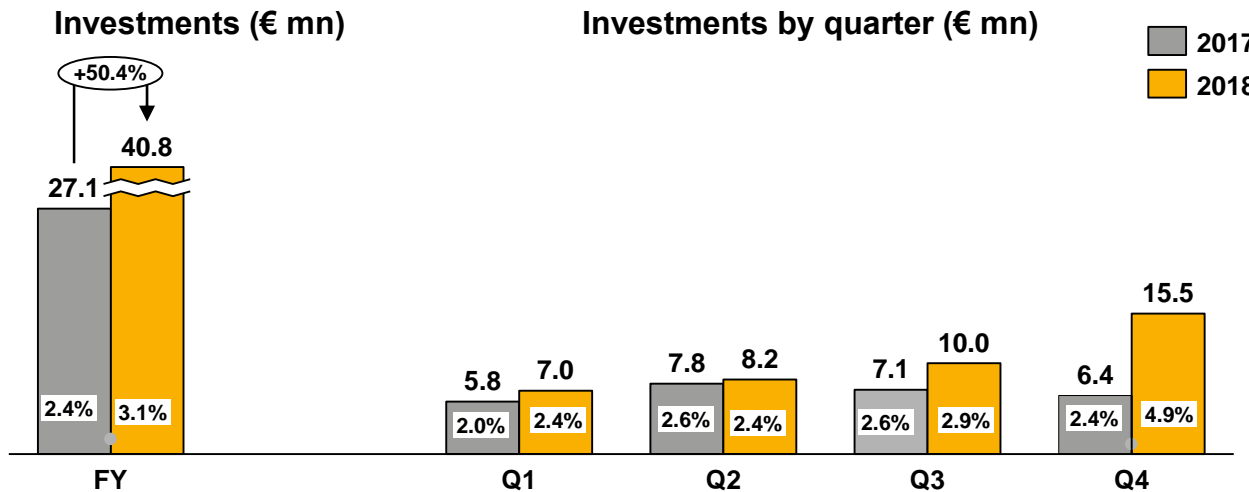
Adjusted EBIT margin rises as add-on operating costs decline

Business segment: APAC/China*

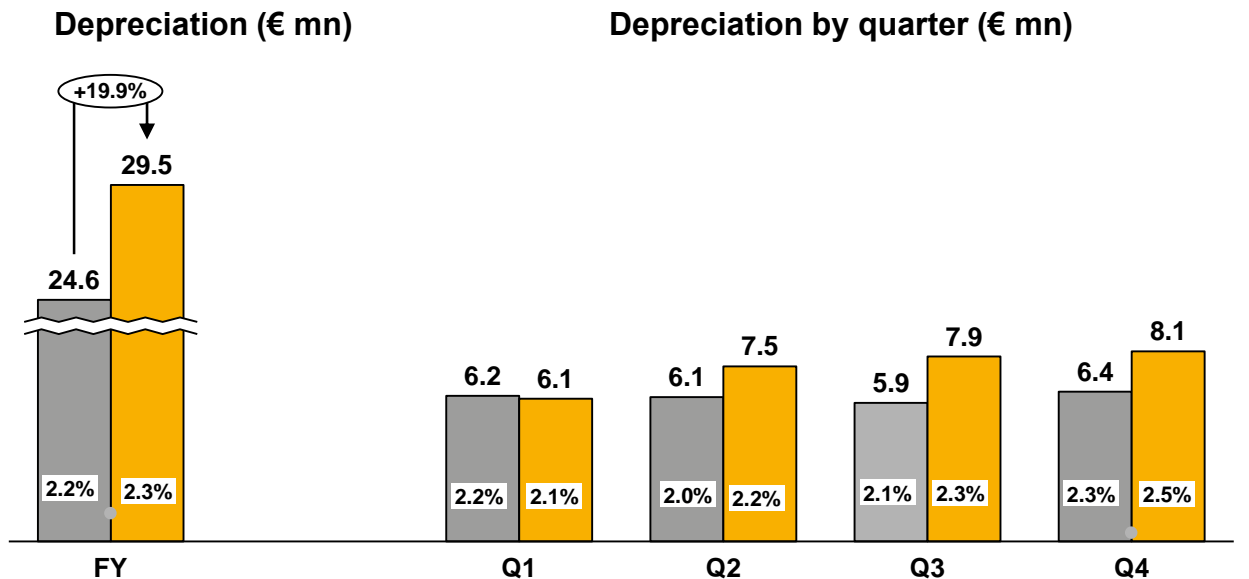


- Sales growth driven by
 - organic growth
 - integration of the York Group
- Trade dispute impacted export business of Chinese customers in Q4 2018
- Adj. EBIT margin lower on
 - up-front costs in connection with the construction of a new production center in China
 - margin dilution from first-time inclusion of York
 - negative impact on capacity utilization from decline in exports

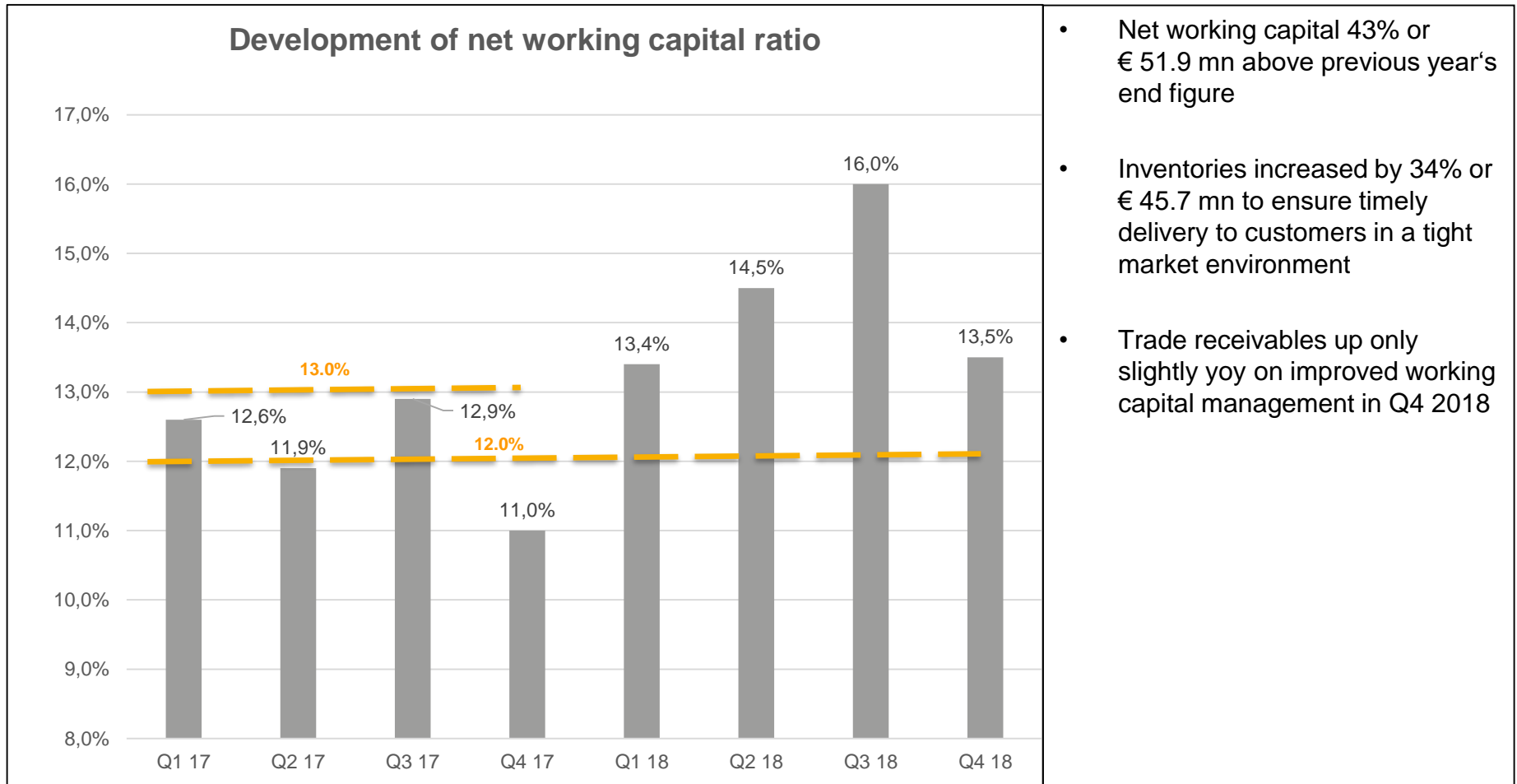
Investments and depreciation



- Total investments in property, plant and equipment and intangible assets € 40.8 mn
- Key investments include the construction of a new production center in China and digitization projects
- Depreciation increased due to higher investments compared to previous years

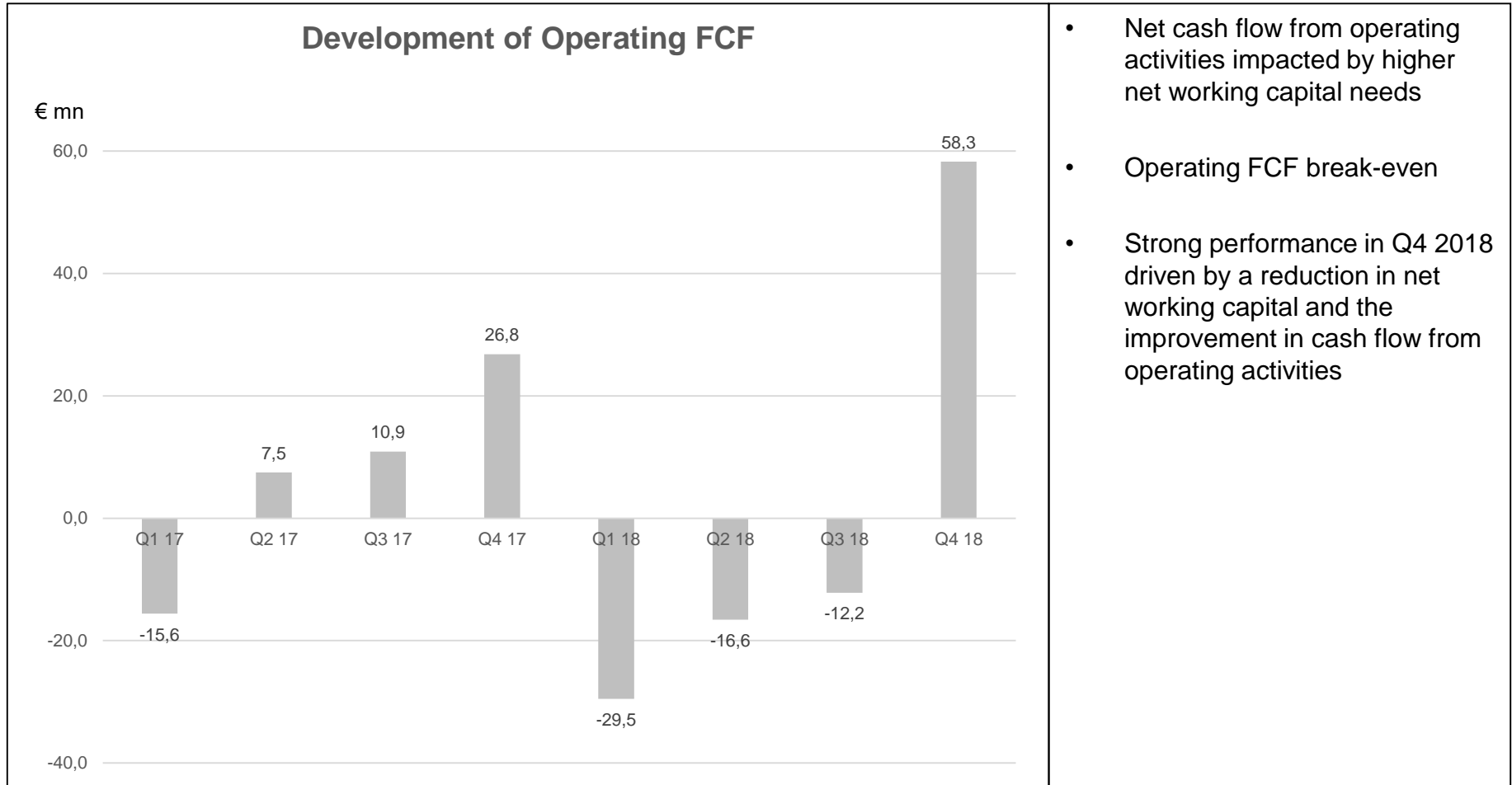


Net working capital ratio



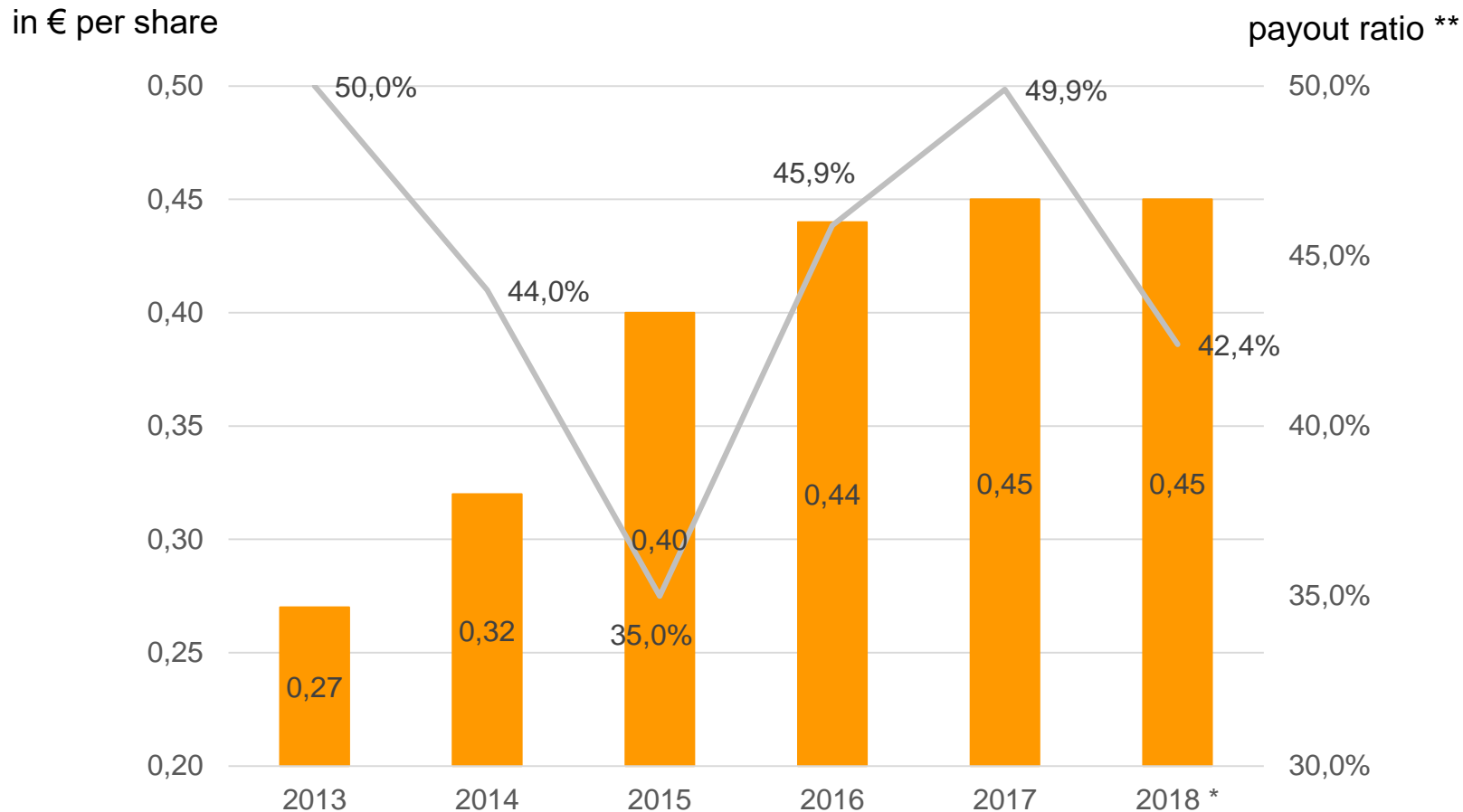
Strict management of inventories and trade receivables

Operating free cash flow



Measures to improve the operating free cash flow initiated

Sustainable dividend payment – 2018 dividend yield around 4%



Declared long-term oriented dividend policy is to distribute 40 – 50% of net income

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Market trend 2018 and forecast 2019

EMEA			Americas			China		
	 Truck ¹	 Trailer ²		 Truck ³	 Trailer ³		 Truck ¹	 Trailer ²
2018	-1%	+4%	2018	+27%	+12%	2018	-8%	-4%
2019	+5%	-10%	2019	+3%	+1%	2019	-11%	-3%



In 2019, NA Class 8 truck production is expected to increase by 3% and the production of trailers by 1%. In EMEA, truck production should rise by 5% in 2019 whereas the trailer market is expected to be lower. In China, production of trucks and trailers will decline by 11% and 3% respectively.

¹⁶ ¹ LMC Global Commercial Vehicles Forecast Q4, 2018, Western Central & Eastern Europe, medium & heavy truck

² Clear, October 2018 Eastern Europe, December 2018 Western Europe

³ ACT Truck & Trailer Outlook, March 2019, Class 8

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Strengthening our performance

Challenges



Actions

- 1 Project FORWARD in the US
- 2 Executing China strategy
- 3 Effective NWC management

→ Determined implementation of an immediate excellence program

1. Restoring sustained profitability of North American operations



Challenges

- Continued start-up inefficiencies and realignment of the new US production network
- Slow EBIT margin improvements due to underdeveloped processes

Actions

Revenues

- Intensify **aftermarket sales**
- **Review** product portfolio & pricing
- **Passing on** historic steel **price increases**



Costs

- Streamline **plants & supply chain**
- Optimize **direct material** sourcing
- Operational and systems excellence

Project FORWARD already **started on 1 March**

Timeline: Improvements to be visible in the course of 2019



Full focus on getting North America back on track

2. Executing China strategy



Challenges

- Largest greenfield project in corporate history binds management attention
- Improving corporate structure while ramping up greenfield plant
- Risks from trade dispute between China and the US

Actions

- German expert team to support China team and create joint success of greenfield investment starting in April
- Development of strategic customer engagements to capture growth opportunities
- Long term agreements with customers
- Improvement of systems and process excellence
- Optimize direct material sourcing

Timeline: Ramp-up of full capacity by Q4 2019



Full focus on getting China right

3. Effective NWC management




Challenges

- Higher inventory levels due to dynamic growth and partially distressed supply chain
- Growth in regions with longer payment terms
- Early payments to safeguard supplies
- Significantly higher CAPEX levels

Actions

- Cross-functional expert team
- A/R case councils
- Further A/P automation and cash management structures
- DOI reduction program through process and program harmonization
- DOI reduction program through B- and C-parts clearance and special sales = cash generation

Timeline: Launch of internal program within international meeting end March 2019

 Enhance operating free cash flow

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Financial targets 2019

	FY 2018	FY 2019*	Strategy 2020
Sales	€ 1,300.6 mn	+ 4 to 5%	€ 1,500 mn (incl. M&A)
Adj. EBIT margin	6.9%	Around the mid-point of the 7 to 8% range	≥ 8%
Net working capital ratio	13.5%	13%	13%
CAPEX	€ 40.8 mn	€ 68 to 70 mn	4 to 5% of sales

²³ * 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

Your key takeaways



- ✓ We fix North America
- ✓ We ramp-up China successfully
- ✓ We enhance NWC management
- We take back control of our performance

Financial Calendar 2019

Dates	Events
22.03.2019	Analyst and Investor Conference 2019, Frankfurt
04.04.2019	Bankhaus Lampe – German Corporate Conference, Baden-Baden
25.04.2019	Annual General Meeting 2019
09.05.2019	Financial Report Q1 2019 Investor and Analyst telephone conference call
23.05.2019	Berenberg Conference USA 2019, Tarrytown
28.05.2019	MainFirst SMID Cap One-on-One Forum, Frankfurt
27.06.2019	Warburg Highlights, Hamburg
08.08.2019	Financial Report H1 2019 Investor and Analyst telephone conference call
10.09.2019	dbAccess IAA Cars Conference 2019, Frankfurt
24.09.2019	Berenberg and Goldman Sachs German Corporate Conference, Munich
07.11.2019	Financial Report Q3 2019 Investor and Analyst telephone conference call

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