

SMART STEEL

Preliminary FY 2018 Key Figures

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Agenda

- Business Summary – FY 2018
- Preliminary key financial figures FY 2018 & Q4 2018
- Market & Company outlook 2019
- Appendix

Business Summary: 2018 sales target above guidance

- Based upon preliminary FY 2018 figures, sales revenue rose by 14.2% yoy to € 1,300.6 (py: 1,138.9) mn. Soaring customer demand from the US truck and trailer industries, double-digit growth in the APAC/China region and a solid increase in EMEA drove sales up yoy and above guidance.
- Organic sales growth of 12.2% topped the upward guidance adjustments from October (9 to 10%) and the originally planned figure for FY 2018 (4 to 5%).
- Significant negative FX effects of € 48.4 mn (incl. in sales, mainly from EUR/TRY and EUR/USD).
- Q4 2018 sales momentum continued in EMEA and Americas whereas sales growth in APAC/China slowed down due to the ongoing trade dispute between USA and China. Overall sales rose 16.6% to € 319.7 (py: 274.2) mn.

Business Summary: 2018 adj. EBIT margin inline with guidance

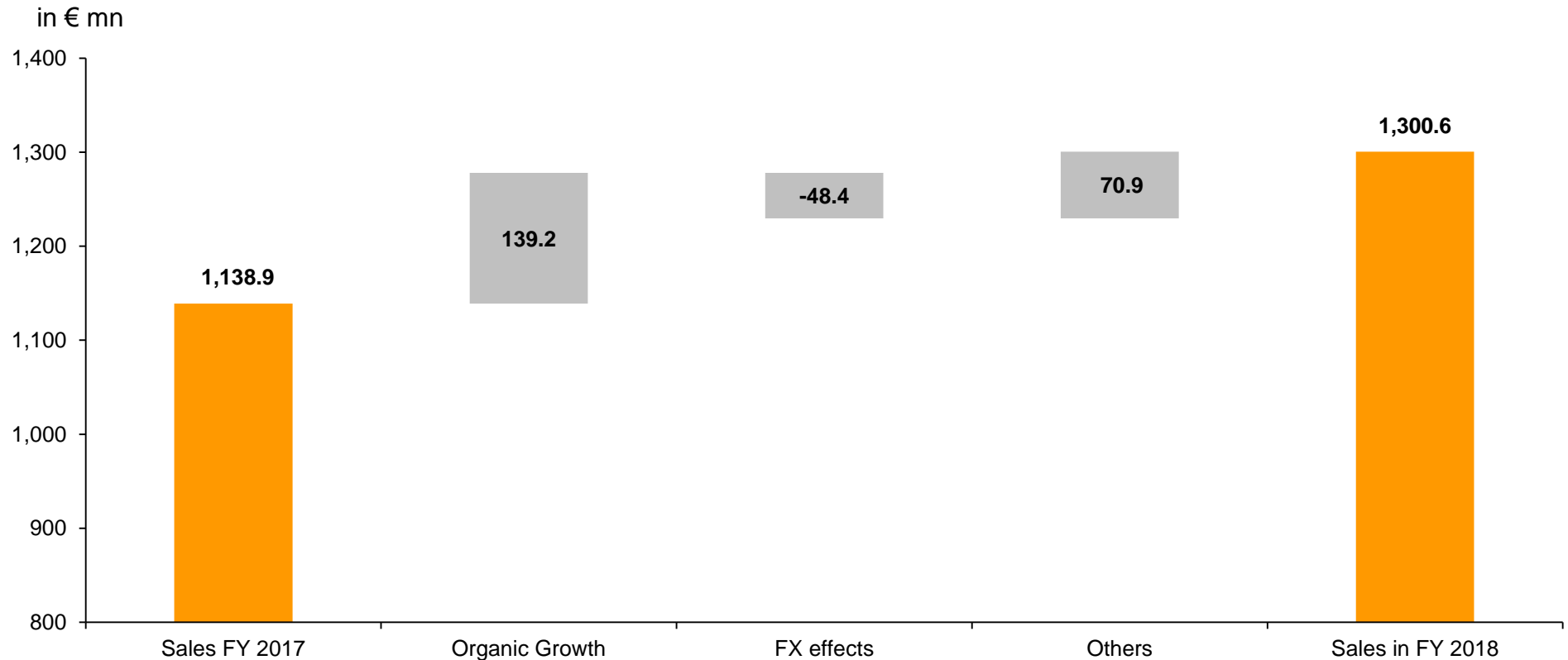
- FY 2018 adj. EBIT at € 89.6 (py: 91.2) mn
- As expected, adj. EBIT margin came in at 6.9% (py: 8.0%) and was inline with guidance “tending to the lower end of the 7.0% to 8% range”
 - Negative impact from steel price increase (FY 2018: € 11.3 mn) and unfavorable product mix due to high OE demand
 - Unplanned additional operating cost of € 9.6 mn from US plant consolidation measures. Fully accounted in EBIT.
 - Positive net gain of € 7.3 mn from the revaluation of the call/put options related to the remaining 42.5% stake in KLL and 30% stake in V.Orlandi. This net positive effect is not incl. in adj. EBIT.
- Reported EBIT up 7.3% yoy to € 78.0 (py: 72.7) mn

Business Summary: Q4 2018 adj. EBIT similar to previous year

- Adj. EBIT (€ 18.4 mn) flat yoy. Adj. EBIT margin (5.8%) lower as soaring OE customer demand impacts product mix.
- Restructuring cost of € 3.7 (py: 1.7) mn incl. € 1.1 mn from US plant consolidation (incl. operations consulting, write-down of non-moveable assets).
- Americas: Add-on operating cost continued to decline quarter over quarter and are now (Q4 2018: € 1.4 mn) well below peak level (Q3 2017: € 6.3 mn). Adj. EBIT rose to € 2.0 mn (vs. a loss of € 3.9 mn a year ago) as other items (incl. volume, price) offset both, add-on operating cost and a steel price increase (€ 1.1 mn). Adj. EBIT margin up 580 bps to 1.7% (the highest % number in FY 2018).
- A solid performance in EMEA was offset by weaker earnings from Americas and APAC/China.
- Positive net gain of € 7.3 mn from the revaluation of the call/put options related to the remaining 42.5% stake in KLL and 30% stake in V.Orlandi. This net positive effect is not incl. in adj. EBIT.

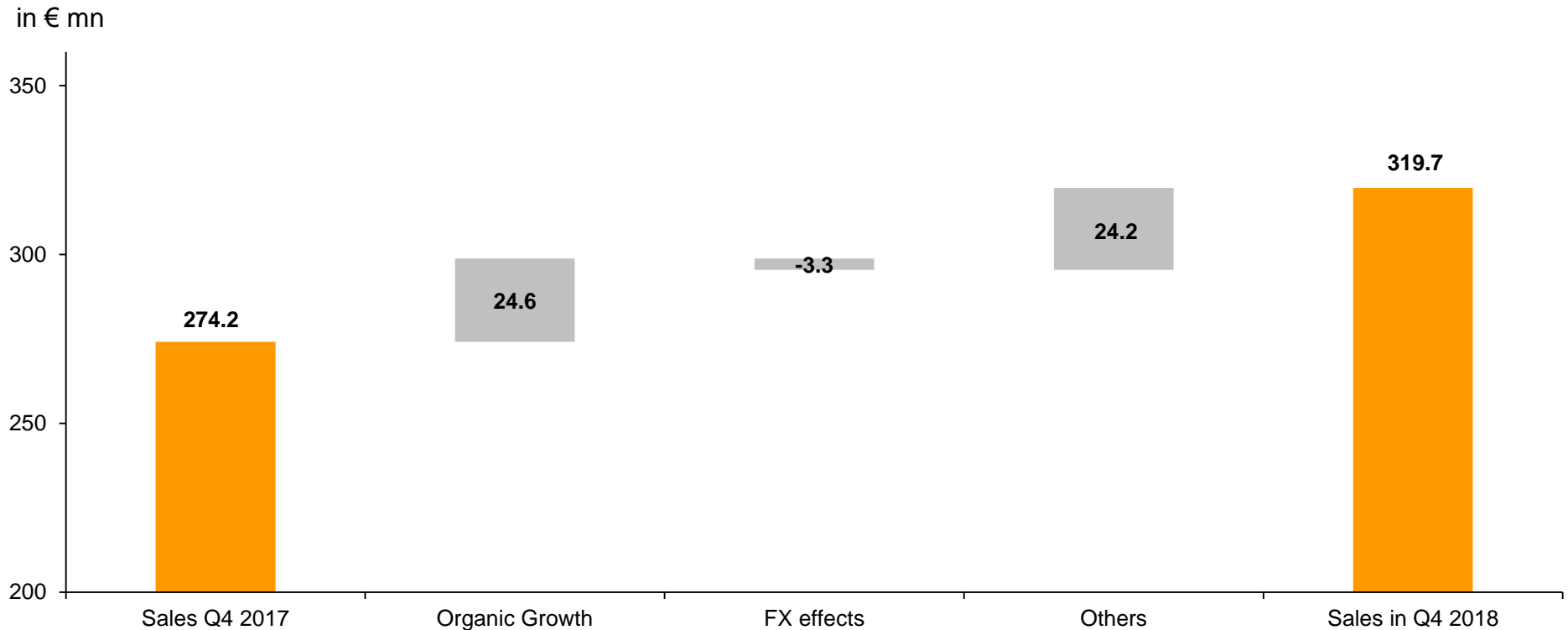
- Preliminary key financial figures
FY 2018 & Q4 2018

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



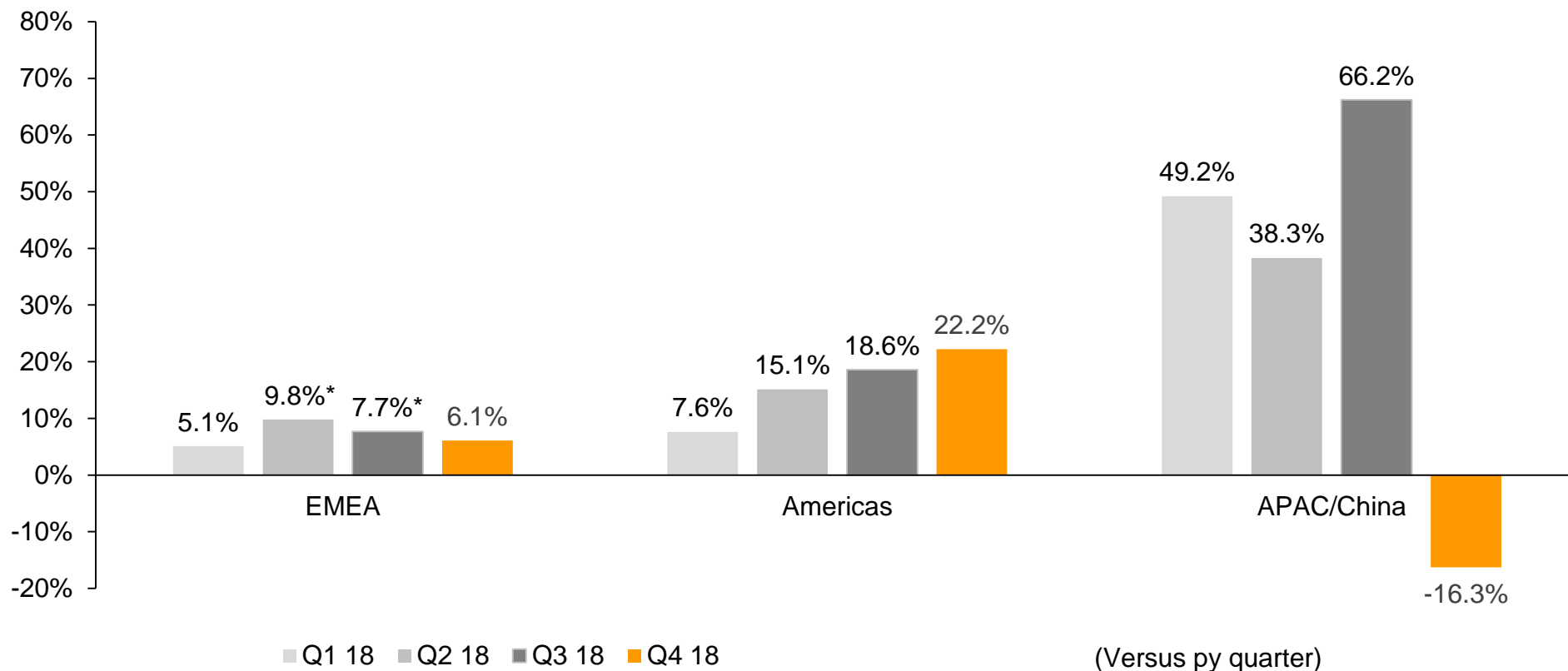
→ FY 2018 reported top line increased by 14.2 % yoy to € 1,300.6 mn driven by strong organic sales growth of 12.2% which was well above the originally planned figure of 4 to 5%. Contribution from others (incl. M&A) to group sales was partly offset by significant negative translational effects of € 48.4 mn (incl. EUR/TRY and EUR/USD).

Development of sales from Q4 2017 to Q4 2018: Plus 16.6%



Q4 2018 reported sales increased by 16.6 % to € 319.7 (py: 274.2) mn and incl. contributions from others (M&A), dynamic organic growth of 9.0% and negative translational effects of € 3.3 mn. Trade dispute had an impact on the export business of Chinese customers and as a result had a negative effect on Q4 organic sales in APAC/China.

Upbeat trend in organic sales growth has continued in EMEA and Americas – Trade dispute impacted Chinese customers in APAC/China

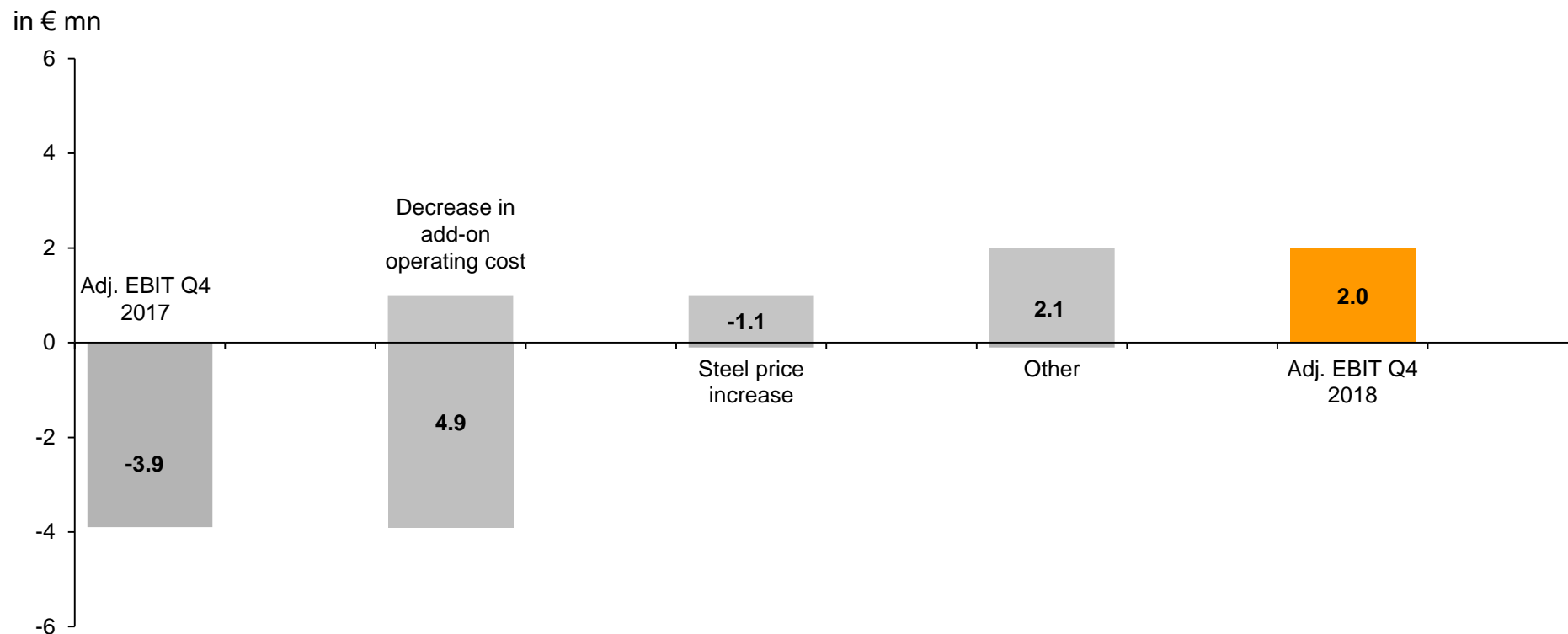


* Due to a technical calculation error, reported organic sales growth has been revised.



EMEA and Americas: Positive trend in organic sales growth continued in the final quarter of 2018. Trade dispute had an impact on the export business of Chinese customers and as a result had a negative effect on Q4 organic sales in APAC/China.

Americas Region: Adj. EBIT and burdening effects Q4 2018

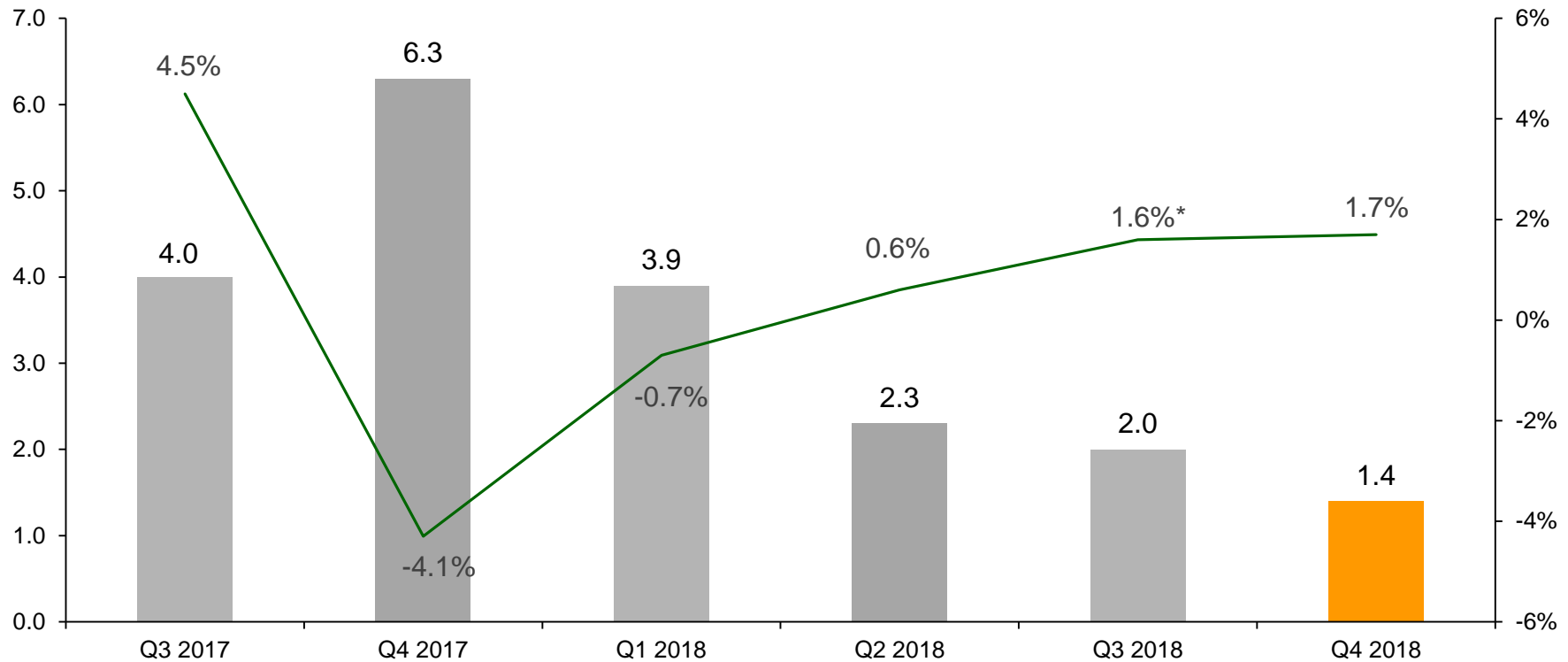


Adj. EBIT rose to € 2.0 mn vs. a loss of € 3.9 mn a year ago as add-on operating expenses decreased by € 4.9 mn yoy. A steel price burden of € 1.1 mn was more than offset by other items (incl. price, volume). Adj. EBIT margin rose to 1.7% (py: -4.1%)

Segment Americas: Adjusted EBIT margin rises as add-on operating cost decline

Add-on operating cost in € mn

Adj. EBIT margin in %

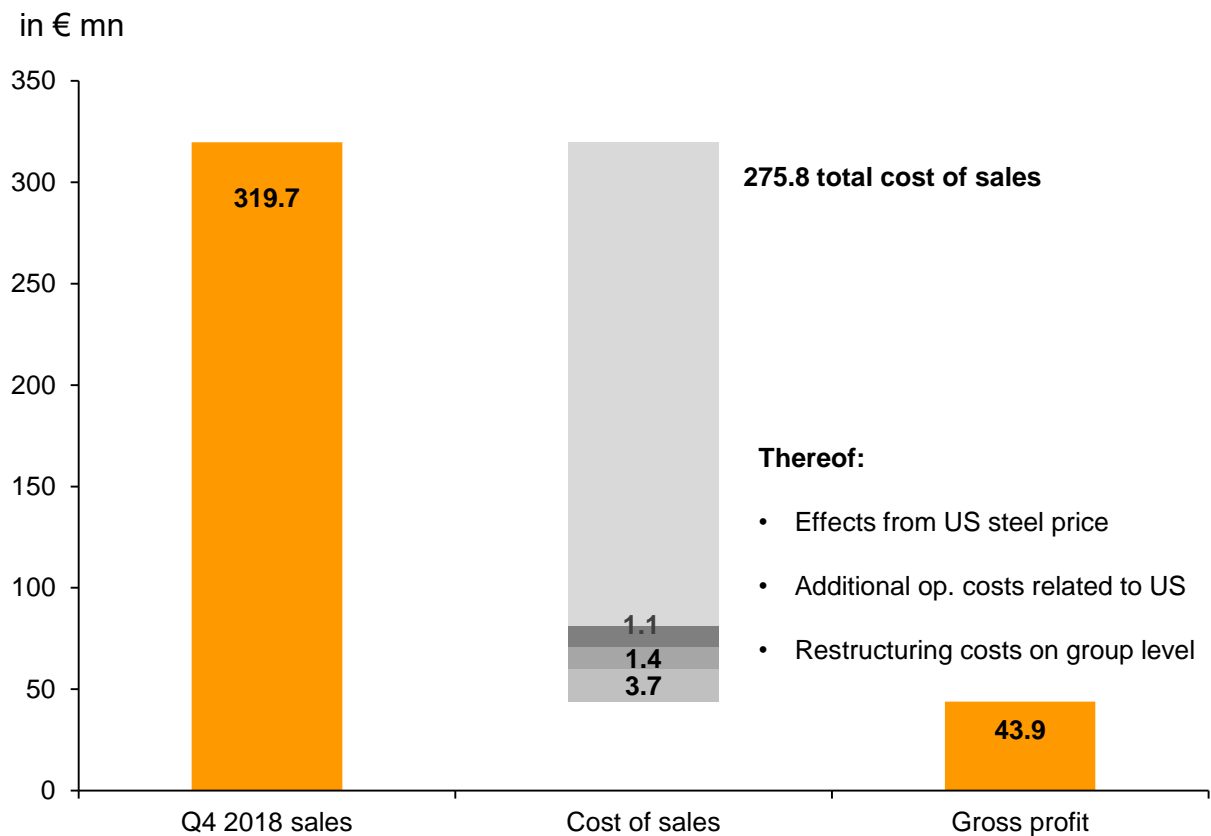


* excl. extraordinary income of € 4.4 mn from partial settlement of US medical plan



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.

Reconciliation of sales to gross profit – 4Q 2018

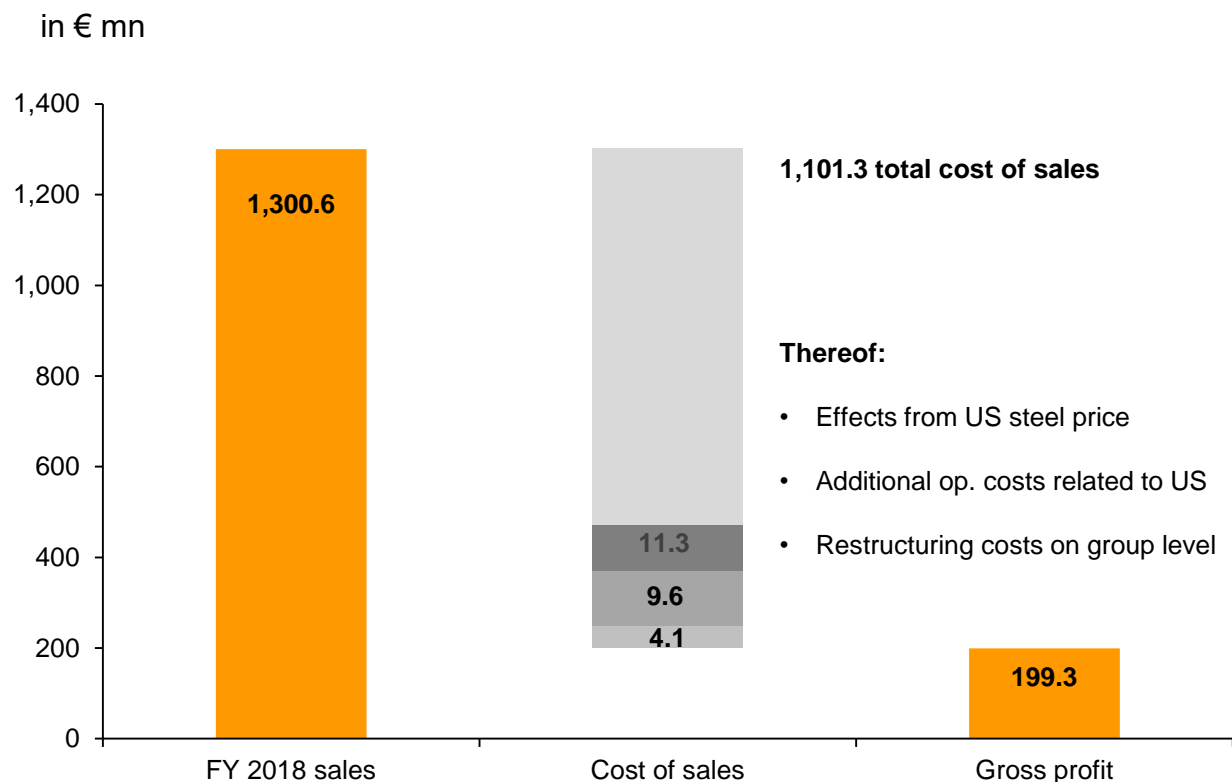


Impact on gross margin in Q4 2018

| | |
|------------------------|-----|
| Temp. workforce | - |
| Volume | + - |
| Raw materials | - |
| Product mix | - |
| Restructuring cost | - |
| Exchange rate | + |
| Operating efficiencies | + - |

➔ Q4 2018 prel. gross profit of € 43.9 (py: 46.4) mn was impacted by add. operating expenses (€ 1.4 mn) related to US plant transition and higher raw material costs of € 1.1 mn. Gross profit margin declined yoy to 13.7% (py: 16.9%). Excl. total negative effects, the gross profit margin was 15.7% (py: 19.8%).

Reconciliation of sales to gross profit - FY 2018



Impact on gross margin in FY 2018

Temp. workforce



Volume



Raw materials



Product mix



Restructuring cost



Exchange rate

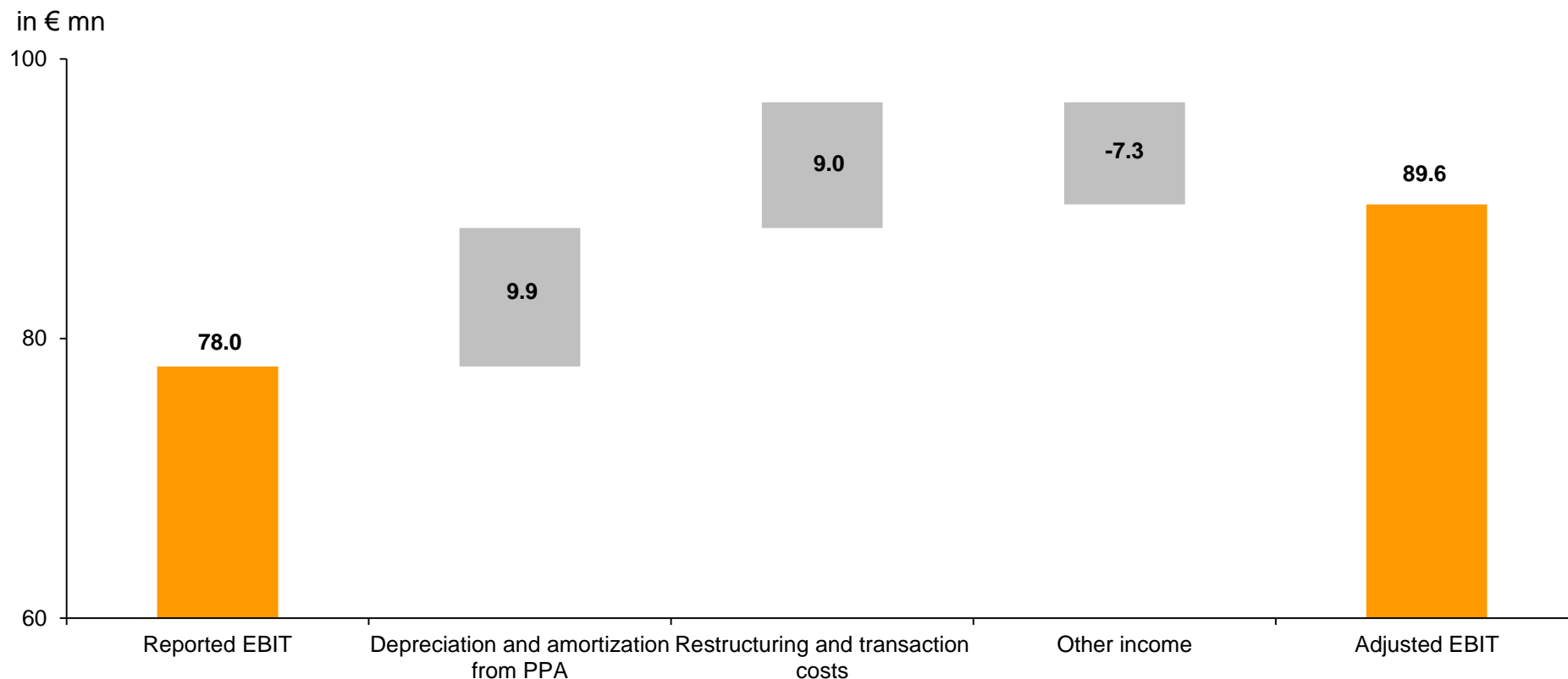


Operating efficiencies



➔ FY 2018 prel. gross profit reached € 199.3 (py: 205.1) mn. Add. op. exp. (€ 9.6 mn) from US plant transition and higher raw material costs (€ 11.3 mn) had a negative effect on gross profit. The gross profit margin is 15.3% (py: 18.0%). Excl. negative effects, the gross profit margin was 17.2% (py: 19.9%)

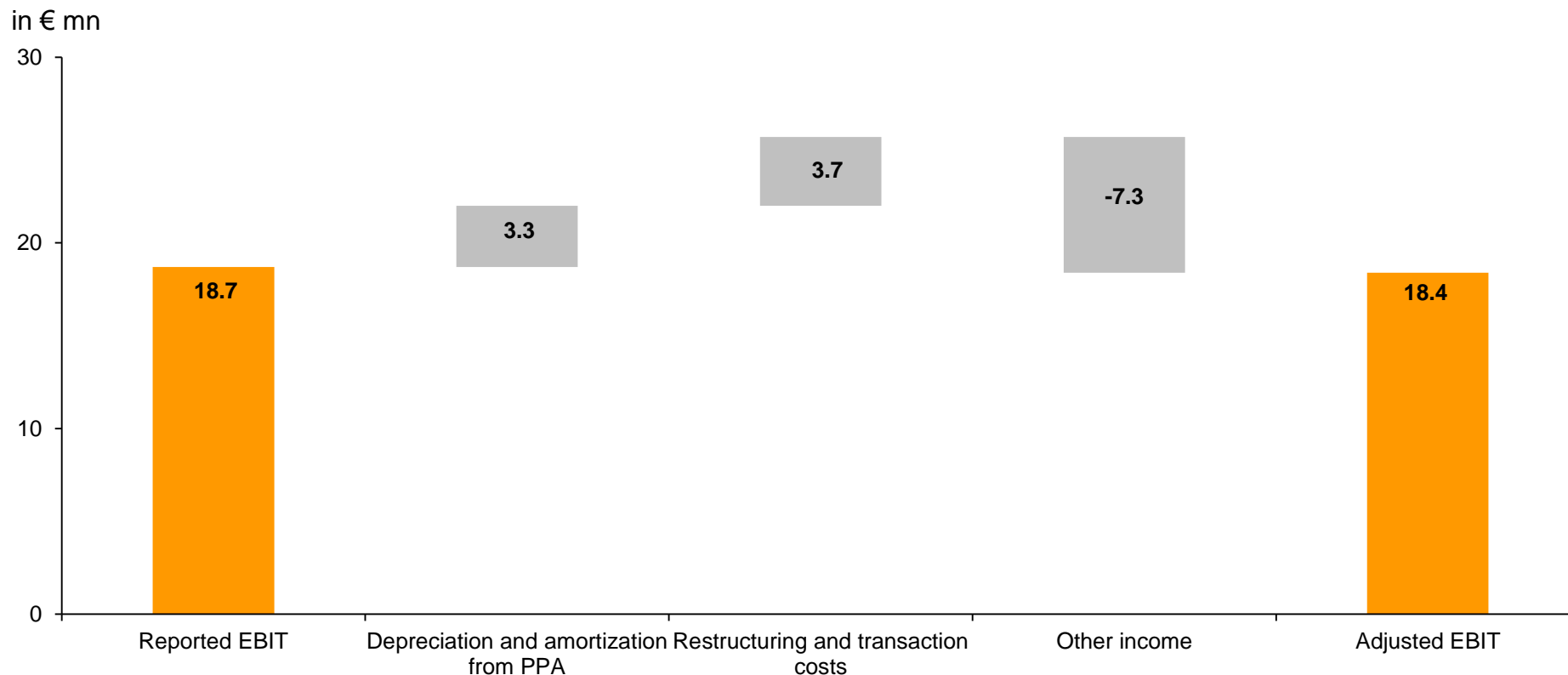
Reconciliation of reported EBIT to adjusted EBIT - FY 2018



Incl. PPA of € 9.9 (py: 5.3) mn, restructuring and transaction costs of € 9.0 (py: 13.2) mn and other income, the adjusted EBIT amounted to € 89.6 (py: 91.2) mn. Other income incl. a positive net gain of € 7.3 mn from the revaluation of the call/put option related to the remaining 42.5% stake in KLL and 30% stake in V.Orlandi. Adj. EBIT margin declined to 6.9% yoy (py: 8.0%).



Reconciliation of reported EBIT to adjusted EBIT – Q4 2018



Adj. EBIT of € 18.4 (py: 18.5) mn incl. PPA of € 3.3 (py: 1.3) mn, restructuring and transaction costs of € 3.7 (py: 1.7) mn and other income. Other income incl. a positive net gain of € 7.3 mn from the revaluation of the call/put options related to the remaining 42.5% stake in KLL and 30% stake in V.Orlandi. Adj. EBIT margin declined to 5.8% yoy (py: 6.7%).



Preliminary Financial key figures 2018





| | 2018 | 2017 | Chg yoy |
|------------------|--------------|--------------|-----------|
| Sales | € 1,300.6 mn | € 1,138.9 mn | + 14.2% |
| Reported EBIT | € 78.0 mn | € 72.7 mn | + 7.3% |
| Adj. EBIT | € 89.6 mn | € 91.2 mn | - 1.8% |
| Adj. EBIT margin | 6.9% | 8.0% | - 110 bps |
| Basic EPS | € 1.06 | € 0.95 | + 11.6% |
| Adj. EPS | € 1.19 | € 1.16 | + 2.6% |



Sales rose 14.2% yoy to € 1,300.6 (py: 1,138.9) mn driven by higher than expected organic sales growth and M&A contribution. Adj. EBIT margin declined by 110 bps yoy to 6.9% as sales grew faster than earnings (adj. EBIT almost flat yoy). Adj. EPS increased by 2.6% yoy to € 1.19.

- Market & Company outlook

Mildly supportive market environment in 2019

| EMEA | | | North America | | |
|---|---|------|---|---|------|
|  |  | |  |  | |
| Truck Production ¹ | Trailer Production ² | | Truck Production ³ | Trailer Production ³ | |
| 2018 | -1% | +4% | 2018 | +27% | +11% |
| 2019 | +5% | -10% | 2019 | +10% | -2% |



In 2019, NA Class 8 truck production will increase by 10% whereas the production of trailers will slightly decline vs. 2018. In EMEA, truck production will rise by 5% in 2019. The European trailer market is expected to be lower in 2019.

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 FTR Truck & Trailer Outlook, January 2019, Class 8

Outlook: Financial targets 2019 and mid-term planning 2020

| | FY 2019* | Strategy 2020 |
|---------------------------|--|--|
| Sales | Sales increase of 4 to 5% assuming stable FX rates and unchanged scope of consolidation + potential further M&A | Organic: € 1,250 mn |
| | | + M&A: Coops, JVs, acquisitions Total: € 1,500 mn |
| Adj. EBIT margin | Around the mid-point of the 7 to 8% range | ≥ 8% |
| Net working capital ratio | 13% | 13% |
| CAPEX | € 68 to 70 mn incl. low two-digit Euro mn amount related to new China plant | 4 to 5% of sales |

¹⁹ * 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

- Appendix

Restructuring and transaction cost - Q4 2018

- Total restructuring and transaction cost of € 3.7 mn incl. the following items

| Restructuring and transaction cost | Description |
|------------------------------------|---|
| € 1.7 mn | Post-Merger-Integration (incl. V.Orlandi, York, Axscend) |
| € 1.1 mn | US plant consolidation (incl. operations consulting, write-down of non-moveable assets) |
| € 0.8 mn | New production facility in China and Set-up of China Holding |
| € 0.1 mn | Others |

Correction of reported organic sales growth in EMEA and Group

- Due to a technical calculation error, Q2 and Q3 2018 reported organic sales growth in EMEA and Group has been revised. Total sales and adj. EBIT margin are unchanged.

| Sales growth EMEA | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | FY 2018 |
|-------------------|---------|---------|---------|---------|---------|
| Reported | 5.1% | 5.2% | 4.1% | 6.1% | 7.2% |
| Actual | 5.1% | 9.8% | 7.7% | 6.1% | 7.2% |

| Sales growth Group | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | FY 2018 |
|--------------------|---------|---------|---------|---------|---------|
| Reported | 8.8% | 11.7% | 15.0% | 9.0% | 12.2% |
| Actual | 8.8% | 14.1% | 17.0% | 9.0% | 12.2% |

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