

H1 - Financial Year 2016

Analyst-Call

Wiesbaden, August 24th, 2016



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1 Market Environment

2 Key Figures – H1 2016

3 Outlook – Financial Year 2016

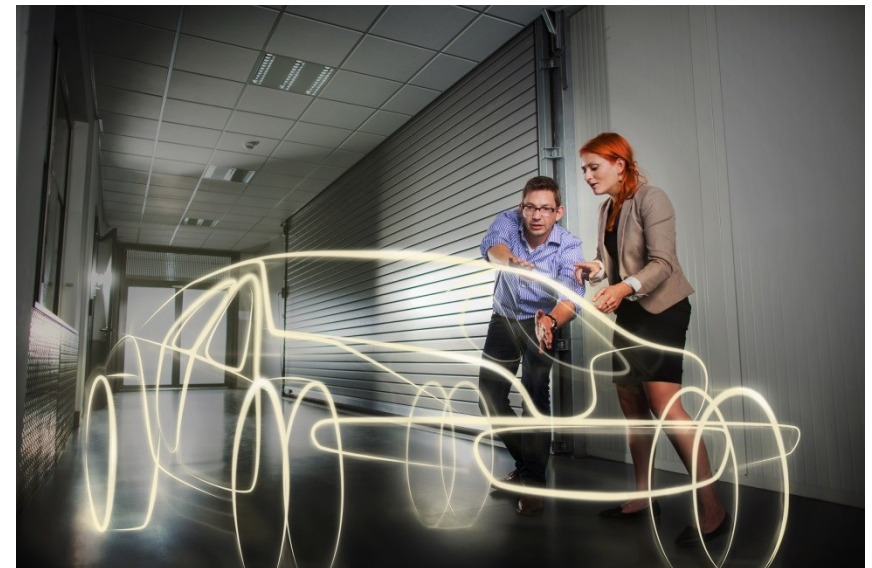
- World economy with moderate growth but increased uncertainty after Brexit
- Worldwide car sales in H1 2016 better than expected, growth especially in Western Europe (+8.5%) and China (+12%). Brazil and Russia remain weak
- OEM R&D budgets are growing/remain on high level, which indicates a further high outsourcing volume for ESPs
- OEMs are focusing more and more on megatrends like autonomous driving, E-mobility, and digital business models -> resulting in high R&D needs but also uncertainty about the allocation of R&D budgets
- Shift in R&D priorities will lead to new opportunities but may also bear risks for ESPs

1 Market Environment

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- Core Revenues increased by 2% to 362 m€
 - Growth throughout all three segments with Production Solutions at 3.2%
- Core adjusted EBIT down from 35.6 m€ in H1 2015 to 22.7 m€ in H1 2016
 - Margin down from 10.0% to 6.3%
- Equity ratio up from 27.4% to 31.1% (yoy)
- Headcount edged up to 8.267 (+6.5% yoy)
- CapEx at about 4.6% of revenues

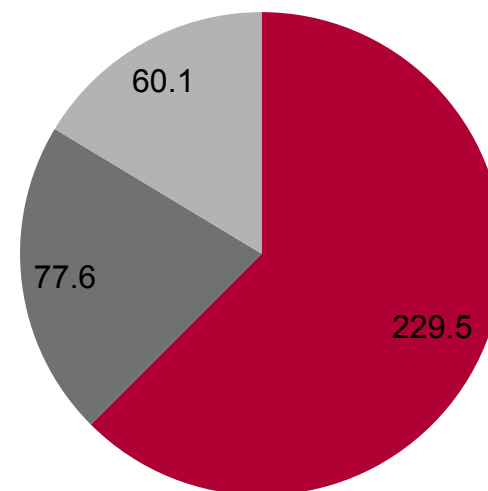


Core Revenue [m€] ⁽¹⁾



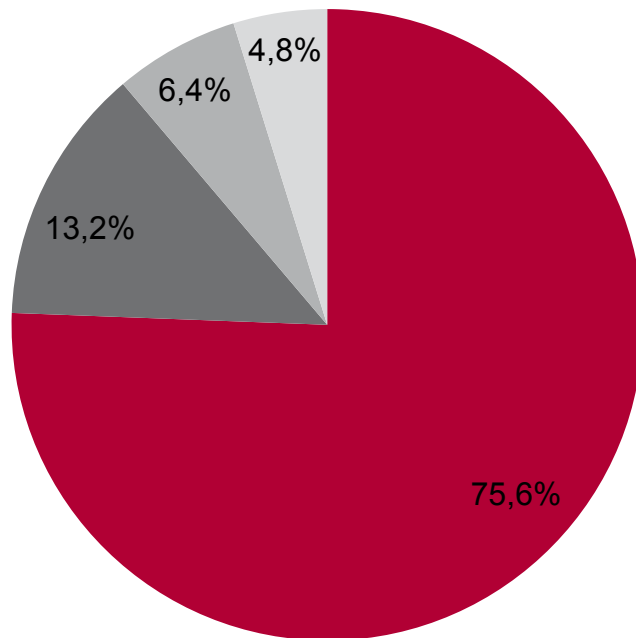
Revenues by Segment [m€] ⁽²⁾

Segment	change to H1 2015
Vehicle Engineering	+1.7%
Electrics / Electronics	+1.2%
Production Solutions	+3.2%

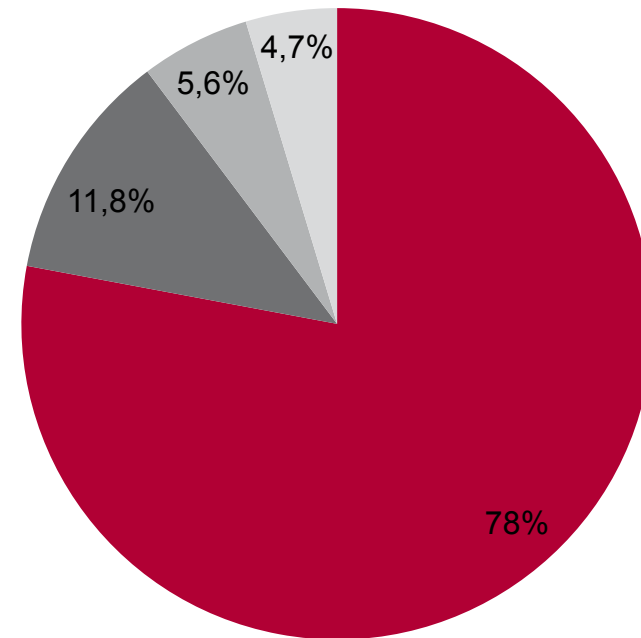


1. Revenue defined as sales revenue plus change in inventories; Core defined as total excluding Others segment
 2. Figures include sales revenue with other segments

H1 2015



H1 2016

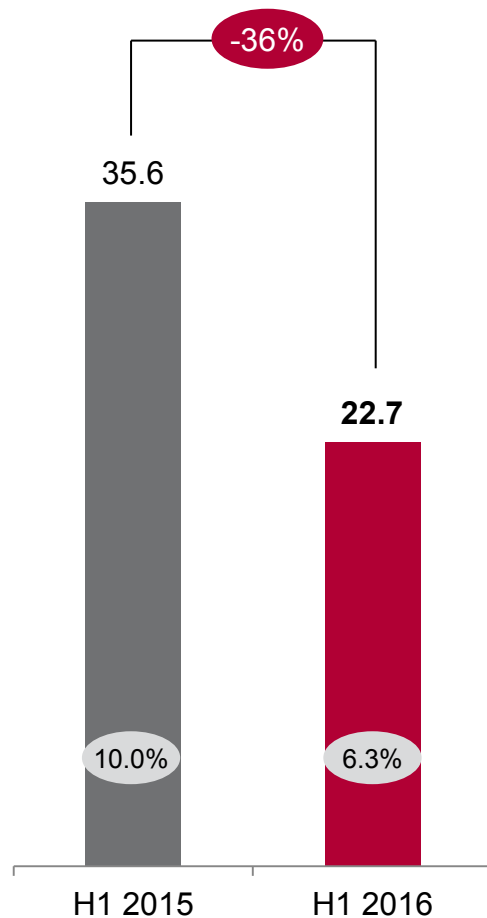


■ Germany ■ Rest of Europe ■ North & South America ■ Asia

1. Revenue defined as sales revenue plus change in inventories

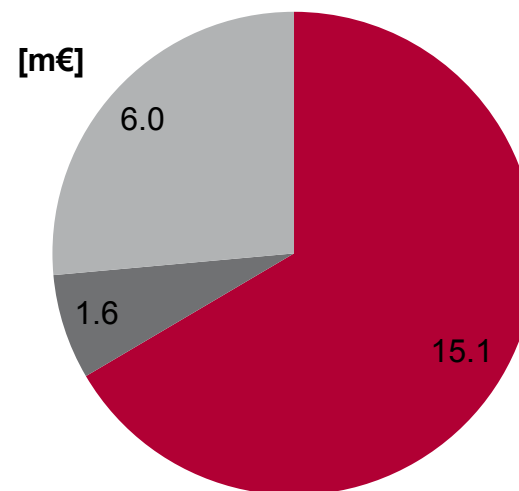
Adjusted EBIT

Core adjusted EBIT [m€]⁽¹⁾



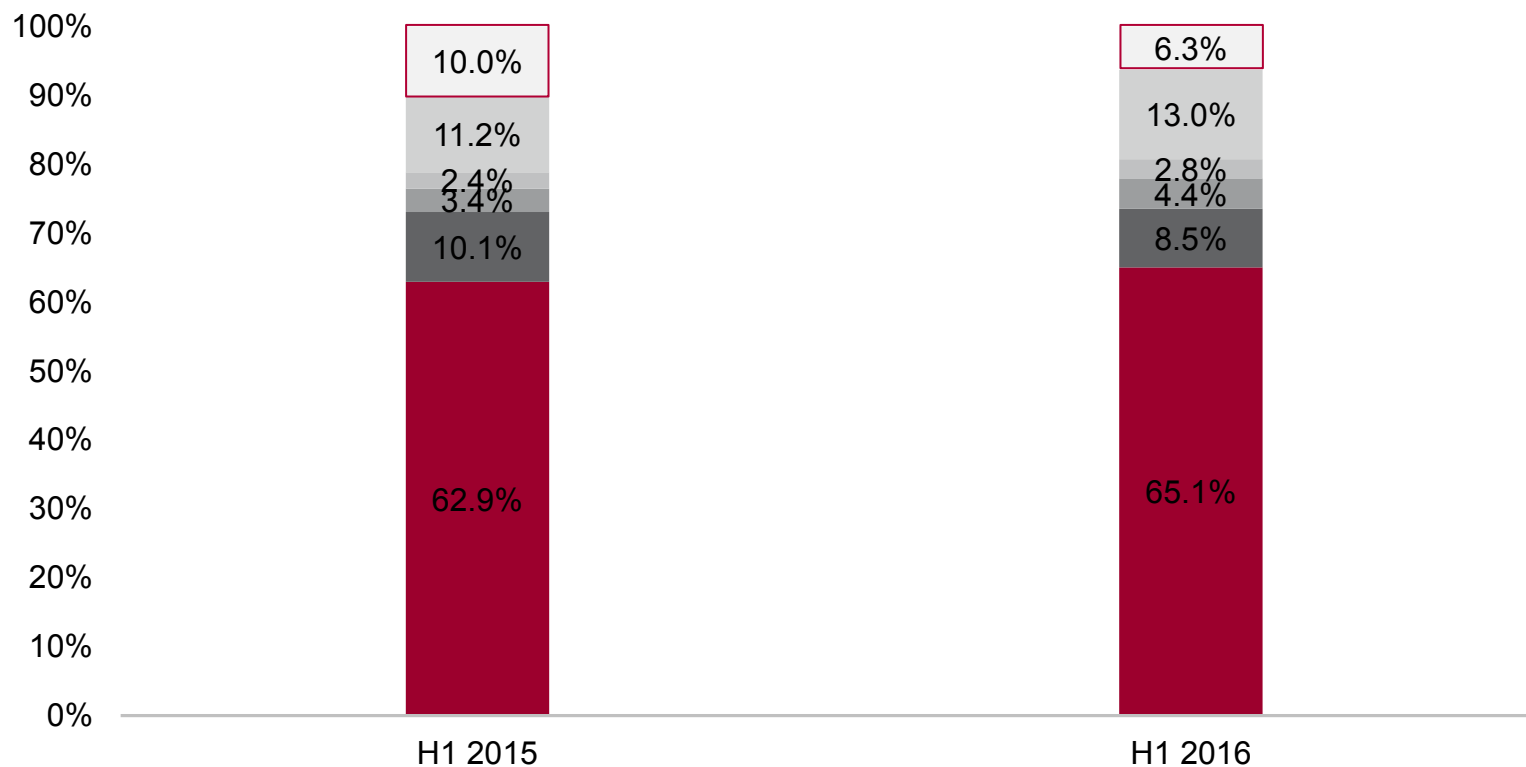
Adjusted EBIT by Segment

	margin	
	H1 2015	H1 2016
■ Vehicle Engineering	10.4%	6.6%
■ Electrics / Electronics	7.0%	2.1%
■ Production Solutions	11.6%	10.0%



1. Core defined as total excluding segment Others; Adj. for one-offs (purchase price allocation, consolidation effects, M&A costs, restructuring costs, proceeds from real estate sales, a. o.)

Total cost structure breakdown (as % of core revenue)

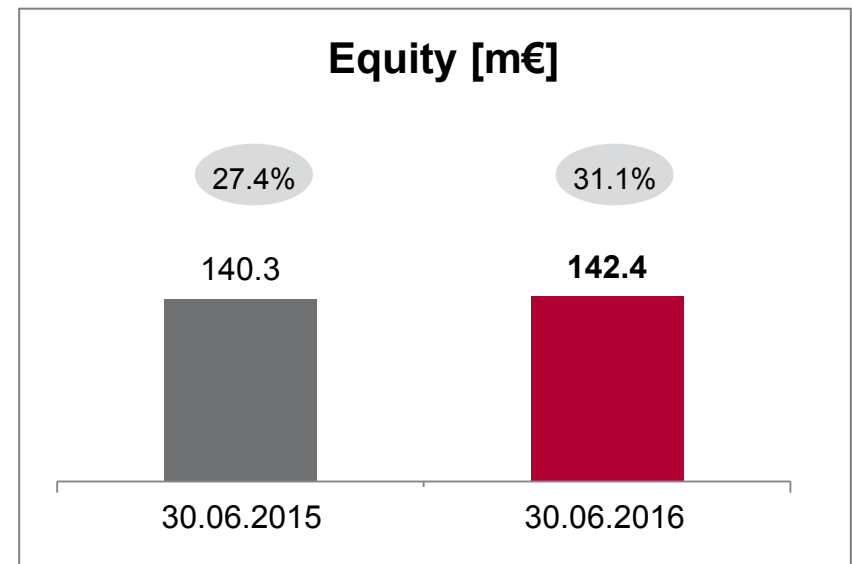
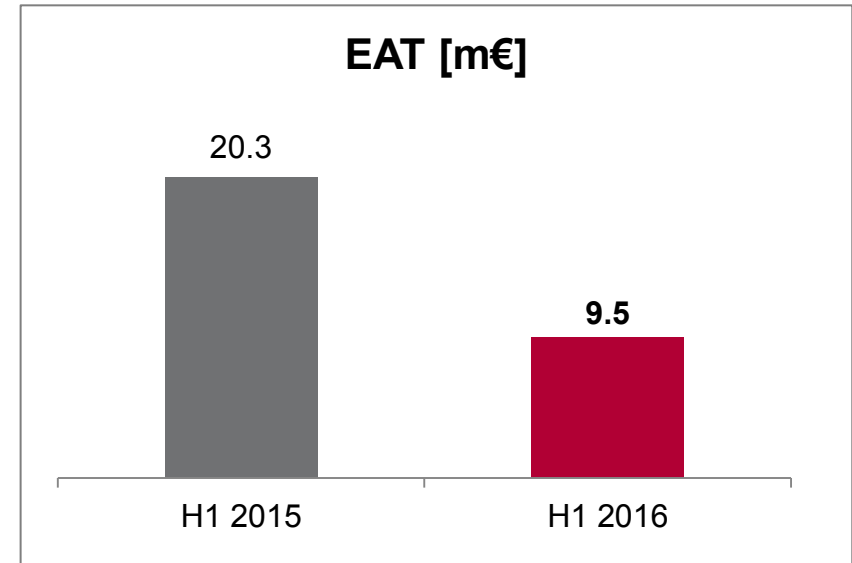


- Core adjusted EBIT
- Net other expenses (2)
- Depreciation (1)
- Material expenses (raw materials)
- Expenses for external services
- Personnel expenses

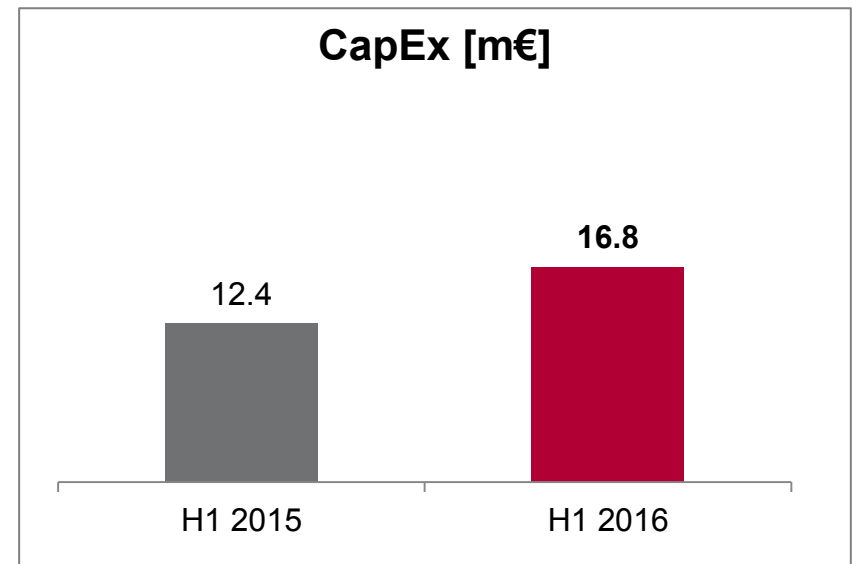
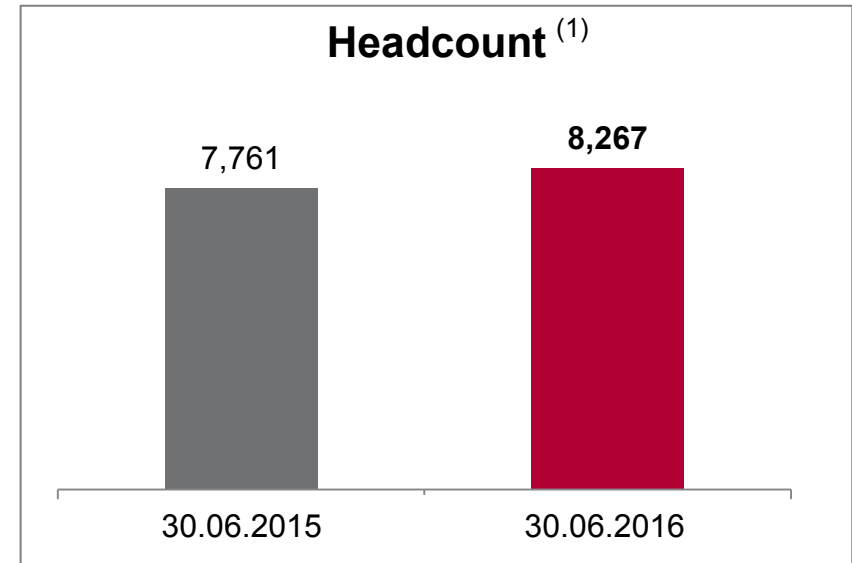
Notes

1. Excluding PPA amortization
2. Defined as other expenses net of other income plus all EBIT adjustments other than PPA amortization

- Decrease of EAT to 9.5 m€
 - Lower income from companies using the equity method
 - Increased tax ratio
- Equity ratio went up from 27.4% to 31.1%



- Headcount increased by 506 employees
 - Growth of 6.5% compared to H1 2015
 - In Q2 staff grew by only 18 people compared to Q1
- CapEx increased mainly because of investment into new tech-centre facilities in Wolfsburg
- CapEx levels at about 4.6% of revenues

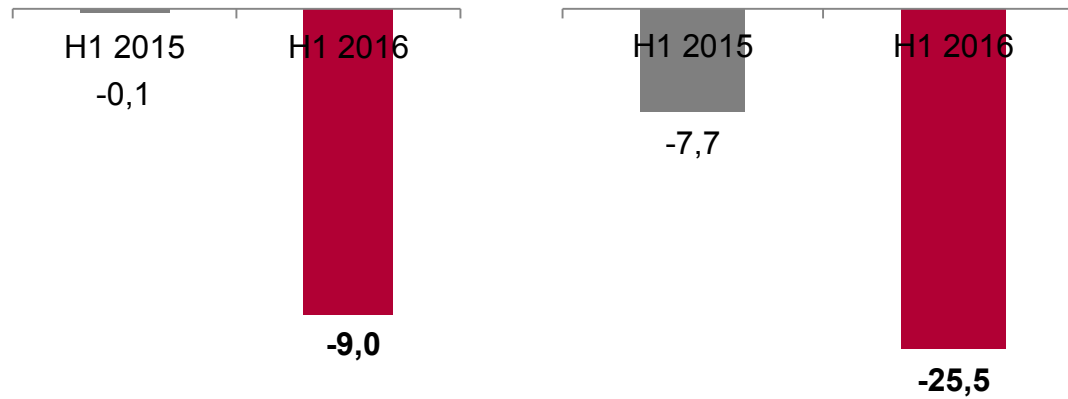


Notes

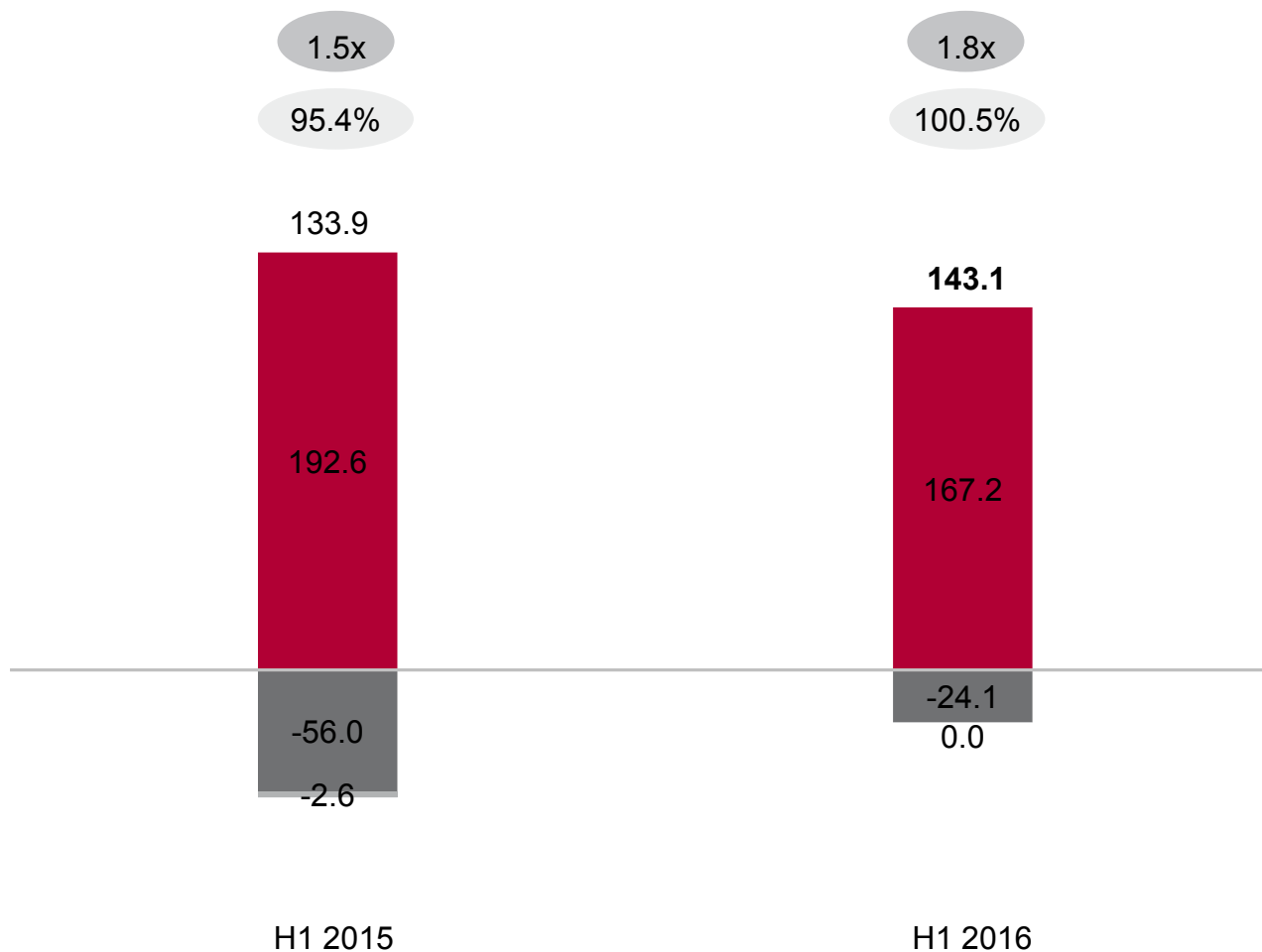
1. Including Trainees and work-study students

Operating CF [m€]

Free CF [m€]



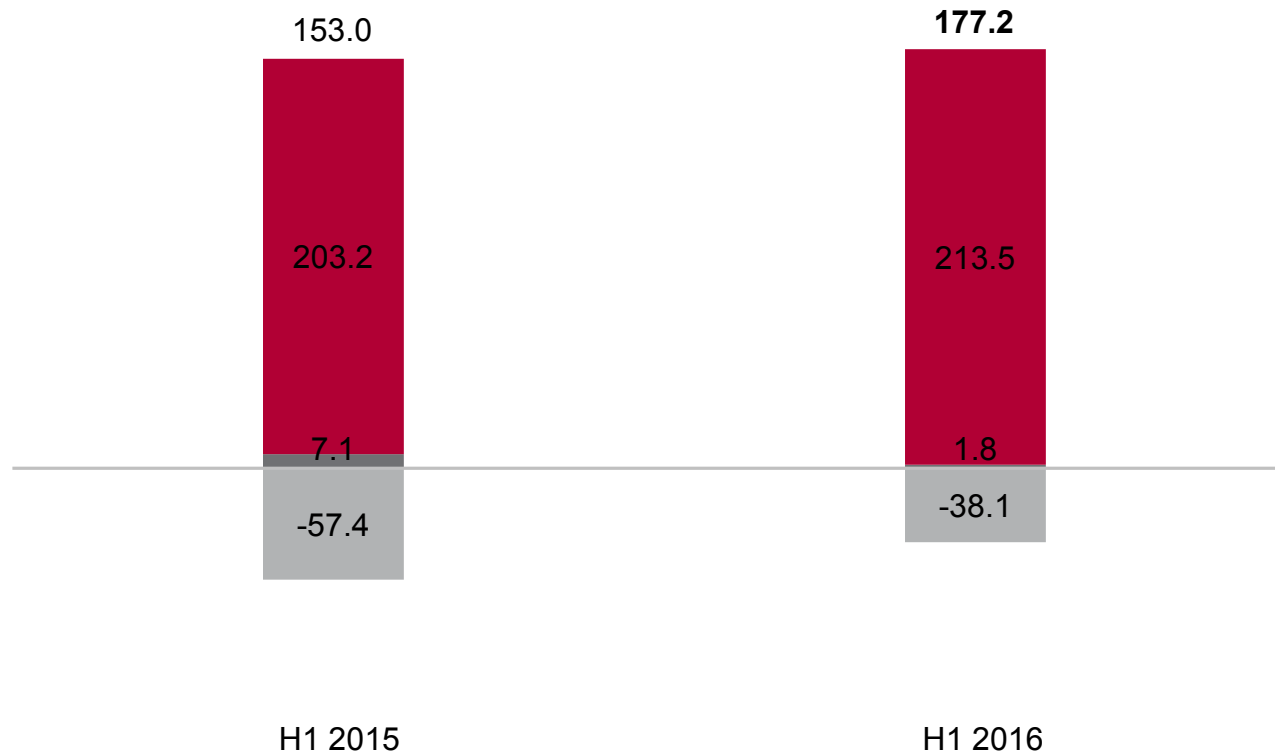
Net financial debt [m€]



■ Financial debt ■ Cash and cash equivalents ■ Cash pool receivables

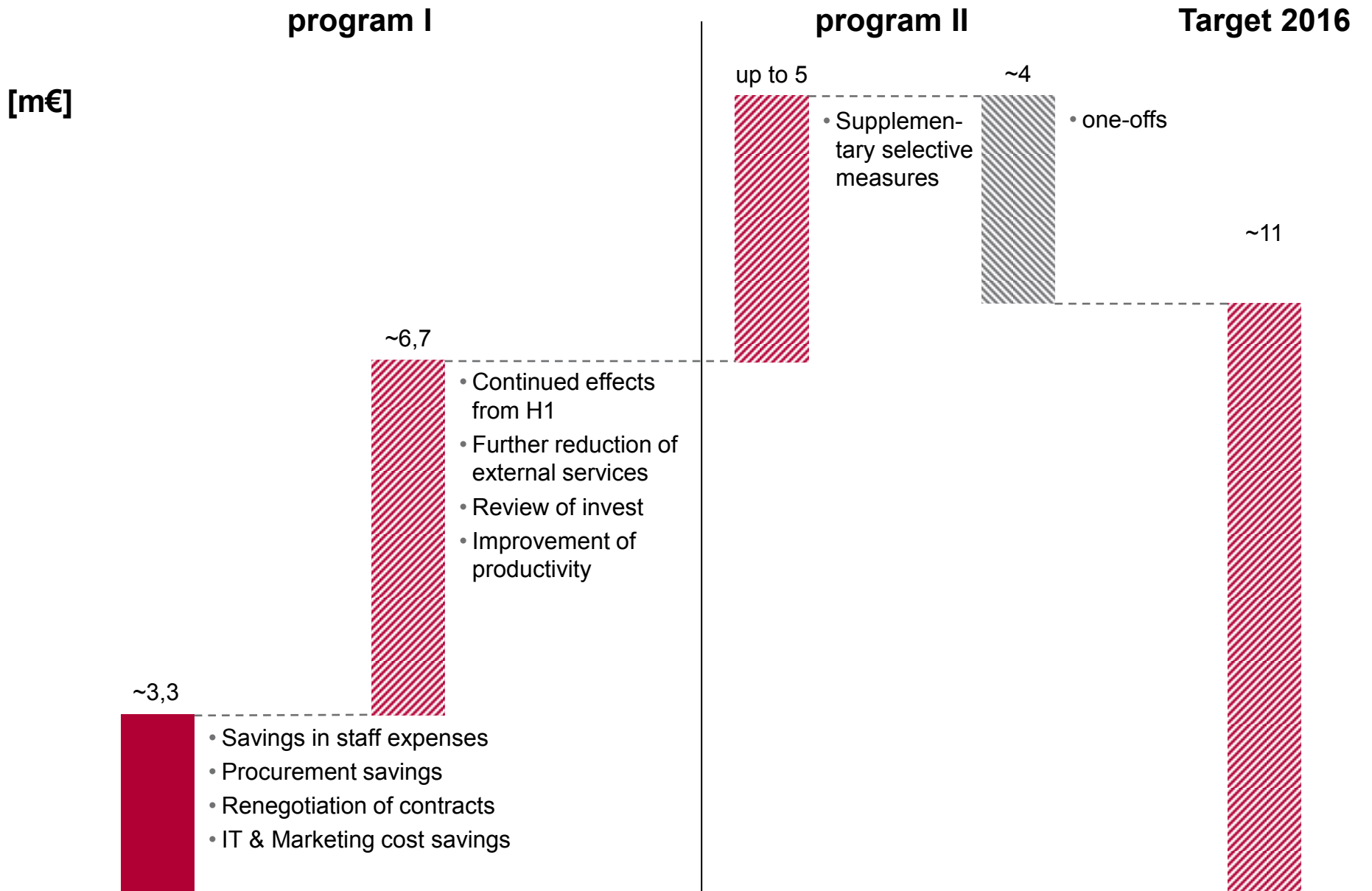
x Net financial debt / Adj. EBITDA (LTM)
 x Net Gearing (Net financial debt / equity)

Trade Working Capital [m€]



■ Trade receivables ■ Inventories ■ Trade payables

Overview on savings program



1 Market Environment

2 Key Figures – H1 2016

3 Outlook – Financial Year 2016

R&D Budgets are increasing or remain on high level

- Daimler: Increase number of car-models from 30 in 2016 to 40 in 2020⁽¹⁾
 - BMW: Research & Development ratio shall remain within 5-5.5% of until 2020⁽²⁾
 - Audi: Research & Development ratio within 6-6.5% until 2025⁽³⁾
 - Volkswagen: Research & Development ratio at about 6% until 2025⁽⁴⁾
 - Continental Automotive Group: increased R&D ratio to 10.3% in H1 2016⁽⁵⁾
- ▶ **All companies intend to increase their sales volume meaning an automatically increase of the R&D budgets year after year**

today

future

chance

Design



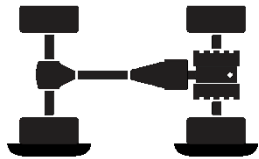
- High number of models
- ESPs develop different segments (eg. body in white, exterior, interior)



- ESPs to take more responsibility up to complete vehicle development, based on new cooperation models with OEM.¹

+50% ESP extent¹

Powertrain



- Only few established drive variants (petrol, diesel)



- New drive variants to be integrated:
 - LPG/CNG
 - Electric
 - Hybrid
 - Plug-in Hybrid
 - Fuel cell

Double digit growth potential¹

Connectivity



- 2016 market volume: 40.3 bn.€²



- 2021 market volume: 122.4 bn.€²
- Increasing development- and capacity needs
- Car IT as one of the biggest growth areas²

+150% ESP extent¹

2016

- Continued challenging market conditions
- Overall, short-term market perspectives overclouded by extraordinary effects
- We expect the situation at key customers to improve beginning from Q4 2016
- For the full year 2016, we expect a moderate increase in revenues in the lower single-digit percentage range and an adjusted EBIT-margin of 6-8%

2017 et seq.

- Medium- and long-term market perspectives remain positive and intact
- Shifting of R&D budgets at OEMs seems to be likely. This development may contain future chances but also risks for the ESP business. EDAG reviews the situation carefully and might adopt strategy accordingly
- Overall, the automotive ESP-market enables a further profitable growth over the next years

Questions / Answers