

SMART STEEL

Capital Markets Meet & Greet
Business Update and Market Trends

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September 20, 2018

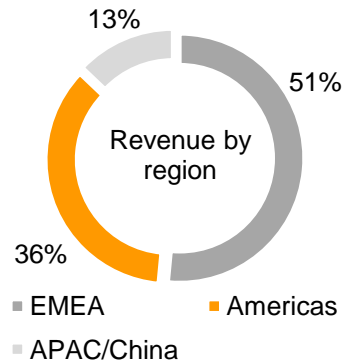


Agenda

- Business model and Strategy 2020 revisited
- Perfectly positioned in oligopolistic markets
- Business update by region
- The truck & trailer markets – What's next?
- Smart Steel innovations driving the Company 2020 plus

SAF-Holland Group Update: Zooming in on trailers and the Aftermarket

Total sales by region¹



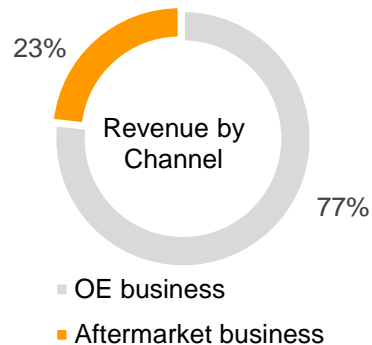
Europe's largest listed commercial vehicles supplier with leading position worldwide

- 41 subsidiaries featuring 22 manufacturing sites on six continents; 4,400 employees
- Trailer OE business is approx. 63% of sales

Strong global presence

- One of the very few globally positioned CV suppliers
- 87% of sales in Europe and North America
- Fast growing APAC/China sales

Total sales by channel¹



23% of sales originate from the resilient service and aftermarket business, the key asset of the Group

- Most comprehensive aftermarket spare parts and service network worldwide featuring 10,000 partners in more than 80 countries
- The #1 network in Europe and North America: Key asset for fleets and major barrier to market entry
- Generates generic growth based upon consistently increased OE product population in the field

Pronounced success factors create a strong long-term business model

Worldwide presence

Balanced structural and regional set-up with varying market trends and replacement cycles

Unique direct sales model

Unique selling model featuring direct access to broad end customer base featuring fleet customer specification of product

Focus on the aftermarket

23% share and generic expansion of high-margin aftermarket business contributing the larger part of earnings and counterbalancing cyclicality

Mega trend beneficiary

Strong position in a 4% CAGR industry (mega trends) complemented by structural technological growth drivers

Power to innovate/ digitize

Strong position driven by product innovation and applicational engineering excellence; Opportunity to grow new complementary digital business model

Solid financial basis

Solid financial profile and positive operating free cash flow cash generation provides strong basis for financing growth and dividend payouts



Massive barriers to entry in an oligopolistic market.

Strategy 2020: Megatrends driving SAF-HOLLAND's business development are in full effect

Mega trends Strategy 2020



Changing demographics until 2030

- Significantly growing world population (+1.1 bn people)
- Aging societies
- Increasing urbanization and concentration in cities

Growing middle class

- BRIC: Middle class growing by 150% to 2 bn people
- Next 11: Middle class expanding by 116%
- Share of global middle class consumption in China, India, ASEAN region soaring from 30% to 55% until 2030

Expanding road network

- Global road network: +25% in the last decade
- 2/3 of which built in China and India
- Chinese road network has tripled within a 10-year time span

SAF-HOLLAND key drivers

People

Money

Goods

Trucks/
Trailers

Roads

Strategy 2020: SAF-HOLLAND major beneficiary of soaring “Amazon E-economy” driving demand for new trucks and trailers



Persistent growth of online shopping and “E-economy” infrastructure consistently pushes demand for new trucks and trailers long-term. Rising number of logistic centers and hubs has transport increase.

All regions are delivering on Strategy 2020

EMEA



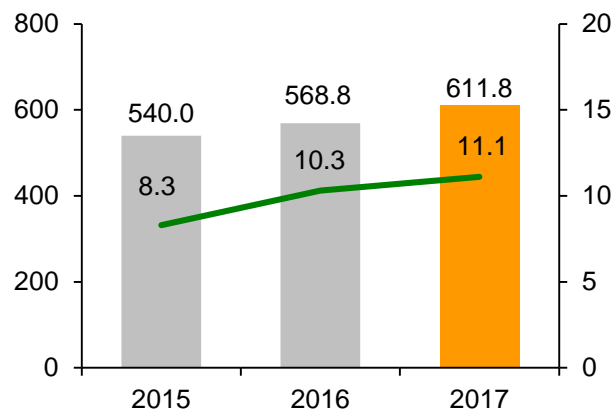
Americas



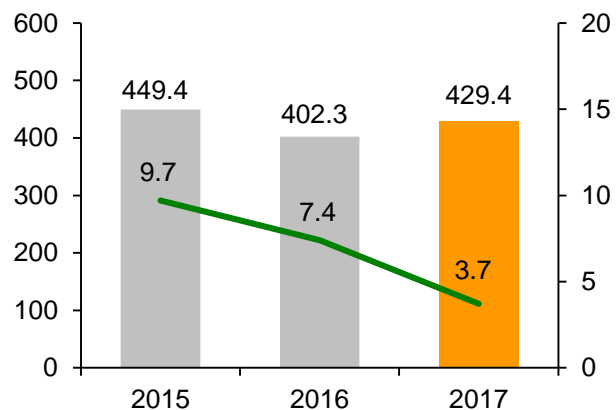
APAC/China



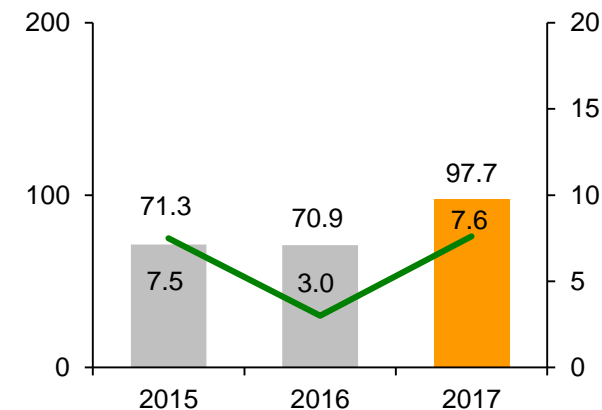
Sales in € mn and adj. EBIT margin in %



Sales in € mn and adj. EBIT margin in %




Sales in € mn and adj. EBIT margin in %



Strategy 2020 revisited: Where do we stand?

| | 2014 | Strategy 2020 | 2017 | 2018 guidance | GAP 2020 |
|--------------------------------------|------------|--|----------------|--|-----------------------------------|
| Organic sales growth | € 959.7 mn | Organic: € 1,250 mn | € 1,138.8 mn | <u>organic</u> increase of 5 to 7% ¹ ~ € 1,200 mn e ² | almost there |
| + contribution from takeovers | | + M&A: Coops, JVs, acquisitions Total: € 1,500 mn | € 9.2 mn (KLL) | ~ € 60 mn 2019 annualized: ~ € 90-100 mn | ~ € 150 mn |
| Adj.EBIT margin | 7.4 % | ≥ 8% | 8.0 % | 7.0 to 8.0% | profitability enhancement program |

 Organic sales trend ahead of strategy 2020 targets. Latest acquisitions will contribute around € 60 mn to sales in 2018. Gap in M&A approx. € 150 mn.

⁸ ¹ assuming stable FX rates and unchanged scope of consolidation

² Vara Research consensus as of Sept. 2018

SAF-HOLLAND market-leading positions in North America and EMEA in an oligopolistic set-up

| EMEA | | | North America | | |
|------|---------------|-------------------------|---------------|-----------------------------|--------------|
| | Trailer axles | Fifth Wheels | | Trailer axles + suspensions | Fifth Wheels |
| 1/2 | SAF-HOLLAND | Jost | 1 | Hendrickson | SAF-HOLLAND |
| 1/2 | BPW | SAF-HOLLAND / V.ORLANDI | 2 | SAF-HOLLAND | Jost |
| 3 | Schmitz | Fontaine | 3 | Meritor | Fontaine |

- Market-leading position in NA in fifth wheels
- Already Nr. 2 position in trailer axles in NA
- Leading in European trailer axles
- Nr. 2 position in EMEA fifth wheels strengthened by acquisition of Nr. 3 V.ORLANDI

Among the market leaders in China and India

| China (Premium segment) | | India | |
|-------------------------|---------------|-------|--------------------|
| | Trailer axles | | Trailer axles |
| 1 | BPW | 1 | SAF-HOLLAND / YORK |
| 2 | SAF-HOLLAND | 2 | Tata Motors |
| 3 | Fuwa | 3 | H.D. Trailers |

INDIA

- Acquisition of Indian market leader in trailer axle systems York
- Nr. 1 position in trailer axles in the fastest growing TA market worldwide

CHINA

- Organic growth driven by new greenfield operation in Yangzhou
- Legislation boosting the premium segment in China

Post merger integration running well: York and V.ORLANDI



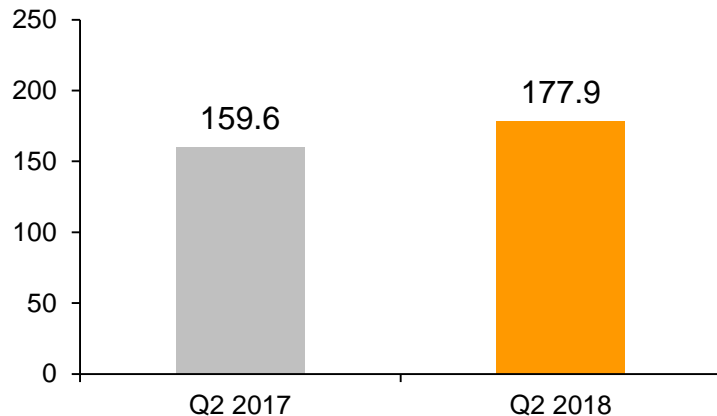
- First-time consolidation as of May 1, 2018
- Instantly Nr. 1 in trailer axles in India
- Strong brand
- Strong position in adjacent Asian markets
- Realization of synergies in sourcing and manufacturing plus intensive expansion plan for the Aftermarket to grow margin
- India highest growth trailer market worldwide
- Further expansion of capacities



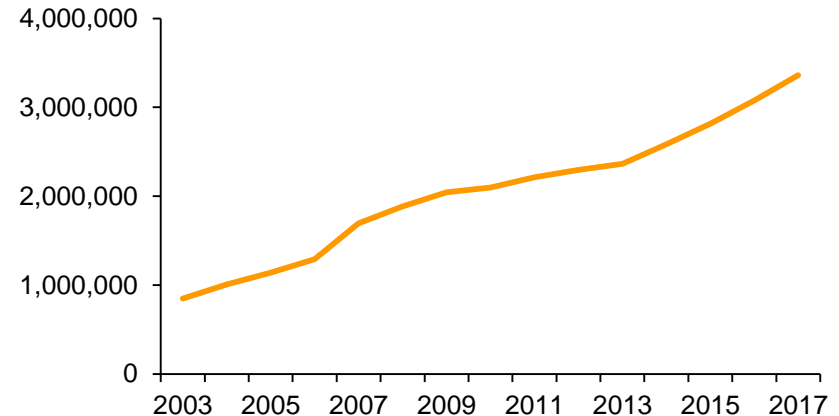
- First-time consolidation as of April 1, 2018
- Nr. 2 and Nr. 3 in fifth wheels join forces
- Complementary coupling technologies, i.e. specialties
- State-of the art automated production
- SAF-HOLLAND organization provides for access to new customers
- Significant cross-selling potential at Group level
- Strong mid-teens EBIT margin profile

EMEA: Solid organic OE and aftermarket sales growth provides for operational leverage

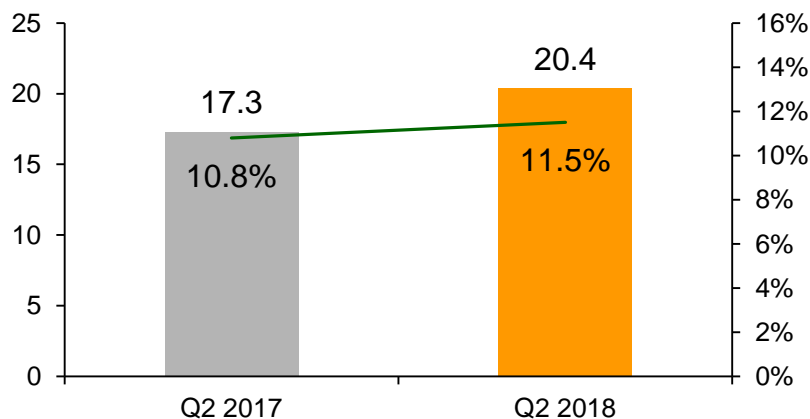
Sales in € mn



In 15 years axle population in EMEA has more than tripled

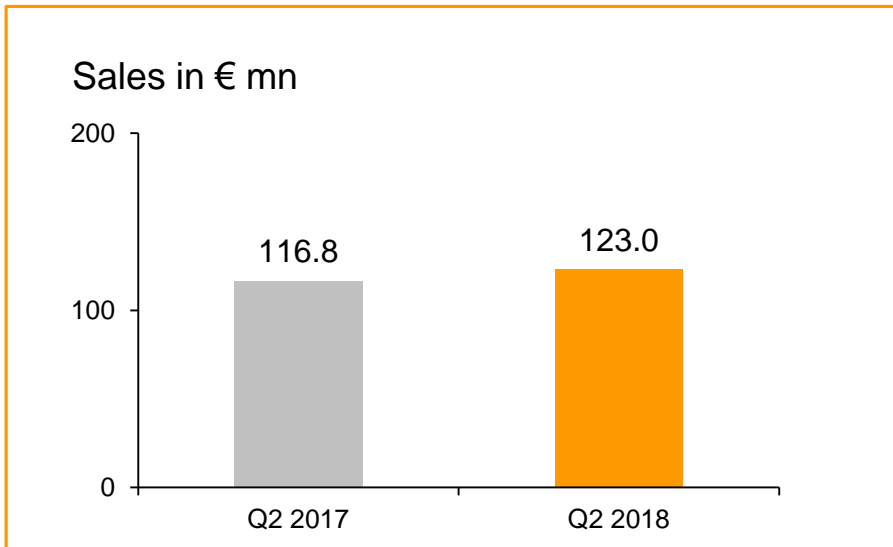
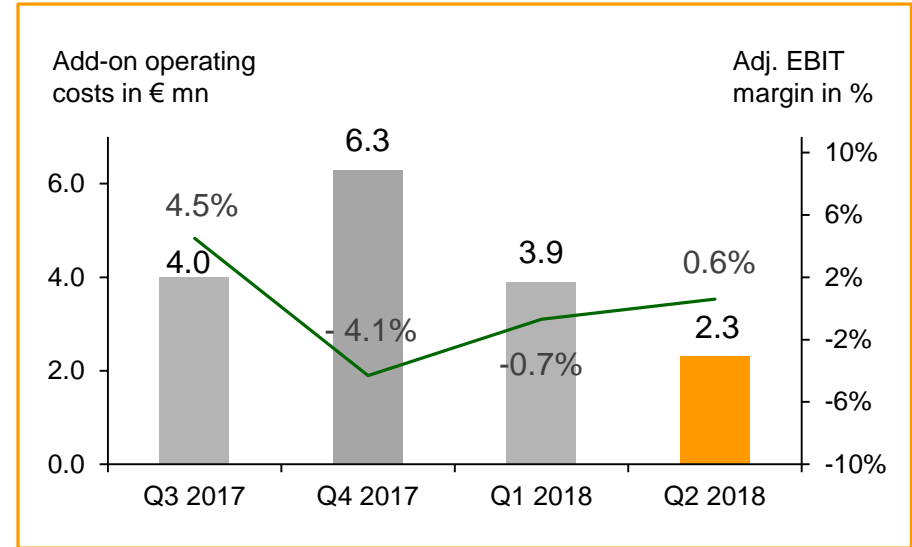
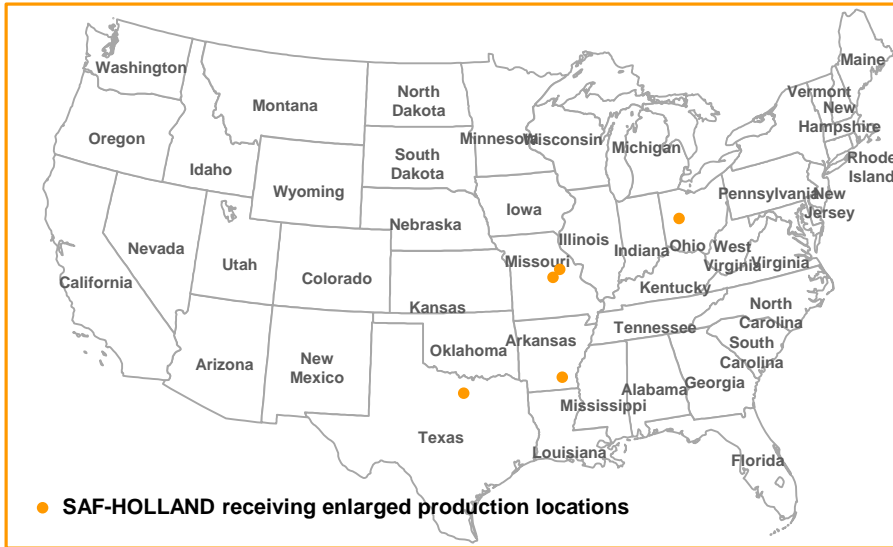


Adj. EBIT in € mn and adj. margin in %



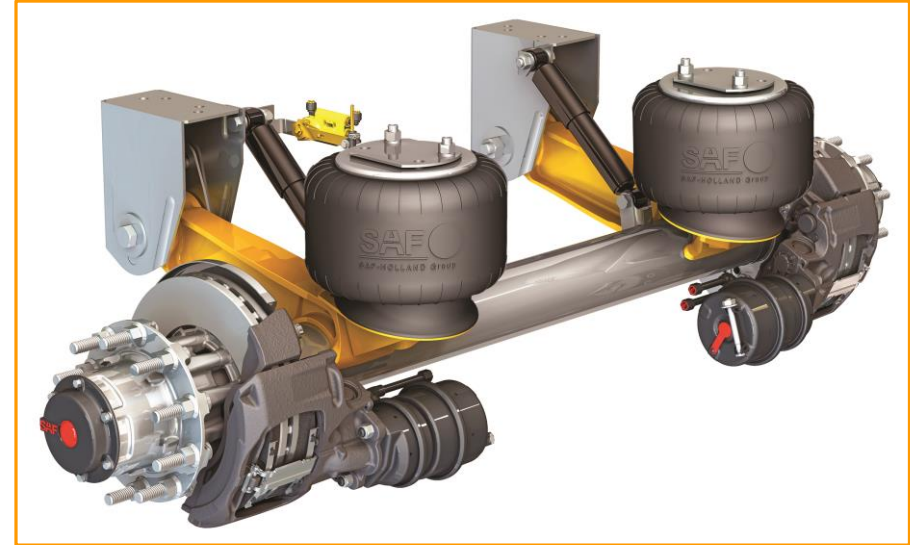
- Q2 2018: sales growth of 11.5 %, organically up +5.2% yoy, clearly outperforming the slight growth market trend
- Strong margin development despite steel price burdens
- Moderately favorable macroeconomic environment supports, fleet age still in line
- New products (Air Damping) and share gains
- Sustained aftermarket (AM) growth of 4.0%

Update US: Successive operating improvements in NA burdened by soaring steel price level

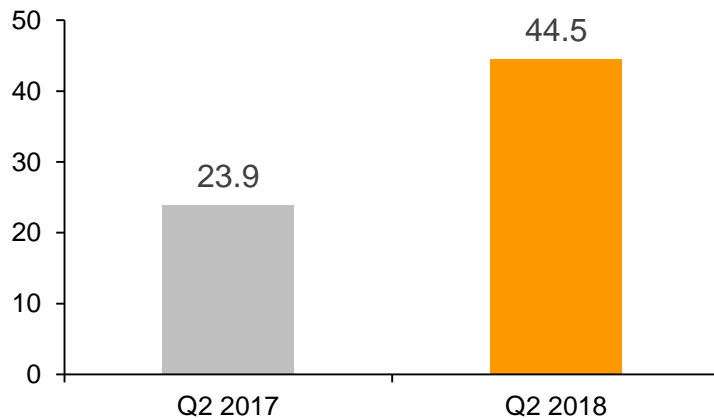


- Soaring customer demand: order intake boom coincides with strained industry supply chain
- Despite progressing plant network realignment measures, strong organic sales growth of 15.1% (reported sales up 5.3%)
- Focus on long-term customer retention
- Successive improvement of unsatisfying plant efficiency rates and profitability enhancement
- Process improvement and price increases

Update China: New legislation prompts structural sales growth through 2019 and 2020

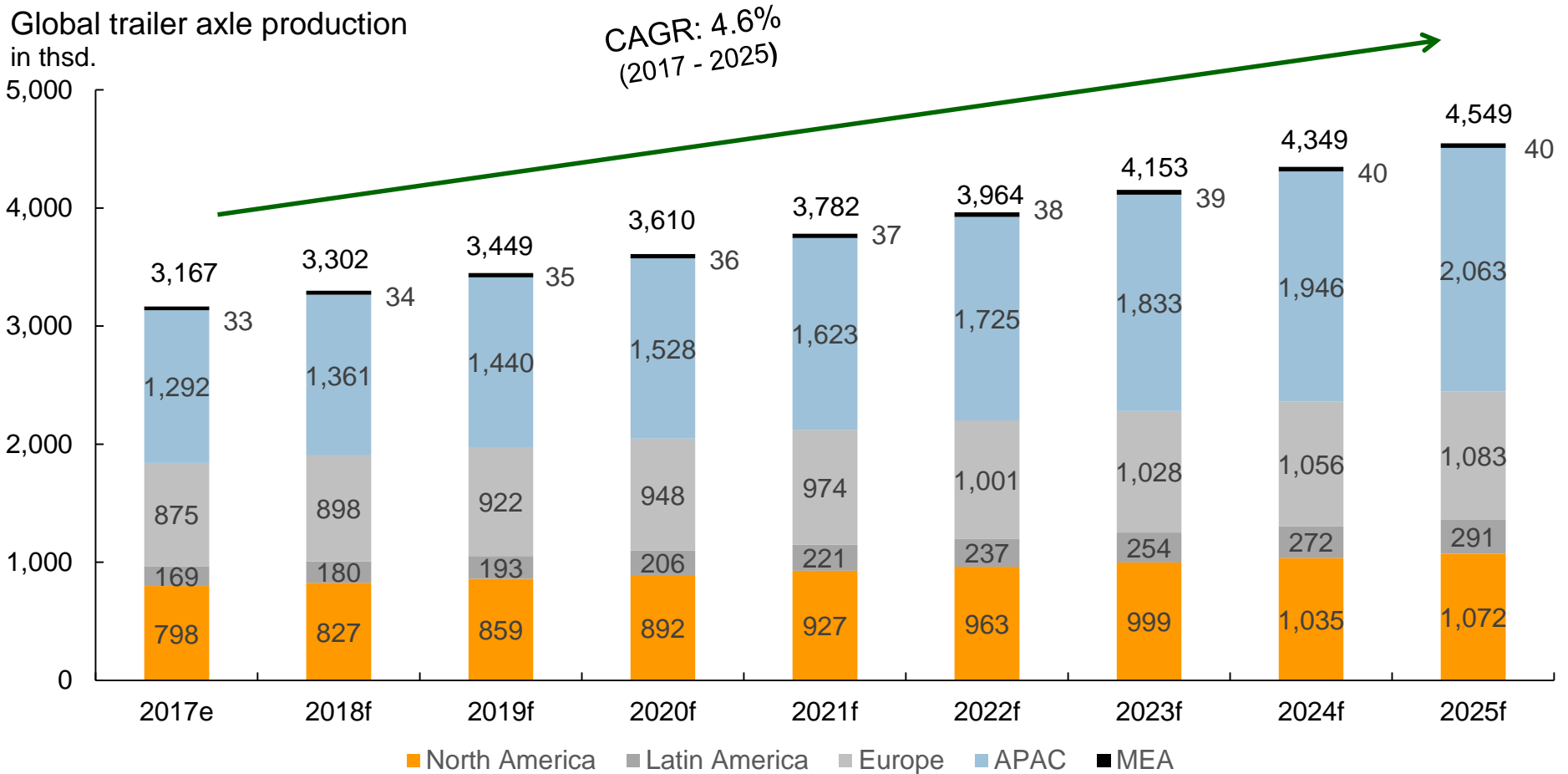


Sales in € mn



- New regulatory load limits for CVs and mandatory first fit of disk breaks and air suspensions for hazardous goods transporters as of 2020 trigger expansion of the premium segment in China
- On an organic basis, sales Q2 2018 up 38.3%; York acquisition contributes add. € 14 mn in sales
- Focus on organic growth with implementation of Yangzhou greenfield plant, ramp-up in Q2 2019
- Consistent double-digit organic growth

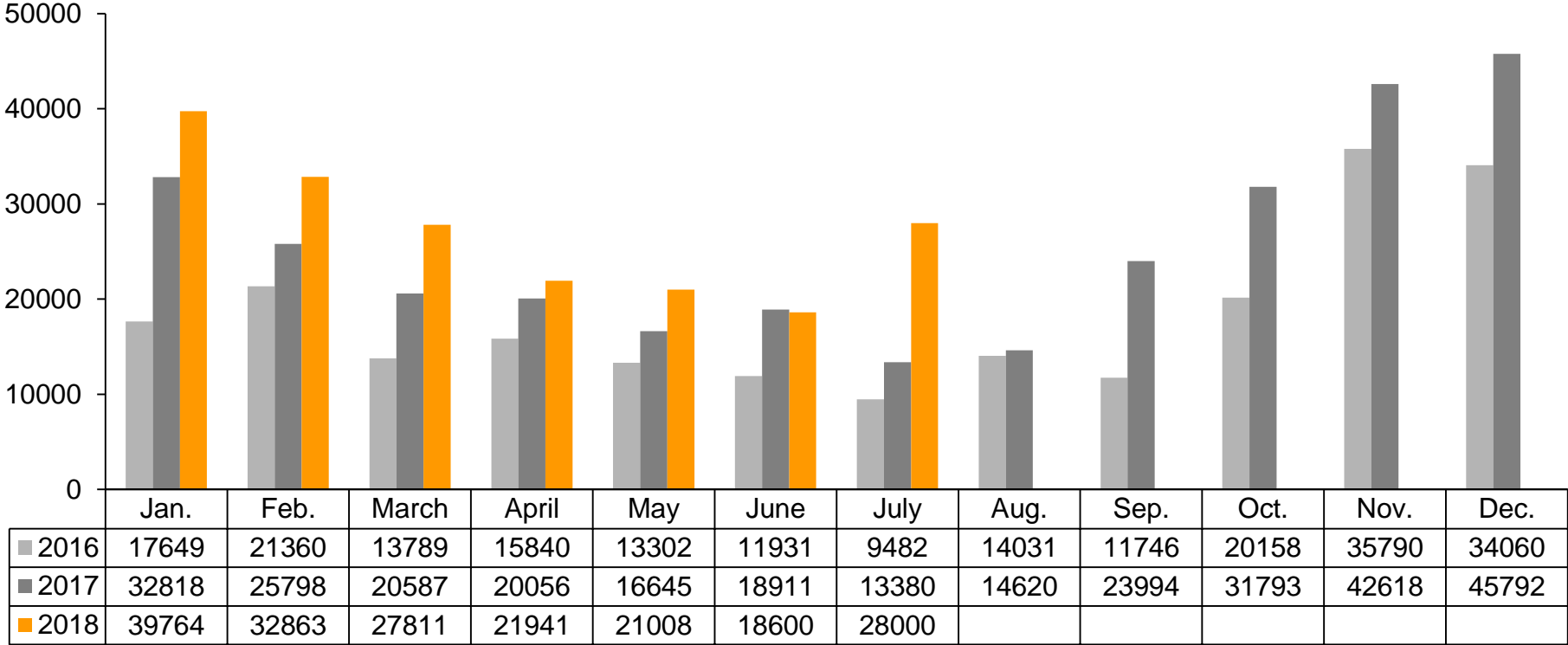
A long-term growth industry driven by mega trends: Continued increase of global trailer axle production until 2025



¹⁵ Source: Persistence Market Research, Global Trailer Axle Market, December 2017

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

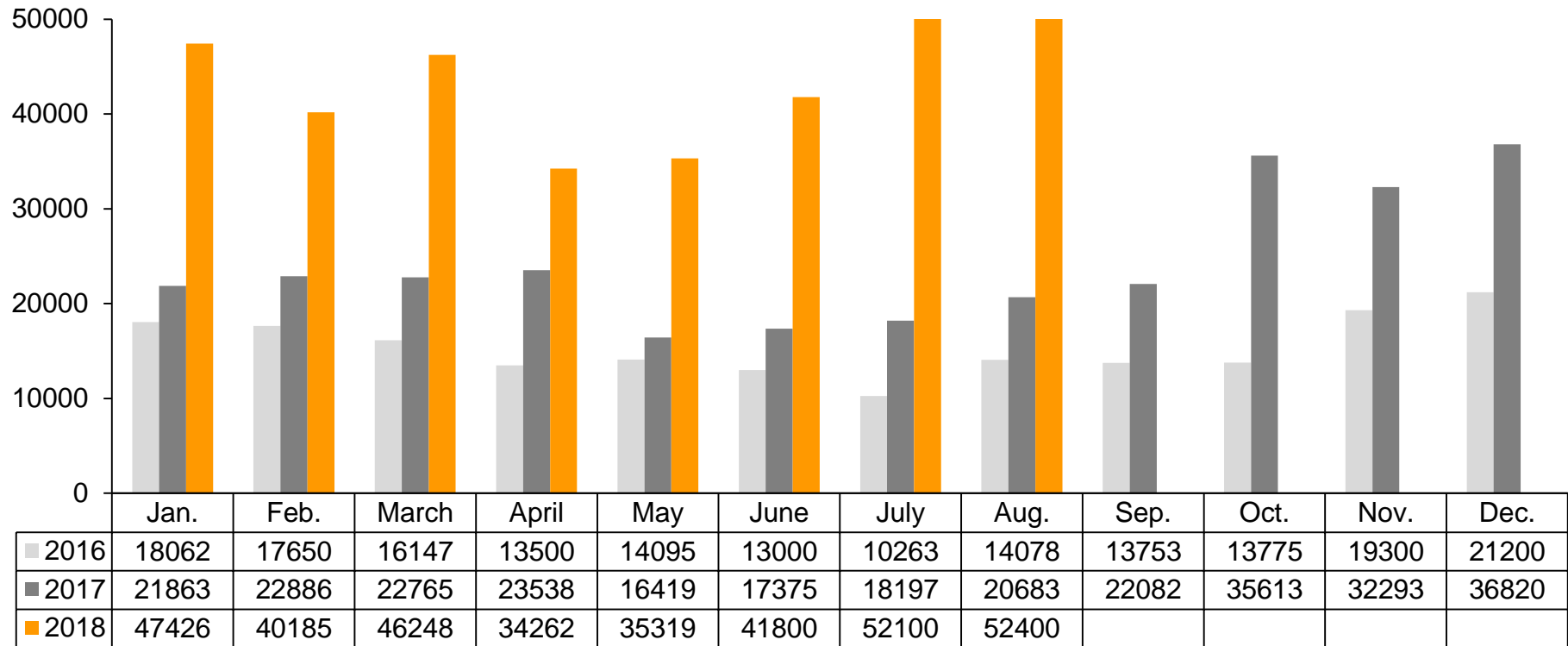
Trailer net orders



→ July 2018 net trailer orders in NA were 28,000 units, up 51% mom and up 109% yoy. In the first seven months of 2018 net trailer orders increased by 28% following up on truck segment boom.

Truck market trend North America: Order boom versus strained supply chain

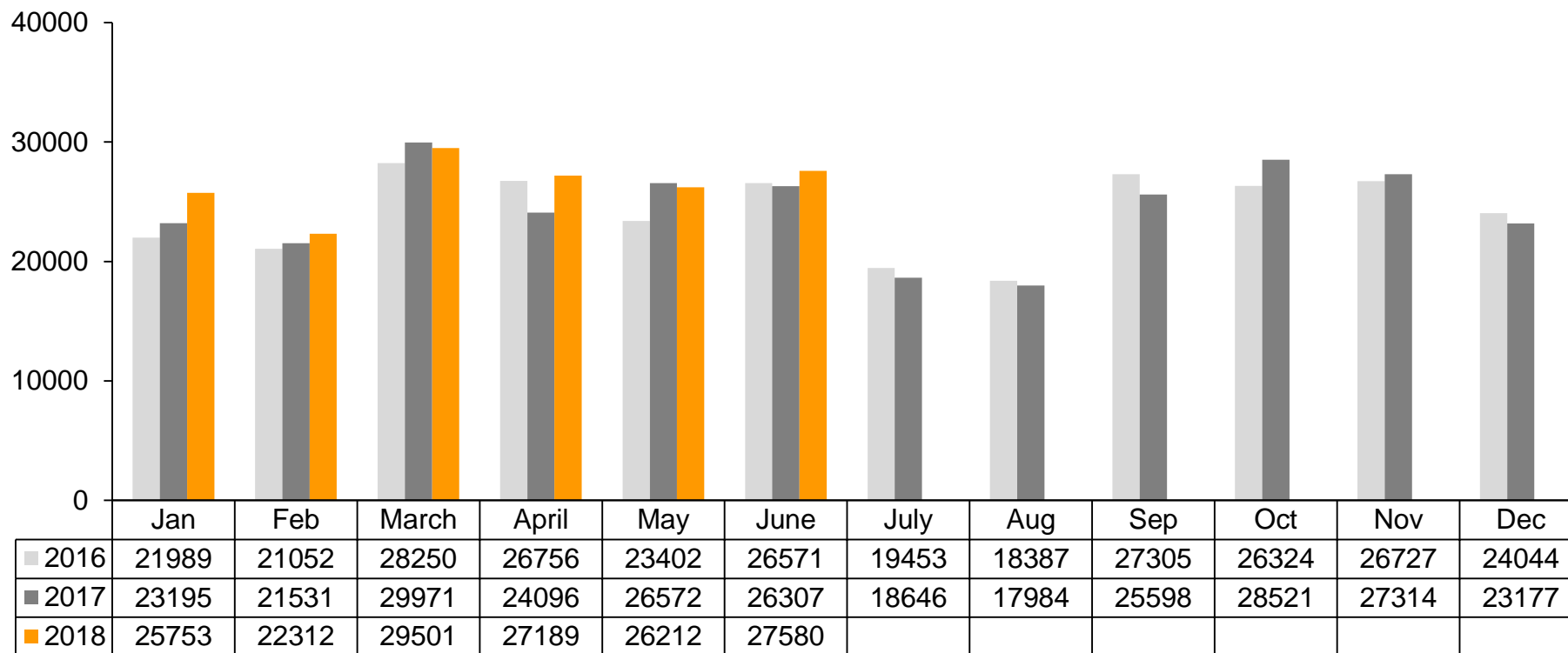
Class-8 net orders



NA Class 8 net order intake for Aug. 2018 was 52,400 units up 153% yoy. In the first eight months class-8 net orders soared by 114%. ELD, E-economy, increase in ton mileage and freight rates at still moderate fuel cost keep demand at a high level.





Heavy truck market in the EU: Solid trend continues in the face of moderate economic growth

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



➔ In June 2018, demand for heavy CV increased to 27,600 vehicles. In the first six months of 2018 heavy truck registrations in the EU was up 3.9% poised for a stable market in 2018.

Mildly supportive market environment in 2019

| EMEA | | | North America | | |
|---|---|-----|---|---|-----|
|  |  | |  |  | |
| Truck Production ¹ | Trailer Production ² | | Truck Shipments ³ | Trailer Production ⁴ | |
| 2018 | +4% | +1% | 2018 | +23% | +9% |
| 2019 | +2% | -5% | 2019 | +9% | -3% |



NA Class 8 truck shipments forecast to continue 2018 upturn with +9% growth in 2019. NA trailer production slightly down from record level in 2019. European truck market posting slow growth only. European trailer market is expected to remain at an overall solid level of approx. 300,000 units.

¹⁹ ¹ LMC Global Commercial Vehicles Forecast Q4, 2017, heavy trucks

² Clear , Forecast Report, May 2018; Persistence, Dec. 2017; own research

³ FTR Truck & Trailer Outlook, August 2018, Class 8

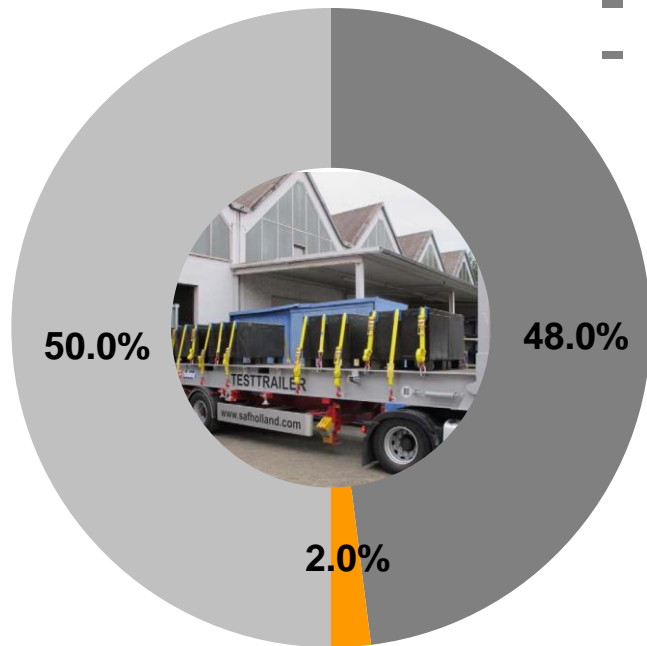
⁴ FTR Truck & Trailer Outlook, August 2018

Content per vehicle opportunity with significant potential from trailer connectivity and data interpretation expected

Trailer content per vehicle
in %

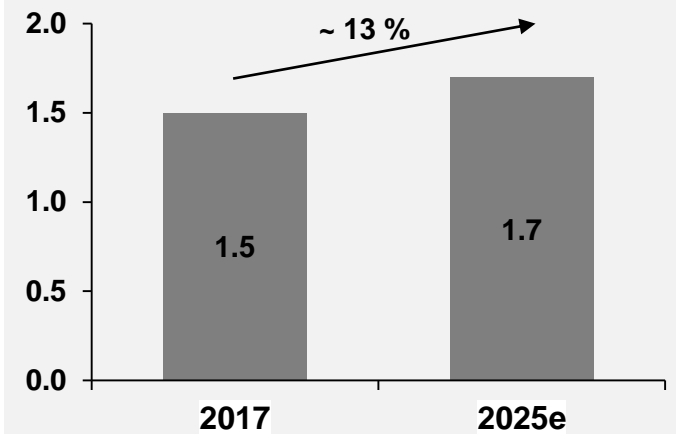
- **Chassis**
- Axles
- Brakes
- Suspensions

- **Structural elements**
- Body parts
- Landing gears
- Side wings
- Tail
- Lighting
- Interieur



European trailer components¹ OEM market:

in € bn



Connectivity systems

- Connectivity / telematics
- Sensoring / electronics
- Data interpretation / predictive maintenance
- Advanced driver assistent systems



Connectivity and data-based applications provides for the highest growth rates in the trailer components first fit market

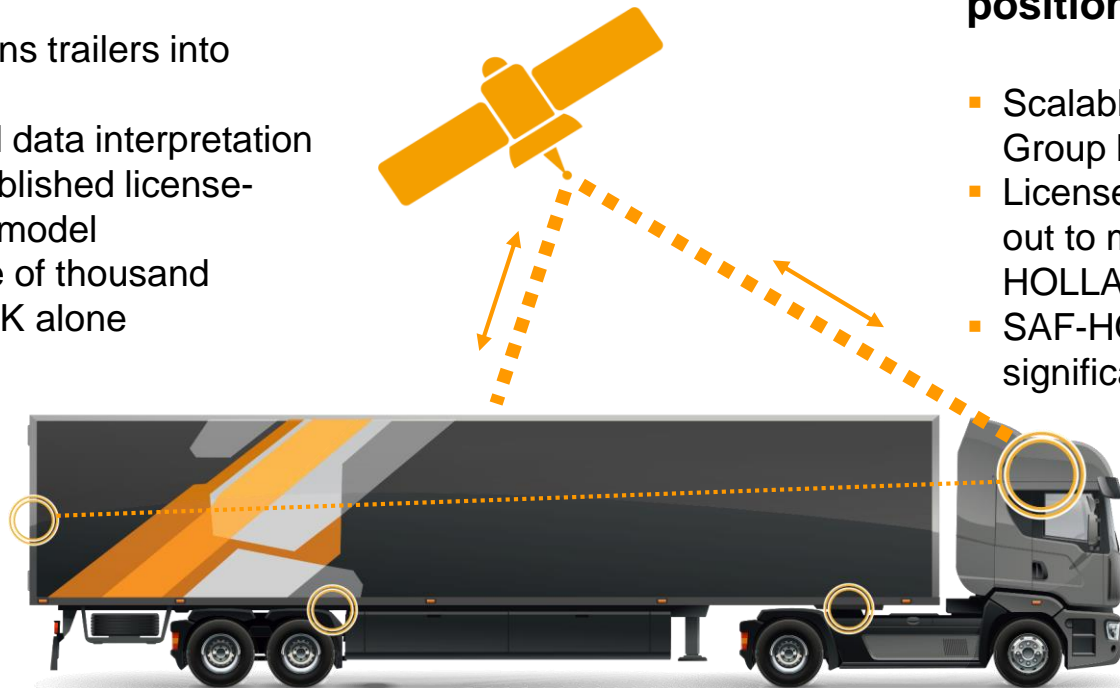
Acquisition of Axscend provides for complementary data-based business model

Start-up innovation power ...

- TrailerMaster turns trailers into „smarties“
- Connectivity and data interpretation
- Successfully established license-based business model
- Already a couple of thousand licenses in the UK alone

... meets market leading position

- Scalable at SAF-HOLLAND Group level
- Licenses based model to be rolled out to more than 20.000 SAF-HOLLAND fleet customers
- SAF-HOLLAND achieved a significant time gain



➔ Successful data- and license-based business model offers a scalable platform for a roll out at the Group level.

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