
Focus on fleet customers

SAF-HOLLAND 1st half-year results 2014

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Executive Summary

1

Increase in group sales by 10.7% to €482.0mn (previous year: 435.6) especially driven by positive business development in Europe.

2

Strong increase in profitability: adj. EBIT increased to €36.5mn (previous year: 29.8) and adj. EBIT margin to 7.6% (previous year: 6.8%) due to higher business volume and continuously stable overhead cost structure.

3

Implementation of measures for improvement of Trailer Systems' profitability progressed according to plan particularly regarding consolidation of German plants.

4

Dividend payment of 0.27 Euro per share after Annual General Meeting in April 2014 which reflects 50% of available net earnings.

5

Enhancement of Aftermarket activities: Opening of **Parts Distribution Center in Kuala Lumpur, Malaysia** in order to supply fleet customers in Southeast Asia with original spare parts and "Sauer Quality Parts".

6

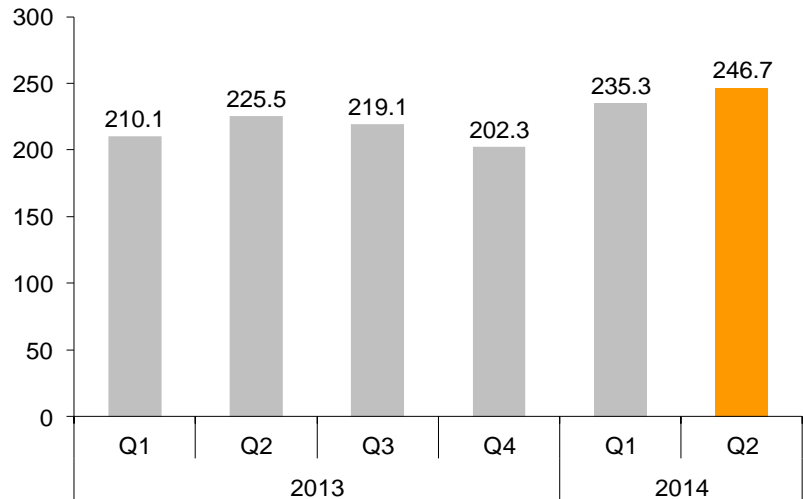
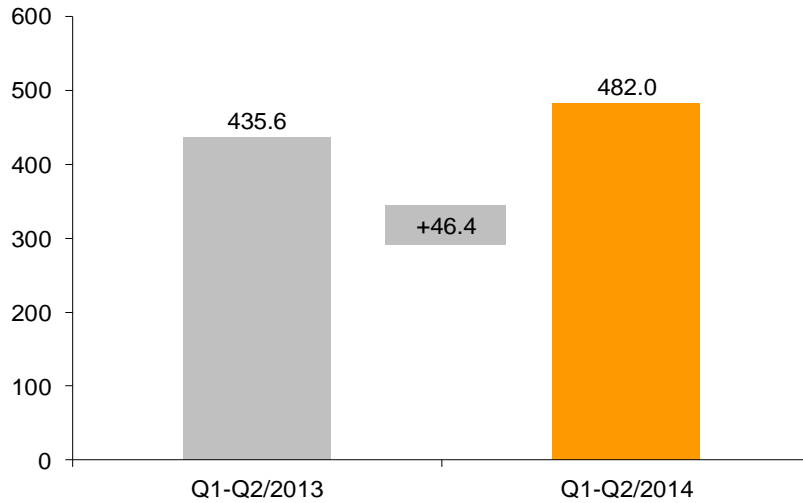
Outlook 2014 confirmed

- Sales between €920mn and €945mn.
- Adj. EBIT of approximately €70mn and increasing adj. EBIT margin.
- Assumptions: Generally stable economic and political conditions in Europe and North America and improvement of industry indicators for both core markets.

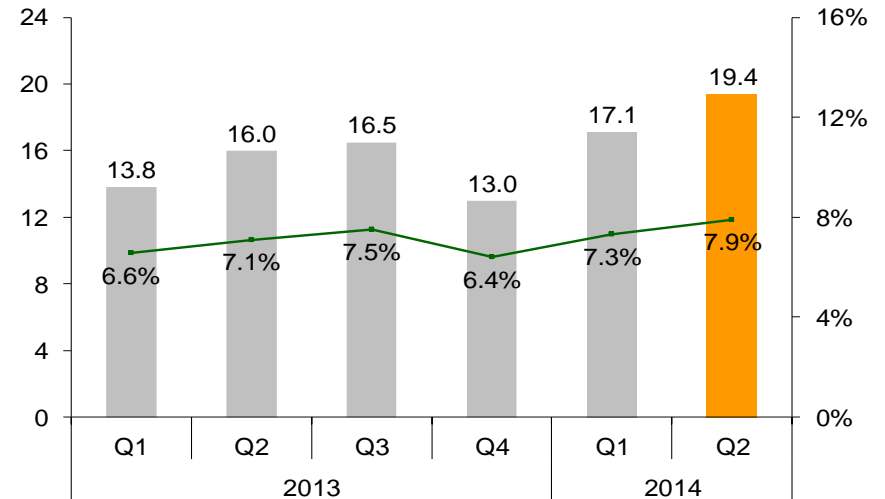
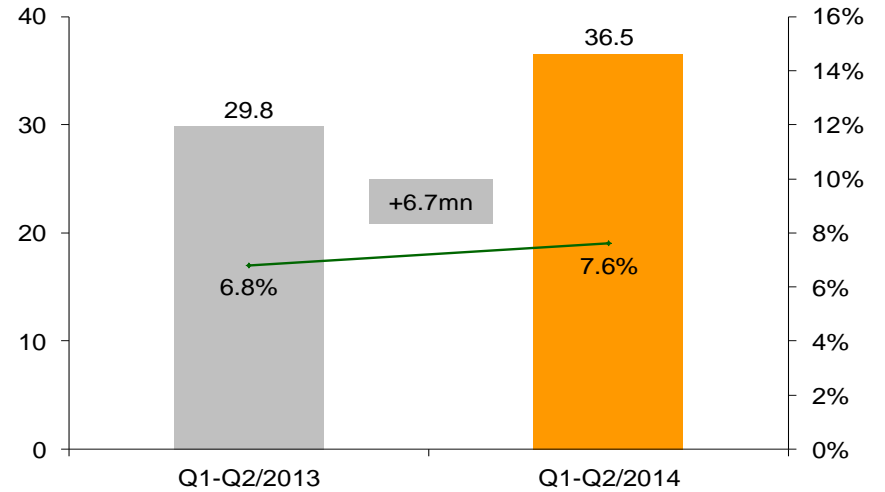


Business performance – group sales and group adjusted EBIT

Sales in €mn

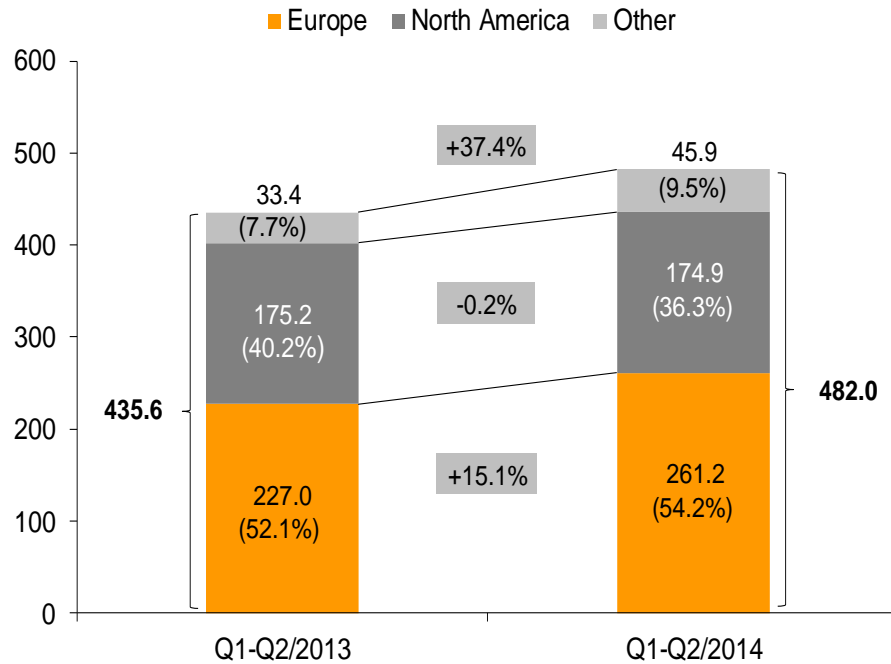


Adjusted EBIT in €mn

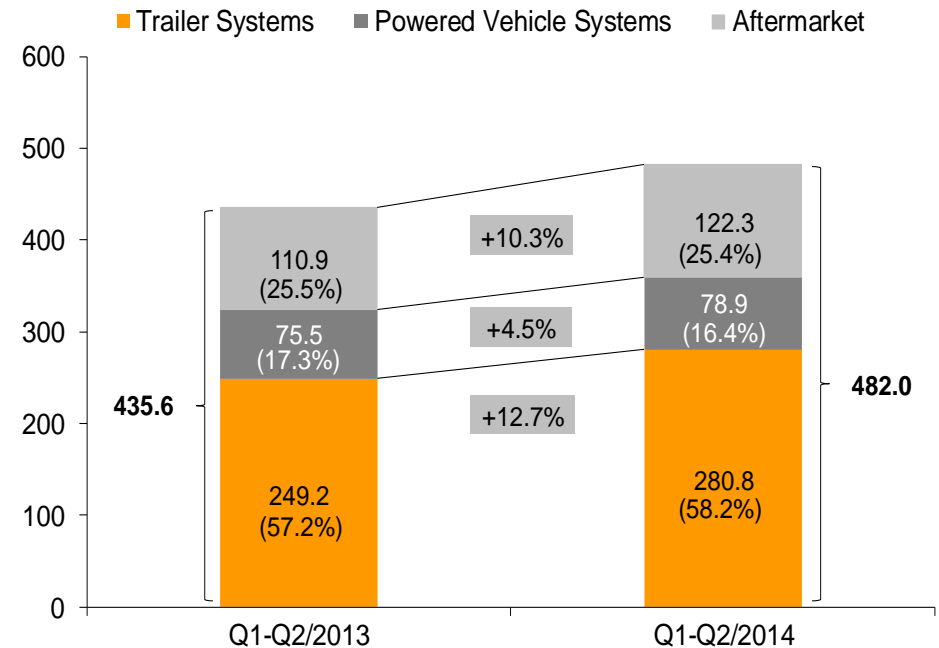


Business performance – sales by region and business unit

Sales in €mn by region

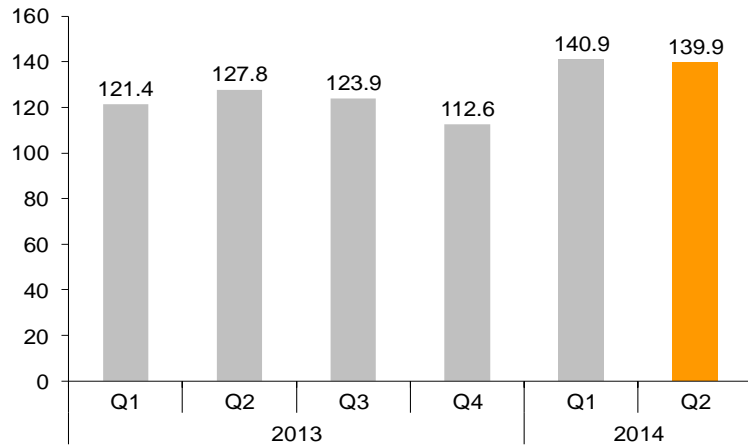


Sales in €mn by business unit



Business performance – Trailer Systems

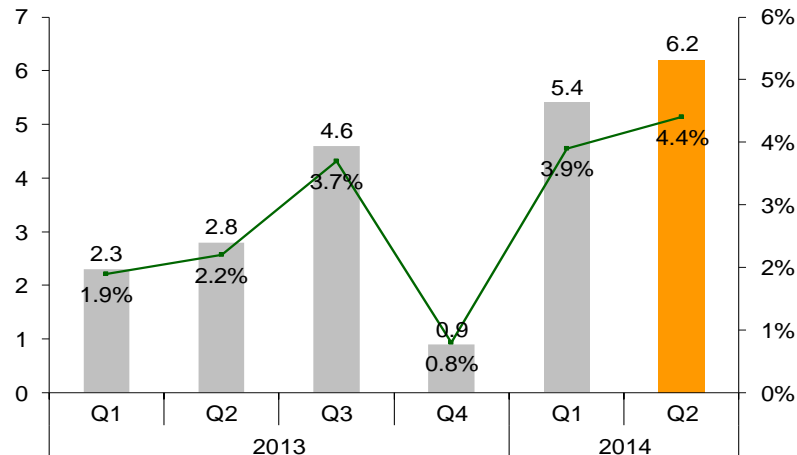
Sales in €mn



Summary

- Sales increase of 12.7% to €280.8mn YTD 2014 (YTD 2013: 249.2).
- Strong sales in Europe in Q1/2014 after shift of trailer orders from Q4/2013 into Q1/2014 related to pre-buy activities for trucks regarding upcoming Euro-6-regulation in Q4/2013.
- Further sales growth in Q2/2014 as a consequence of trailer market growth.
- Increasing utilization of production capacity added in 2013 in North America.

Adjusted EBIT in €mn and margin in %



- Adj. EBIT of €11.6mn in YTD 2014 (YTD 2013: 5.1).
- Adj. EBIT margin of 4.1% YTD 2014 (YTD 2013: 2.0%).
- Strongly improved profitability impacted by positive results of measures to improve the earnings situation of Trailer Systems Business Unit and strict cost discipline.

Gap between BU TS target margin for 2015 and current adj. EBIT margin needs to be closed by implementation of measures

Targets 2015

- Sales: €980mn to €1.035bn
- Earnings: 9 to 10% adj. EBIT margin
- Net Working Capital: <10% of sales
- Capex: < 2% of sales

Growth potential for 2015

Trailer Systems

- Full product range of suspension systems in N.A. with own axle
- Increase of N.A. market share of up to 30% in medium term
- Participation in potentially growing US disc brake market

Current adj. EBIT margin not sufficient to reach 9 to 10% adj. EBIT target for the Group until 2015



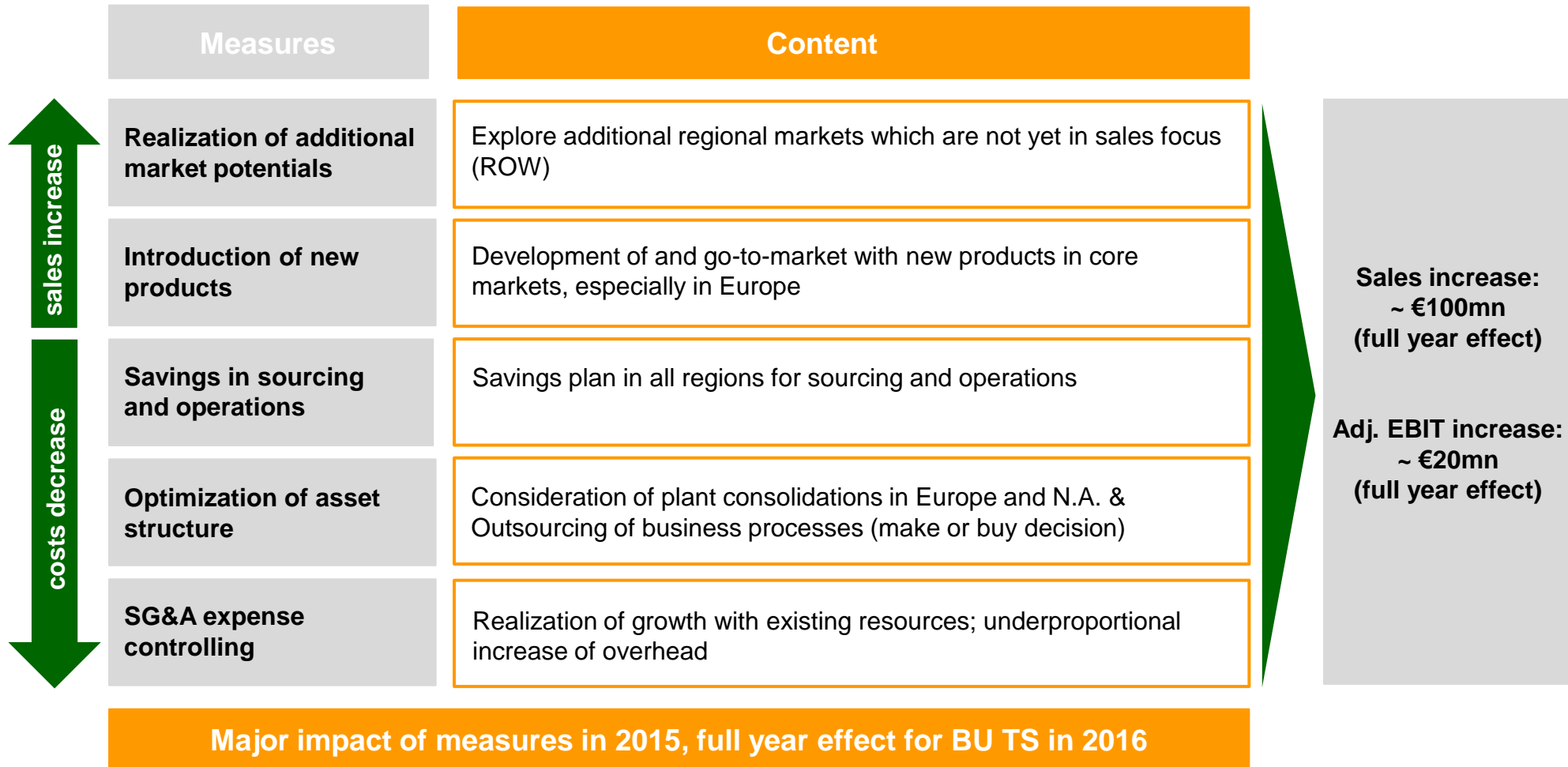
Development of bundle of measures for margin improvement

Adj. EBIT FY 2012:	2.5%
<u>./.</u> Required adj. EBIT:	5-6%
= Gap adj. EBIT:	~3.0%

9 to 10% adj. EBIT margin for the Group - Assumptions -

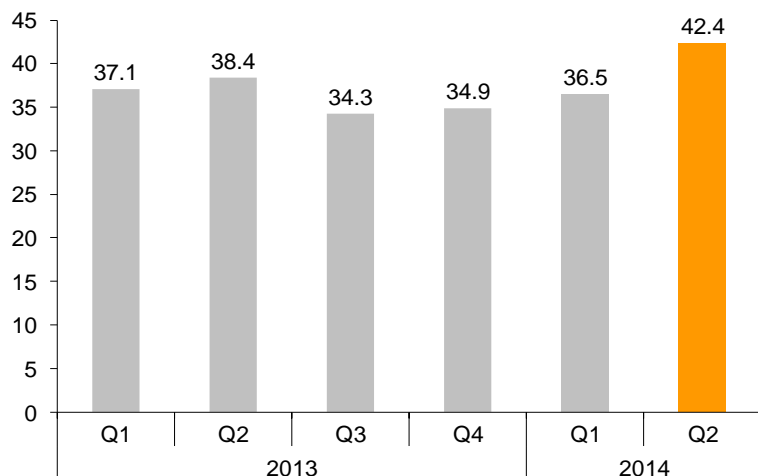
- Stable profits in BU Powered Vehicles Systems
- Overproportional increase of BU Aftermarket share
- Economies of scale and underproportional increase of overhead costs

Implementation of measures to increase sales and adj. EBIT margin of BU TS until 2015 started in Q3/2013



Business performance – Powered Vehicle Systems

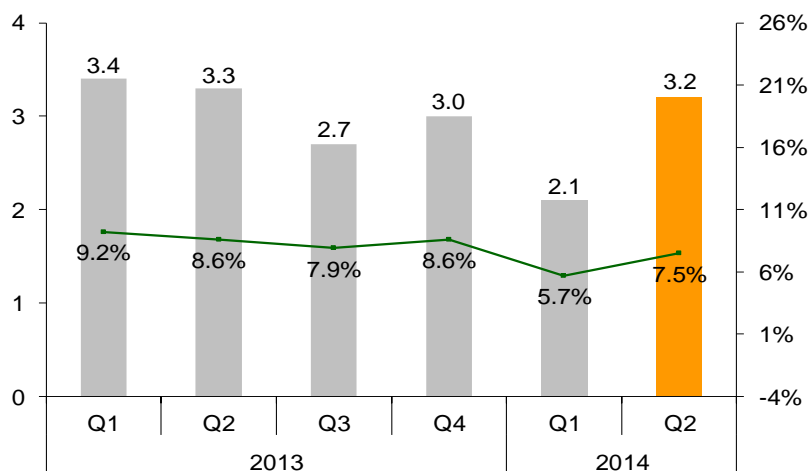
Sales in €mn



Summary

- Sales increase to €78.9mn YTD 2014 (YTD 2013: 75.5) despite unfavorable currency situation.
- In Q2/2014 compensation of weaker Q1/2014 business performance related to harsh winter and reluctant investments of public sector after U.S. budget crisis.
- Improved customer and product mix in Q2/2014.
- Benefit from market growth for class 8 trucks in NA.

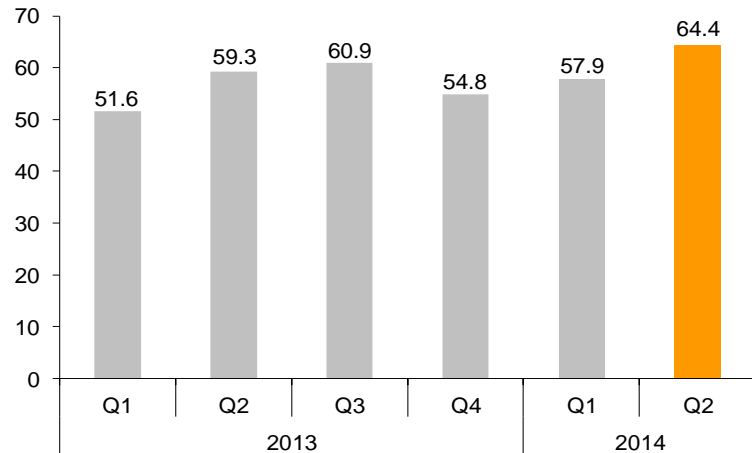
Adjusted EBIT in €mn and margin in %



- Adj. EBIT of €5.3mn YTD 2014 (YTD 2013: 6.7).
- Adj. EBIT margin of 6.7% YTD 2014 (YTD 2013: 8.9%).
- Profitability in Q1/2014 influenced by unfavorable customer and product mix and seasonal influences from the integration of Corpc.
- Improvement of profitability in Q2/2014 confirms positive trend of the BU's business development for FY2014.

Business performance – Aftermarket

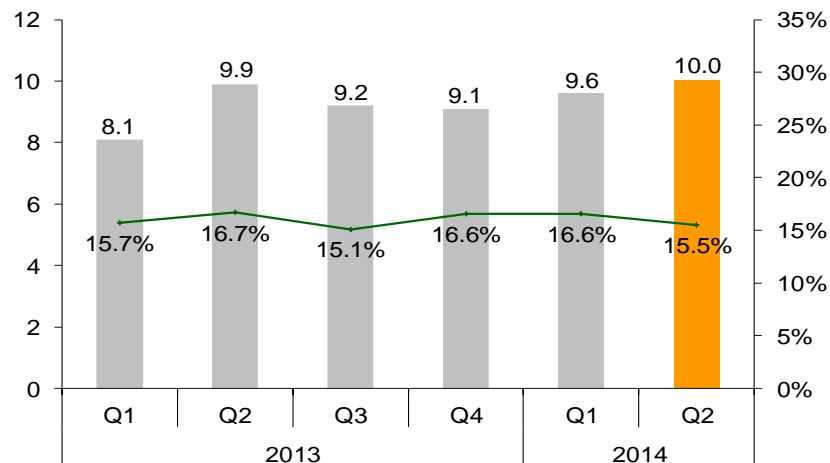
Sales in €mn



Summary

- Sales increase to €122.3mn YTD 2014 (YTD 2013: 110.9)
- Good sales development in core markets Europe and North America.
- New sales offices in South America and Parts Distribution Center in Mexico contributed to positive sales development.

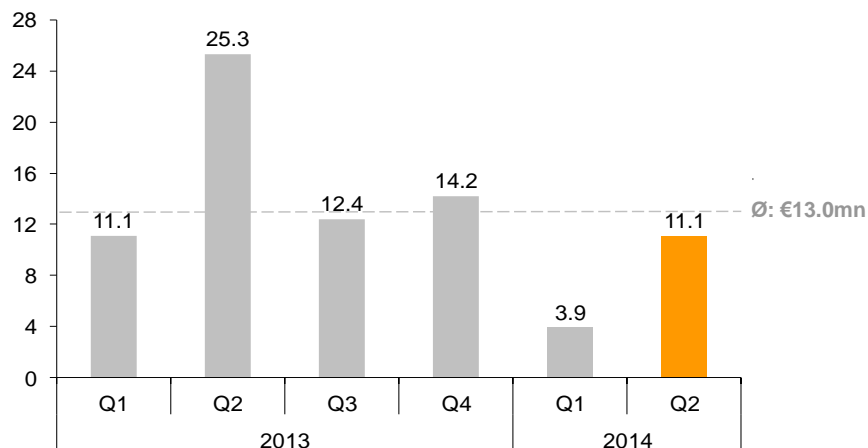
Adjusted EBIT in €mn and margin in %



- Adj. EBIT of €19.6mn YTD 2014 (YTD 2013: 18.0)
- Adj. EBIT margin of 16.0% YTD 2014 (YTD 2013: 16.2%)
- Continuously strong earnings development due to improved product mix and implementation of global sourcing strategy; positive impact from increasing demand for Sauer Quality Parts in Eastern Europe.

Business performance – operating cash flow

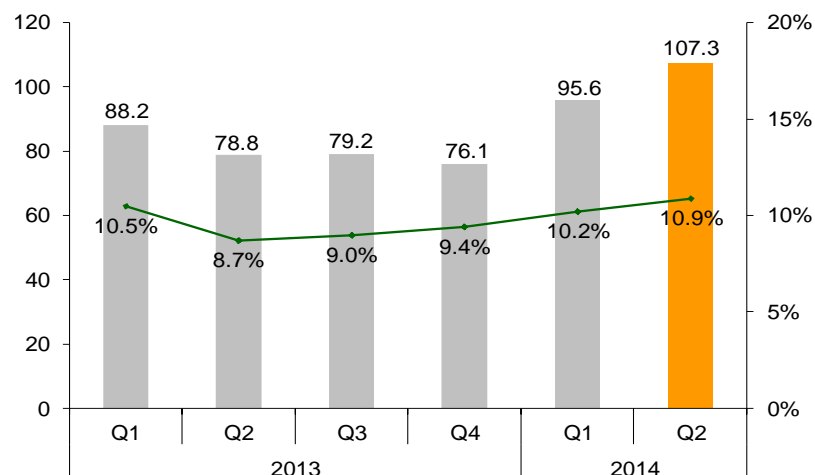
Operating cash flow before income tax in €mn



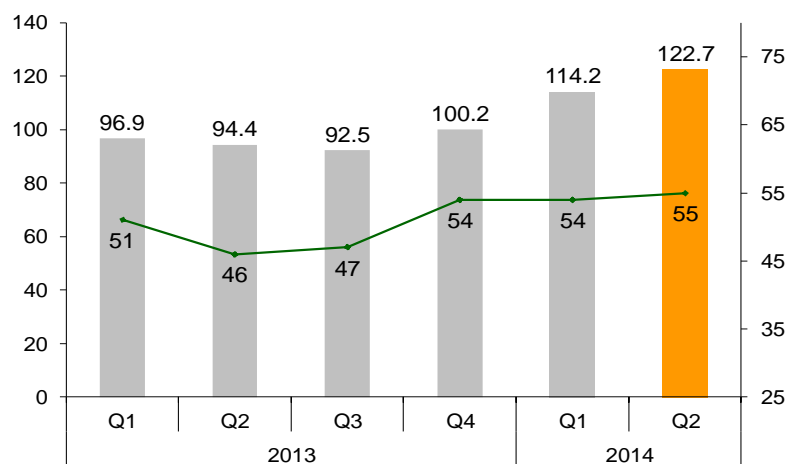
Summary

- Operating cash flow of €15.0mn YTD 2014 (YTD 2013: 36.4).
- Net working capital reached €107.3mn (Q2/2013: 78.8) and totaled 10.9% of sales (Q2/2013: 8.7%); development mainly influenced by a higher business volume and expanded inventories related to the German plant consolidation.
- Days of inventory 55 days; tendency towards temporary larger inventories until HY2 2015 due to plant consolidation.

Net working capital in €mn and as % of sales



Inventories in €mn and days of inventories



Financials – balance sheet

in €mn	06/30/2014	%	12/31/2013	%
Non-current assets	336.4	55.3%	329.1	61.3%
Inventories	122.7	20.2%	100.2	18.7%
Other current assets	129.8	21.4%	83.2	15.5%
Cash and cash equivalents	18.9	3.1%	23.9	4.5%
Total assets	607.8	100.0%	536.4	100.0%
Equity	231.5	38.1%	222.2	41.4%
Other non-current liabilities	68.6	11.3%	65.9	12.3%
Interest bearing loans and borrowings	170.3	28.0%	146.9	27.4%
Other current liabilities	137.4	22.6%	101.4	18.9%

Net debt as of June 30, 2014: €151.3mn (12/31/13: €123.0mn)

Financials – profit and loss statement

in €mn	Q1-Q2/2014	%	Q1-Q2/2013	%
Sales	482.0	100.0%	435.6	100.0%
Cost of Sales	-391.2	-81.2%	-355.3	-81.6%
Gross Profit	90.8	18.8%	80.3	18.4%
Selling expenses	-28.5	-5.9%	-27.4	-6.3%
Administrative expenses	-21.8	-4.5%	-18.2	-4.2%
R&D	-9.8	-2.0%	-9.6	-2.2%
Other	0.3	0.1%	0.9	0.2%
Operating result	31.0	6.5%	26.0	5.9%
Financial result	-5.6	-1.2%	-6.2	-1.4%
Earnings before tax	25.4	5.3%	19.8	4.5%
Income tax	-7.9	-1.6%	-6.8	-1.6%
Result for the period	17.5	3.7%	13.0	2.9%

Comments

- Strong expansion of sales led to increase in gross profit to €90.8mn (previous year: 80.3) and gross margin to 18.8% (previous year: 18.4%)
- Operating result increased by 19.2% due to improved gross profit in combination with almost stable selling, general and admin costs.
- Admin expenses rose slightly to €21.8mn; previous year figure of €18.2mn was relieved by higher capitalized expenses related to harmonization of SAP systems.

Financials – cash flow statement

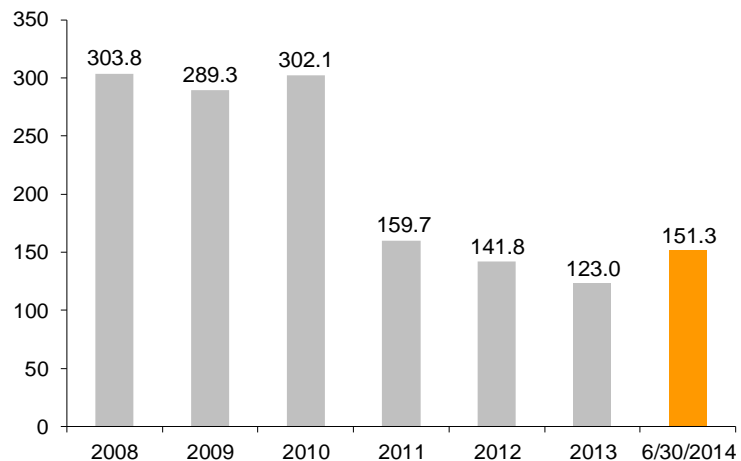
in €mn	Q1-Q2/2014	Q1-Q2/2013
Result before tax	25.5	19.8
Finance result	6.0	5.8
Amortization/depreciation	9.5	10.0
Change in Net Working Capital	-26.2	-0.7
Other items cash flow	0.2	1.5
Operating cash flow before income tax	15.0	36.4
Income tax paid	-5.9	-8.0
Operating cash flow	9.1	28.4
Cash flow from investing	-14.6	-10.8
Cash flow from financing	0.5	-18.0
Effect of F/X changes	0.0	0.2
Net change in cash	-5.0	-0.2

Key financials

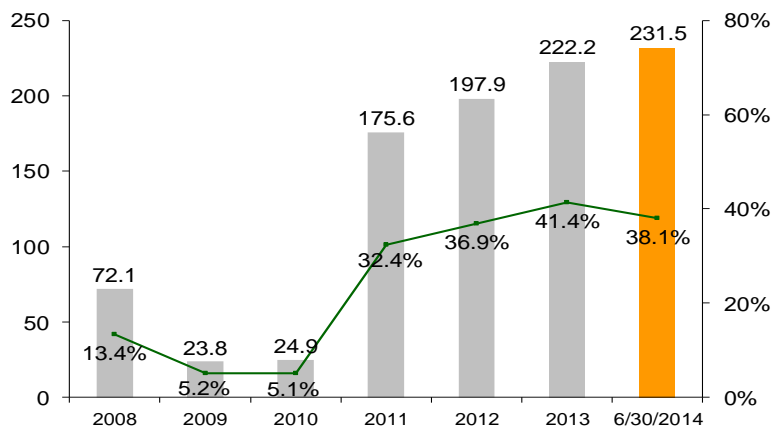
in €mn	Q1-Q2/2014	Q1-Q2/2013	Q2/2014	Q2/2013
Sales	482.0	435.6	246.7	225.5
Cost of sales	-391.2	-355.3	-199.9	-184.4
Gross profit	90.8	80.3	46.8	41.1
Margin	18.8%	18.4%	19.0%	18.2%
Adjusted result	21.1	16.6	11.5	8.0
Margin	4.4%	3.8%	4.7%	3.5%
Adjusted EPS in €	0.47	0.37	0.26	0.18
Adjusted EBITDA	43.0	36.7	22.7	19.3
Margin	8.9%	8.4%	9.2%	8.6%
Adjusted EBIT	36.5	29.8	19.4	16.0
Margin	7.6%	6.8%	7.9%	7.1%
Operating cash flow (before income tax)	15.0	36.4	11.1	25.3

Key financial ratios and figures

Net financial debt (€mn)



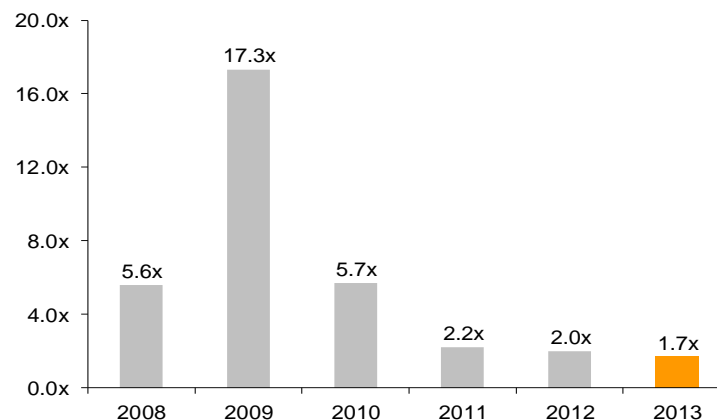
Equity (€mn)*



Summary

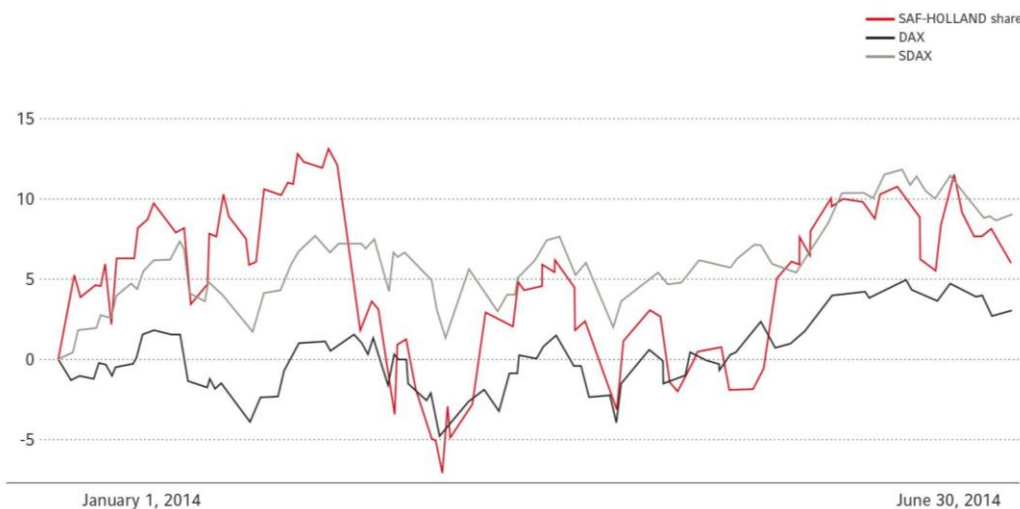
- Significantly improved financial profile through capital increases
- Reduction of interest costs
- Further improvement of the equity ratio
- Further reduction of net debt
- Long-term safeguarding of liquidity
- Proven access to capital markets (equity and bond market)

Net financial debt/ adjusted EBITDA (x)

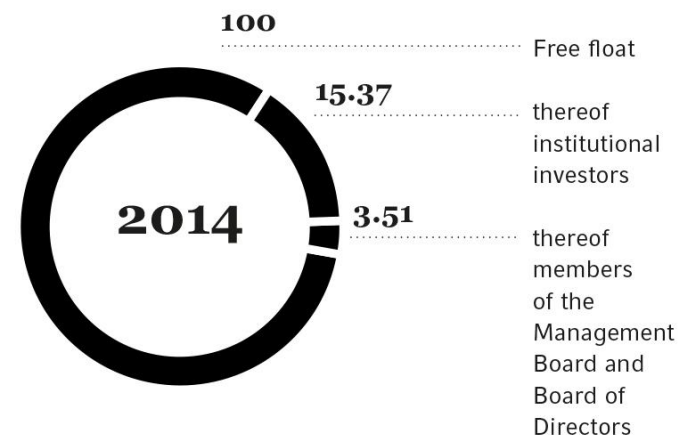


Share price and shareholder structure

Development of SAF-HOLLAND share price vs. indices (in %)



Shareholder Structure (in %)



As of July 3, 2014

Basic data for share as of June 30, 2014

ISIN	LU0307018795
Number of shares	45,361,112
Closing price	€11.52
Adjusted EPS	€0.47

SAF-HOLLAND share price increase of 6.6%

- Share price burdened by profit takings in the middle of February and conflict for the Crimean Peninsula at the beginning of March.
- Recovery of share price after disclosure of SAF-HOLLAND 1st quarter results in May 2014.

Targets and outlook: Increase in sales and earnings expected for 2014

Targets 2014

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- Adj. EBIT approximately €70mn and increasing adj. EBIT margin
- Assumptions: Generally stable economic and political conditions in Europe and North America and improvement of industry indicators for both core markets.

Targets 2015

- **Sales: €980mn to €1.035bn**
- **Earnings: 9 to 10% adj. EBIT margin**
- **Net Working Capital: <10% of sales**
- **Capex: < 2% of sales**

Growth potential

Trailer Systems	Aftermarket	BRIC Countries
<ul style="list-style-type: none"> • Full product range of suspension systems in N.A. with own axle • Increase of N.A. market share of up to 30% in medium term • Participation in potentially growing US disc brake market 	<ul style="list-style-type: none"> • Increase of installed product base driving the Aftermarket business (...automatically) • Enlarged product portfolio (A2 brand and 3rd party products) • Regional expansion of distribution & sales channels 	<ul style="list-style-type: none"> • Custom-made products for China and Brazil • Localized operations • Increase of market share in strong growing market environments (e.g. China 5%)
9 to 10% adj. EBIT Margin		
Overproportional increase of A.M. share, economies of scale and underproportional increase of overheads.		

1 Truck and trailer market development forecasts

Global truck forecast

		2013	2014	Change in % yoy	2015	Change in % yoy
North America Class 8	ACT Truck Build ¹⁾	245,496	297,428	+21.15	305,747	+2.80
	FTR Truck Shipment ²⁾	243,003	292,000	+20.16	293,000	+0.34
		2013	2014	Change in % yoy	2015	Change in % yoy
Western & Eastern Europe	LMC ³⁾	293,204	308,186	+5.10	349,312	+13.3

Global trailer forecast

		2013	2014	Change in % yoy	2015	Change in % yoy
North America	ACT U.S. Trailer Shipments ¹⁾	246,374	270,850	+9.93	273,700	+1.05
	FTR U.S. Trailer Built ²⁾	234,955	252,380	+7.42	241,000	-4.51
		2013	2014	Change in % yoy	2015	Change in % yoy
Western & Eastern Europe	Clear Trailer Production ⁴⁾	248,318	279,691	+12.63	283,868	+1.49

Sources: 1) ACT N.A. Commercial Vehicle Outlook, July 2014, published monthly by Americas Commercial Transportation Research Co., LLC, Columbus, Indiana.

2) North American Commercial Truck & Trailer Outlook, July 2014, published monthly by FTR Associates, Nashville, Indiana.

3) LMC/ Global Medium and Heavy Truck Market Outlook 2014, Zita Zigan, Director of Global Commercial Vehicle Forecasting 27 June 2014

4) CLEAR June 2013, Western Europe (includes: Germany, France, UK, Spain, Italy, Netherlands, Belgium, Austria, Sweden, Denmark, Finland, Portugal, Switzerland, Norway, Ireland
CLEAR April 2013, Eastern Europe (includes: Russia, Turkey, Poland, Ukraine, Czech, Hungary, Belarus, Romania, Slovakia, Lithuania, Bulgaria, Latvia, Estonia, Slovenia, Croatia)

Thank you for your attention.