
Focus on fleet customers

SAF-HOLLAND 3rd quarter results 2014

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November 6, 2014



Executive Summary



1

Under the motto '**inspired by PASSION**' and with strong **focus on end customers** SAF-HOLLAND presented 23 **innovations on IAA Commercial Vehicles** providing many new solutions in terms of weight reduction, liability and maintainability.

2

Increase in group sales by 10.5% to €723.5mn (previous year: 654.7) driven by good business development in all Business Units and regions.

3

Strong increase in profitability: adj. EBIT increased to €55.6mn (previous year: 46.3) and adj. EBIT margin to 7.7% (previous year: 7.1%) due to higher business volume and stable overhead cost structure.

4

Optimization of financing structure with successful placement of **convertible bonds of €100.2mn** in September followed by **renegotiation of existing bank loans** with improved covenant situation and reduced interest rates in October.

5

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

6

Outlook 2014 confirmed

- Sales between €920mn and €945mn.
- Adj. EBIT of approximately €70mn and increasing adj. EBIT margin.
- Assumptions: Generally stable economic conditions in Europe and North America and improvement of industry indicators for both core markets. Additionally, no worsening political situation in Syria or in the Ukraine.

Market development supports Outlook for the Group

Global truck forecast

| | | 2013 | 2014 | Change in % yoy | 2015 | Change in % yoy |
|-----------------------------------|----------------------------------|---------|---------|-----------------|---------|-----------------|
| North America Class 8 | ACT Truck Build ¹⁾ | 245,801 | 296,487 | +20.62 | 311,821 | +5.17 |
| | FTR Truck Shipment ²⁾ | 243,003 | 292,574 | +20.40 | 295,000 | +0.83 |
| | | 2013 | 2014 | Change in % yoy | 2015 | Change in % yoy |
| Western, Central & Eastern Europe | LMC ³⁾ | 293,204 | 308,186 | +5.10 | 349,312 | +13.34 |

Global trailer forecast

| | | 2013 | 2014 | Change in % yoy | 2015 | Change in % yoy |
|--------------------------|--|---------|---------|-----------------|---------|-----------------|
| North America | ACT U.S. Trailer Shipments ¹⁾ | 246,374 | 278,650 | +13.10 | 277,400 | -0.45 |
| | FTR U.S. Trailer Built ²⁾ | 234,955 | 264,858 | +12.73 | 254,000 | -4.10 |
| | | 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, October 2014, published monthly by Americas Commercial Transportation Research Co., LLC, Columbus, Indiana.

2) North American Commercial Truck & Trailer Outlook, October 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)

SAF- HOLLAND on IAA - review



...and with focus on the end customer

Firework of innovations – 23 new innovations at the show



- INTRA S + INTRA R
- Carbon Fiber Axle
- Aluminum Composite Brake drum
- Temperature Sensing
- New Modular Suspensions
- Driven Axle systems
- Performance and corrosion guarantees

Fleet connect – our loyalty program



- Recognizes and rewards loyal users of SAF-HOLLAND products
- Converts passive user fleets into active SAF-HOLLAND fleets and strengthens relationships with existing user fleets

The CFRP axle – focus on future technologies



- Innovative CFRP axle consists of carbon-fiber-reinforced plastic
- Allows a weight reduction of at least 30 kilograms per axle
- One example for the usage of future materials and new systems solutions

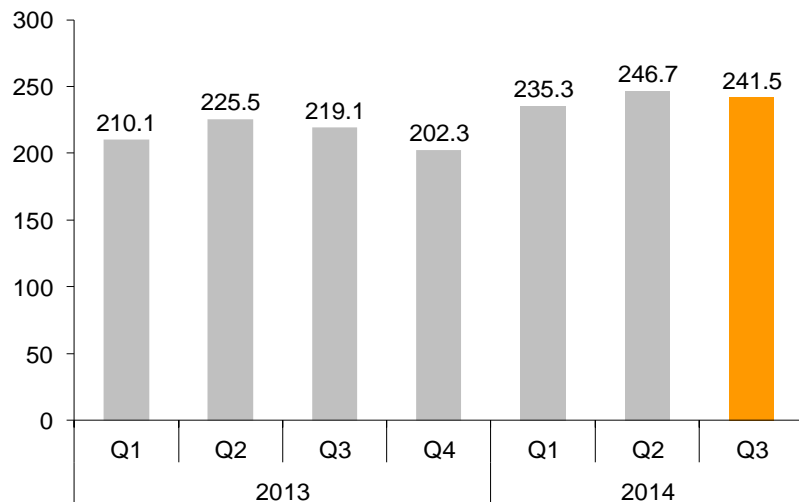
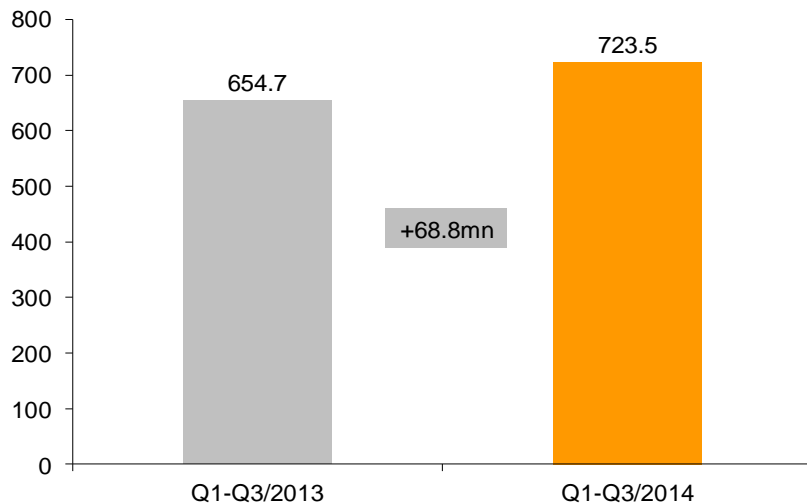
• More than 250,000 visitors

• Over 2,000 exhibitors

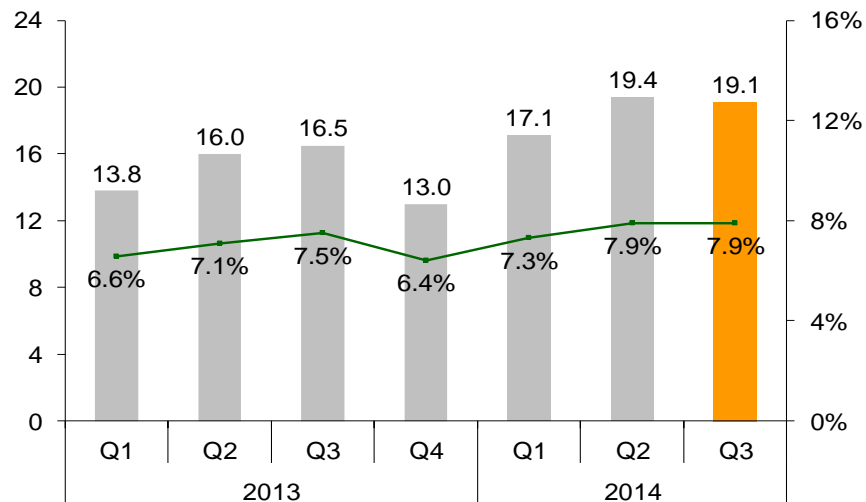
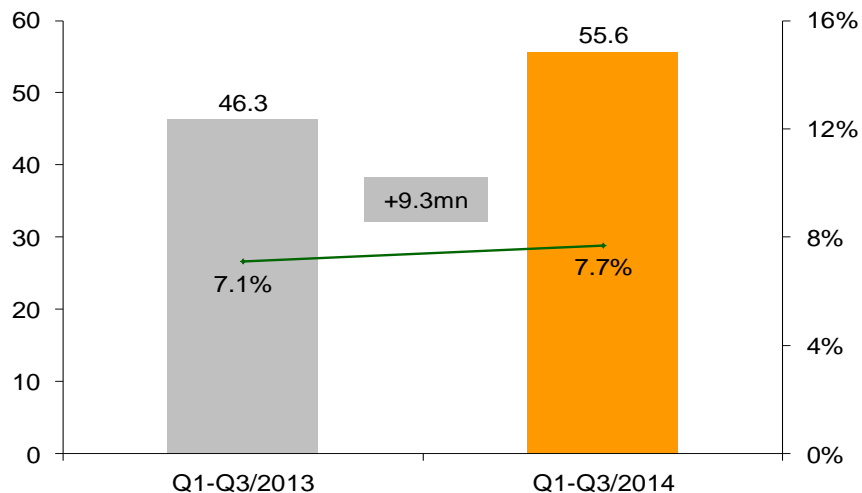
• Visitors from 40 countries

Business performance – group sales and group adjusted EBIT

Sales in €mn

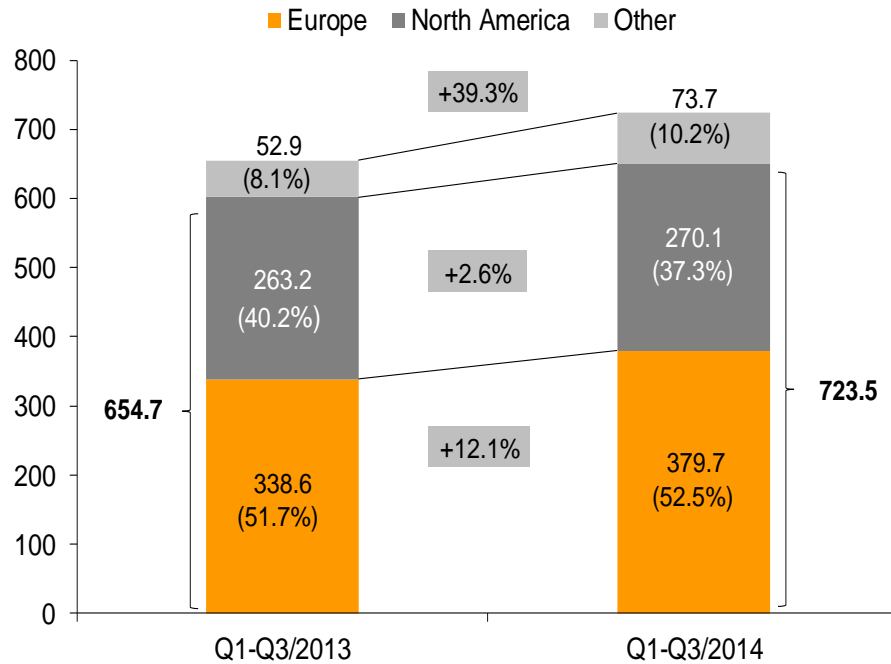


Adjusted EBIT in €mn

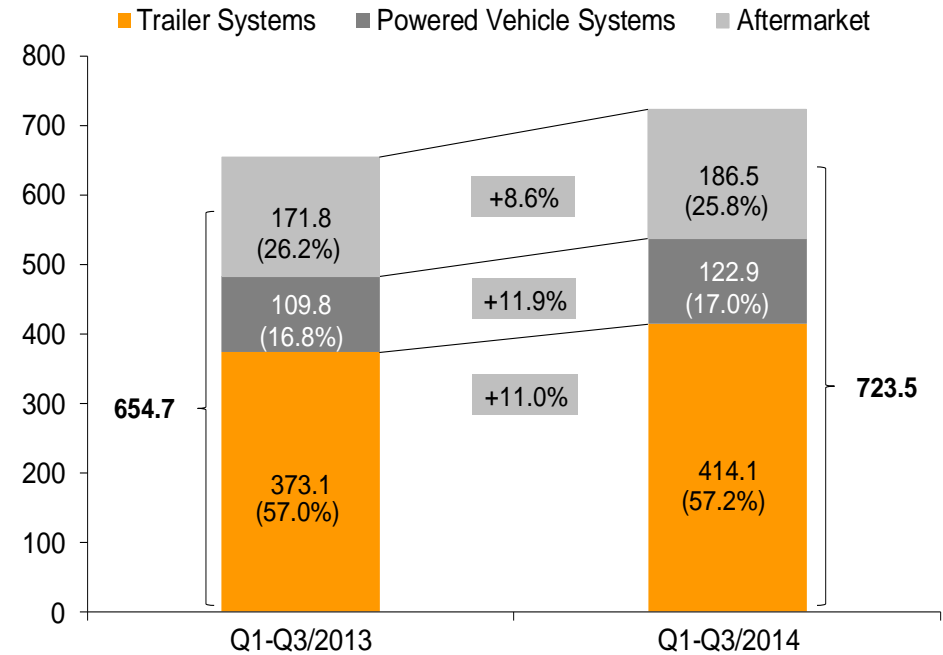


Business performance – sales by region and business unit

Sales in €mn by region

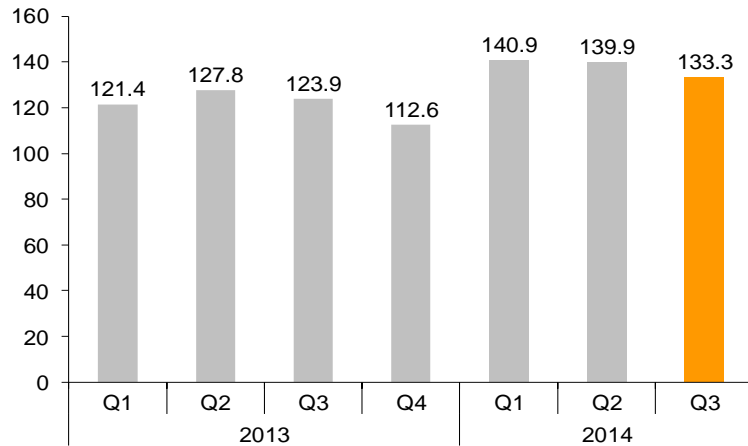


Sales in €mn by business unit



Business performance – Trailer Systems

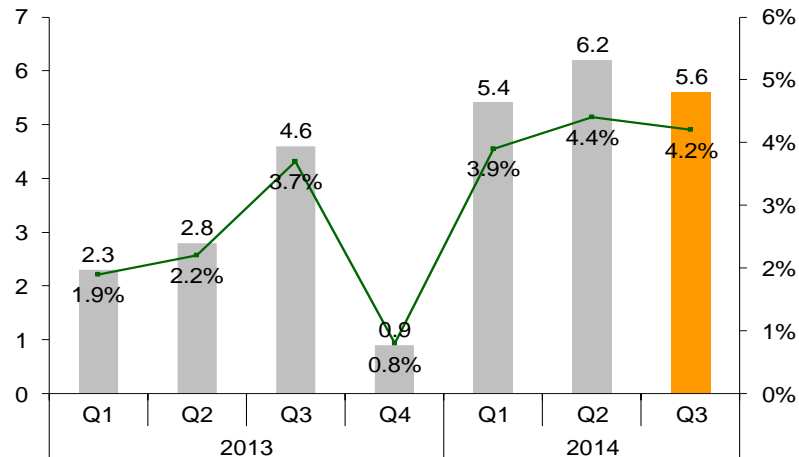
Sales in €mn



Summary

- Sales increase of 11.0% to €414.1mn YTD 2014 (YTD 2013: 373.1).
- Strong market development in North America and continued utilization of production capacity added in 2013 in Warrenton.
- Positive sales development in Europe despite negative impacts of conflicts in Ukraine and the expected three weeks plant closing due to summer break in August 2014

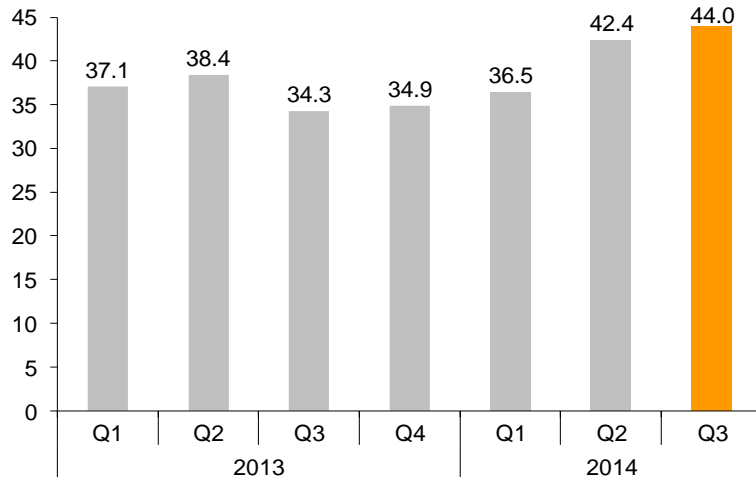
Adjusted EBIT in €mn and margin in %



- Adj. EBIT of €17.2mn in YTD 2014 (YTD 2013: 9.7).
- Adj. EBIT margin of 4.2% YTD 2014 (YTD 2013: 2.6%).
- Strongly improved profitability impacted by increased business volume, positive results of measures to improve the earnings situation of Trailer Systems BU and strict cost discipline.
- Reduced guarantee costs in line with expectations.

Business performance – Powered Vehicle Systems

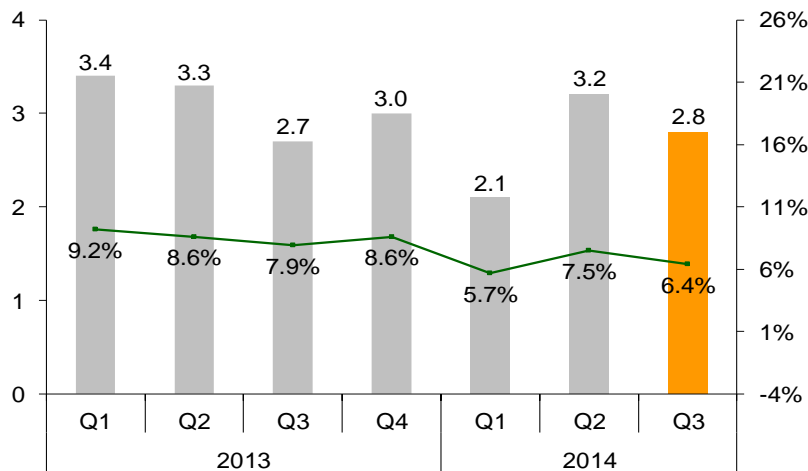
Sales in €mn



Summary

- Sales increase of 11.9% to €122.9mn YTD 2014 (YTD 2013: 109.8).
- Ongoing reluctance regarding investments by US government.
- Positive sales contribution also from European facility in Singen driven by innovative product solutions and strong exports.

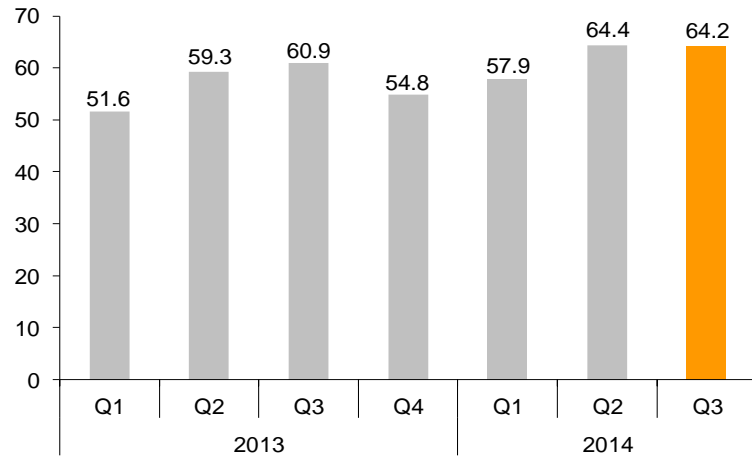
Adjusted EBIT in €mn and margin in %



- Adj. EBIT of €8.1mn YTD 2014 (YTD 2013: 9.4).
- Adj. EBIT margin of 6.6% YTD 2014 (YTD 2013: 8.6%).
- Profitability influenced by reluctant investments due to the harsh winter, unfavorable customer and product mix and seasonal influences from the integration of Corpco in Q1.

Business performance – Aftermarket

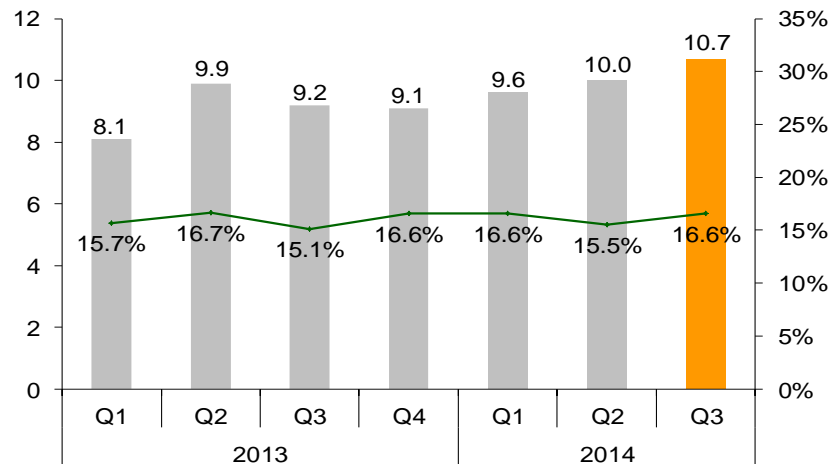
Sales in €mn



Summary

- Sales increase of 8.6% to €186.5mn YTD 2014 (YTD 2013: 171.8)
- Good sales development in core markets Europe and North America.
- Increasing sales benefits from SAUER Quality Parts.
- Expansion of Aftermarket activities with enlargement of capacities of the Parts Distribution Center in Dubai.

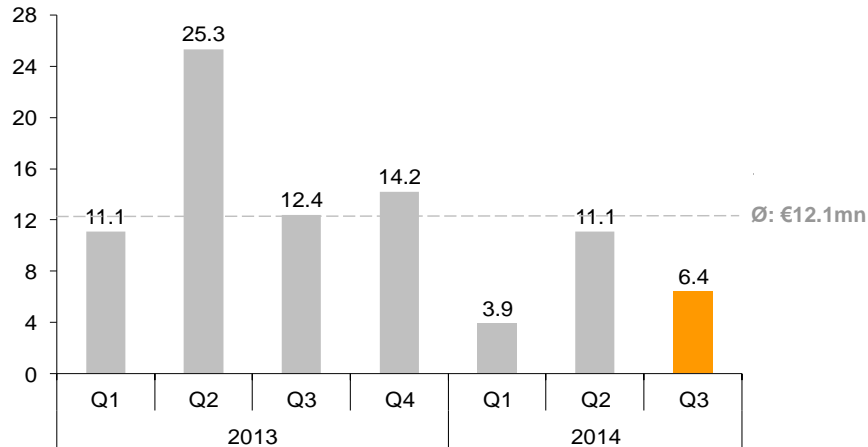
Adjusted EBIT in €mn and margin in %



- Adj. EBIT of €30.3mn YTD 2014 (YTD 2013: 27.2)
- Adj. EBIT margin of 16.2% YTD 2014 (YTD 2013: 15.8%)
- Earnings development as planned and positively influenced by improved product mix, results of global sourcing strategy and of the increasing demand for SAUER Quality Parts in Eastern Europe and Middle East.

Business performance – operating cash flow

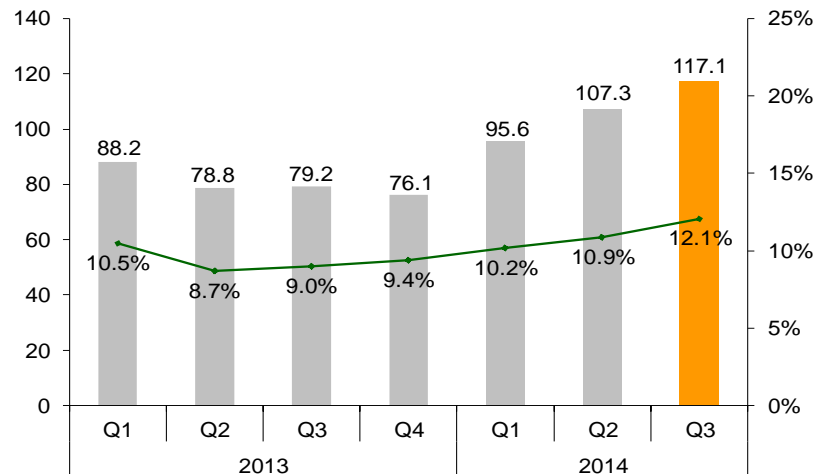
Operating cash flow before income tax in €mn



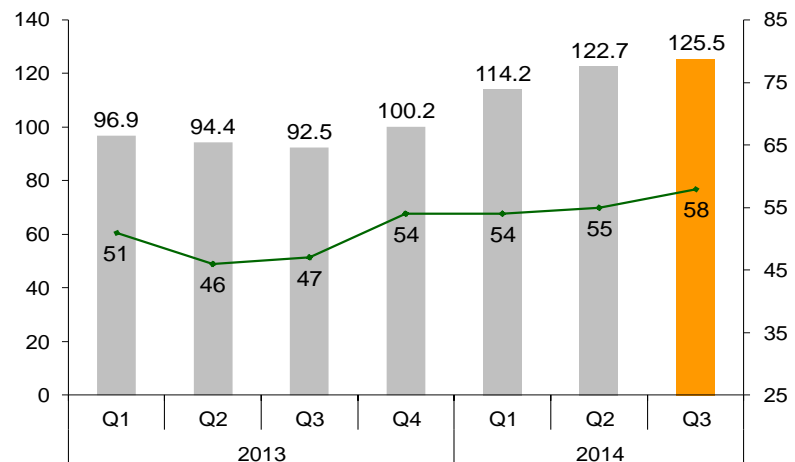
Summary

- Operating cash flow of €21.4mn YTD 2014 (YTD 2013: 48.9).
- Net working capital reached €117.1mn (Q3/2013: 79.2) and totaled 12.1% of sales (Q3/2013: 9.0%); development influenced by a higher business volume and expanded inventories related to the German plant consolidation.
- Days of inventory 58 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 | 09/30/2014 | % | 12/31/2013 | % |
|---------------------------------------|--------------|---------------|--------------|---------------|
| Non-current assets | 348.7 | 54.1% | 329.1 | 61.3% |
| Inventories | 125.5 | 19.5% | 100.2 | 18.7% |
| Other current assets | 138.7 | 21.4% | 83.2 | 15.5% |
| Cash and cash equivalents | 32.2 | 5.0% | 23.9 | 4.5% |
| Total assets | 645.1 | 100.0% | 536.4 | 100.0% |
| Equity | 252.1 | 39.1% | 222.2 | 41.4% |
| Other non-current liabilities | 72.1 | 11.2% | 65.9 | 12.3% |
| Interest bearing loans and borrowings | 180.4 | 27.9% | 146.9 | 27.4% |
| Other current liabilities | 140.5 | 21.8% | 101.4 | 18.9% |

Net debt as of September 30, 2014: €148,2mn (12/31/13: €123.0mn)

Financials – profit and loss statement

| in €mn | Q1-Q3/2014 | % | Q1-Q3/2013 | % |
|------------------------------|--------------|--------------|--------------|--------------|
| Sales | 723.5 | 100% | 654.7 | 100% |
| Cost of Sales | -587.5 | -81.2% | -533.4 | -81.5% |
| Gross Profit | 136.0 | 18.8% | 121.3 | 18.5% |
| Selling expenses | -42.8 | -5.9% | -41.0 | -6.2% |
| Administrative expenses | -32.5 | -4.5% | -27.8 | -4.2% |
| R&D | -14.7 | -2.0% | -14.2 | -2.2% |
| Other | 0.8 | 0.1% | 1.5 | 0.2% |
| Operating result | 46.8 | 6.5% | 39.8 | 6.1% |
| Financial result | -4.2 | -0.6% | -12.3 | -1.9% |
| Earnings before tax | 42.6 | 5.9% | 27.5 | 4.2% |
| Income tax | -13.9 | -1.9% | -9.4 | -1.4% |
| Result for the period | 28.7 | 4.0% | 18.1 | 2.8% |

Comments

- Strong expansion of sales led to increase in gross profit to €136.0mn (previous year: 121.3) and gross margin to 18.8% (previous year: 18.5%).
- Operating result increased by 17.6% due to improved gross profit in combination with almost stable selling, general and admin costs.
- Reasons for increase in admin expenses to €32.5mn:
 - set up of provisions for phantom share program
 - previous year figure relieved by higher capitalized expenses related to harmonization of SAP systems.
- Improved financial result includes unrealized foreign exchange gains on foreign currency loans of ~€5 mn.

Financials – cash flow statement

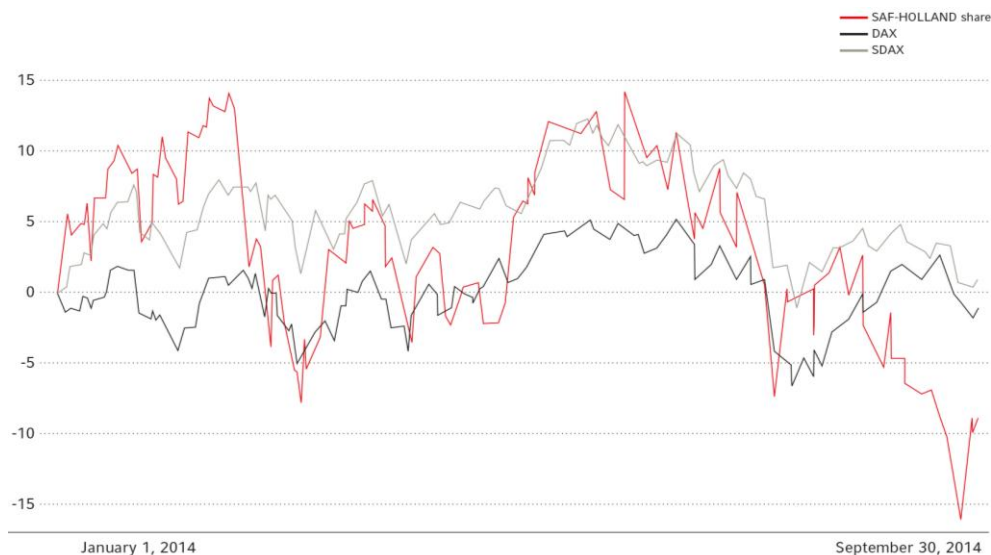
| in €mn | Q1-Q3/2014 | Q1-Q3/2013 |
|--|--------------|--------------|
| Result before tax | 42.6 | 27.5 |
| Finance result | 5.1 | 12.2 |
| Amortization/depreciation | 14.4 | 13.3 |
| Change in Net Working Capital | -41.2 | -5.9 |
| Other items cash flow | 0.5 | 1.8 |
| Operating cash flow before income tax | 21.4 | 48.9 |
| Income tax paid | -8.6 | -10.5 |
| Operating cash flow | 12.8 | 38.4 |
| Cash flow from investing | -20.9 | -18.1 |
| Cash flow from financing | 15.9 | -15.7 |
| Effect of F/X changes | 0.6 | -0.2 |
| Net change in cash | 8.3 | 4.4 |

Key financials

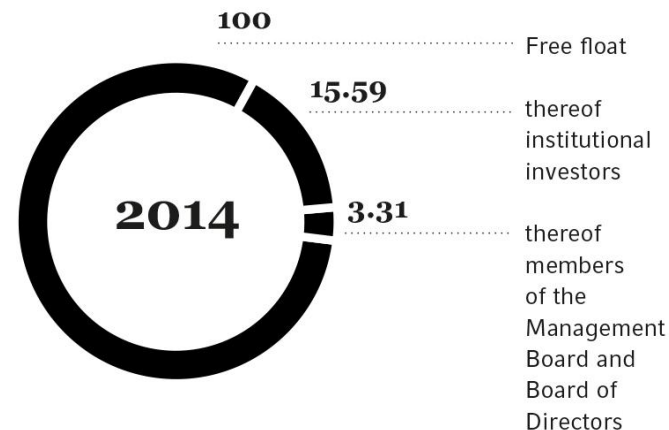
| in €mn | Q1-Q3/2014 | Q1-Q3/2013 | Q3/2014 | Q3/2013 |
|--|--------------|--------------|-------------|-------------|
| Sales | 723.5 | 654.7 | 241.5 | 219.1 |
| Cost of sales | -587.5 | -533.4 | -196.3 | -178.1 |
| Gross profit | 136.0 | 121.3 | 45.2 | 41.0 |
| Margin | 18.8% | 18.5% | 18.7% | 18.7% |
| Adjusted result | 35.0 | 23.6 | 13.9 | 7.0 |
| Margin | 4.8% | 3.6% | 5.8% | 3.2% |
| Adjusted EPS in € | 0.77 | 0.52 | 0.30 | 0.15 |
| Adjusted EBITDA | 65.4 | 55.1 | 22.4 | 18.4 |
| Margin | 9.0% | 8.4% | 9.3% | 8.4% |
| Adjusted EBIT* | 55.6 | 46.3 | 19.1 | 16.5 |
| Margin | 7.7% | 7.1% | 7.9% | 7.5% |
| Operating cash flow (before income tax) | 21.4 | 48.9 | 6.4 | 12.4 |

Share price and shareholder structure

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



Shareholder Structure (in %)



As of October 13, 2014

Basic data for share as of September 30, 2014

| | |
|------------------|--------------|
| ISIN | LU0307018795 |
| Number of shares | 45,361,112 |
| Closing price | €9.77 |
| Adjusted EPS | €0.77 |

SAF-HOLLAND share price development in September 2014 burdened by

- profit takings and
- a general slowdown of the stock market since the beginning of September 2014.

Placement of convertible bond for SAF-HOLLAND in September 2014

| | |
|---------------------------|---|
| Issue Size | EUR 100.2 million |
| Denomination | EUR 100,000 (the „Principle Amount“) per Bond |
| Redemption price | 100% of Principle Amount |
| Coupon | 1.00% p.a., payable semi-annually in arrears on March 12 and Sep. 12, of each year, first time on March 12, 2015 |
| Maturity Date: | September 12, 2020 (6 years) |
| ISIN / WKN | ISIN DE000A1ZN7J4 / WKN A1ZN7J |
| Status of the bond | Unsecured, unsubordinated, ranking pari passu with all other present and future unsecured and unsubordinated obligations of the issuer |
| Conversion price | EUR 12.3706 per Share initially, equal to the product of (1+Conversion premium) and the Reference Share price, subject to the adjustment pursuant to anti-dilution provisions |
| Conversion premium | 20% above the Reference Share price |
| Conversion ratio per Bond | 8,083.6823 Shares per Bond initially |
| Conversion period | Starting October 23, 2014 to seventh trading day preceding the Maturity Date |
| Dividend protection | Up to 0.27 EUR per share per year |
| Call option | After 4 years, if actual share price is 30% > than conversion price (16.08 EUR) |
| Listing | Open Market (Freiverkehr) Frankfurt Stock Exchange |

Rationale:

- Optimization of financing structure and costs.
- Benefit from attractively low interest rates at the Capital Markets until 2020.
- Basis for renegotiation of existing bank loan agreements.
- Safeguarding the company for the future.

New financing agreement of SAF-HOLLAND

| Former financing structure | | | New financing structure | | |
|----------------------------|-----------------|-------------------|-------------------------|-------------------|------------------|
| Corporate Bond | Term Loan A | Rev. Credit Lines | Corporate Bond | Rev. Credit Lines | Convertible Bond |
| 75 mn. EUR | 65.2 mn. EUR | 121.4 mn. EUR | 75 mn. EUR | 109.8 mn. EUR | 100.2 mn EUR |
| 04 / 2018 | 10 / 2017 | 10 / 2017 | 04 / 2018 | 10 / 2019 | 09 / 2020 |

New financing agreement

- Maturity: Oct. 2019
- Currently unsecured financing
- Reduction of interest costs: €2mn p.a. (as if 2014)
- Improved interest margin of 1.30%
- Increased financial headroom (+€23mn) and flexibility (€261.6mn -> €285mn)
- Reduction of covenants with more headroom and flexibility
- Reduction of bank consortium from nine to five banks

Covenants

Leverage Ratio (r) = Total Net Debt / EBITDA

- (i) $r \leq 3.5 : 1$; and
- (ii) $3.0 : 1 \leq r \leq 3.5 : 1$
with free liquidity of at least EUR 30,000,000 for next twelve months and securities;
- (iii) during a negotiation period of 180 days $r \leq 5.0 : 1$
with free liquidity of at least EUR 45,000,000

+

Interest Cover (c) = EBITDA / net interest expenses

$c \geq 4.00 : 1$

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

Targets 2014

- Sales between €920mn and €945mn
- 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. | | |

Appendix

Reconciliation statement for adjusted EBIT

| in €mn | Q1-Q3/2014 | Q1-Q3/2013 | Q3/2014 | Q3/2013 |
|--|-------------|-------------|-------------|-------------|
| Result of the period | 28.7 | 18.1 | 11.1 | 5.1 |
| Income tax | 13.9 | 9.4 | 6.0 | 2.6 |
| Finance Result | 5.1 | 12.2 | -0.8 | 6.4 |
| Depreciation and amortization from PPA | 4.5 | 4.6 | 1.5 | 1.5 |
| Restructuring and integration costs | 3.4 | 2.0 | 1.3 | 0.9 |
| Adjusted EBIT | 55.6 | 46.3 | 19.1 | 16.5 |
| in % of sales | 7.7% | 7.1% | 7.9% | 7.5% |

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



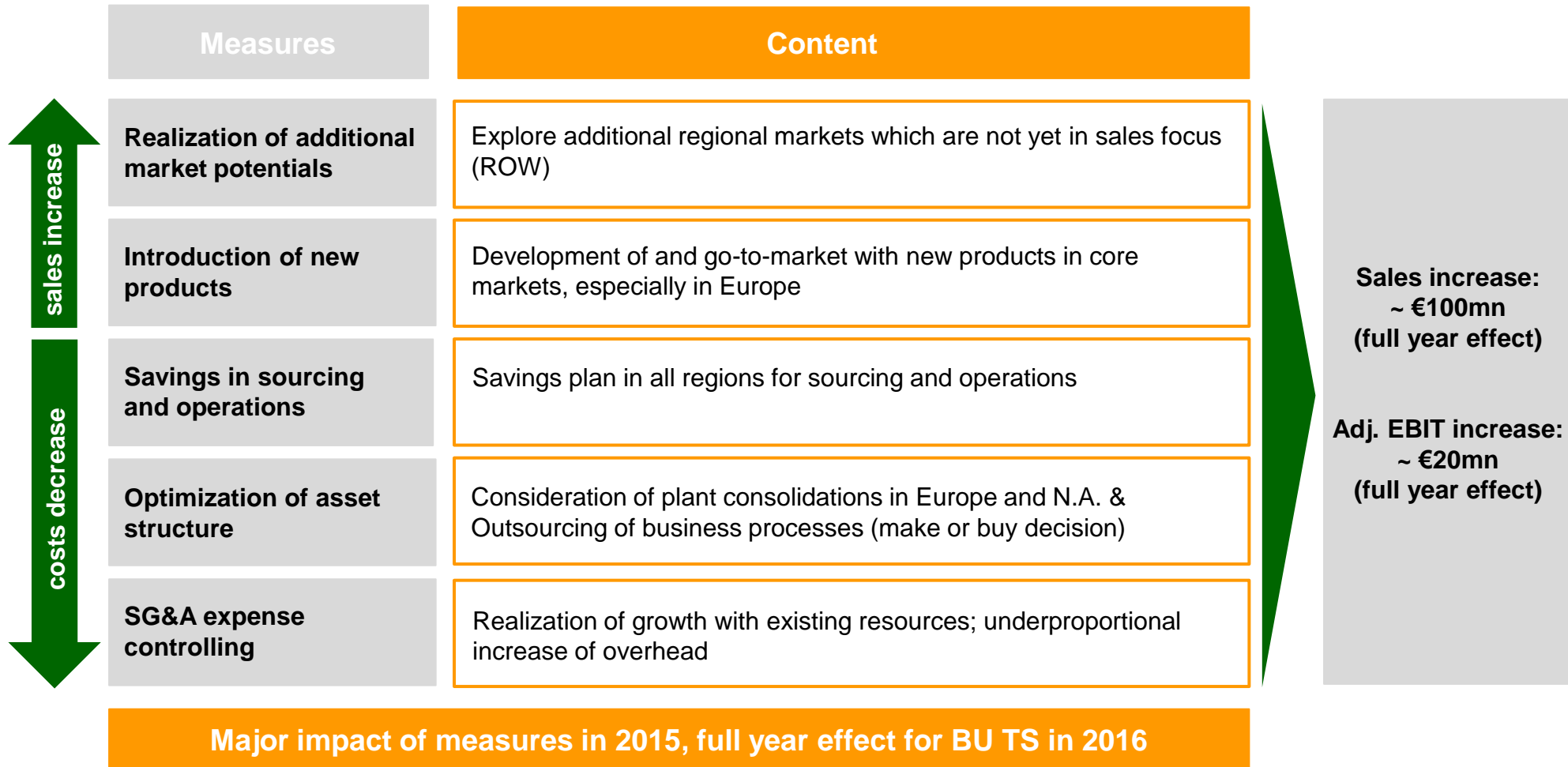
Development of bundle of measures for margin improvement

| | |
|--------------------------------|--------------|
| 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



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