

Strategy 2020

Second quarter 2016 results

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Agenda

1	Highlights HY1 and Q2/2016	3
2	Market Trend	5
3	Financial information	9
4	Outlook	21

Highlights of HY1 and Q2/2016

Business Trend

- Despite weak market environment in many emerging countries and the severe truck market downturn in North America, organic sales in HY1/16 came close to PY's level (- 2.0%); Organic sales trend improved from -2.2% yoy in Q1/16 to -1.8% in Q2/16
- Facing this challenging environment SAFH increased the adj. EBIT margin by 30 BPs to 9.2% (PY: 8.9%); Q2/16 adj. EBIT margin achieved 9.6% (9.4%)

Pioneering order won in the U.S. for disc brake technology

- Structural growth: Trendsetting contract in the US market from U.S. Xpress for 1,800 Trailers featuring fully-dressed axle and suspension systems equipped with the latest generation of P89 disk brakes;
- Substantial expansion of value sold-in for SAFH

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3	Financial information	9
4	Outlook	21

Truck and trailer market trends

Global truck forecast

		2014	2015	Change in % yoy	2016	Change in % yoy
North America Class 8	ACT Truck Build ¹⁾	297,097	323,282	+8.8	237,004	-26.7
	FTR Truck Shipment ²⁾	294,855	319,614	+8.4	233,013	-27.1
Western, Central & Eastern Europe		2014	2015	Change in % yoy	2016	Change in % yoy
	LMC ³⁾	395,512	428,642	+8.9	434,006	+1.3

Global trailer forecast

		2014	2015	Change in % yoy	2016	Change in % yoy
North America	ACT N.A. Trailer Shipments ¹⁾	328,391	388,308	+18.2	365,725	-5.8
	FTR N.A. Trailer Build ²⁾	292,386	330,017	+12.9	307,200	-6.9
Western & Eastern Europe		2014	2015	Change in % yoy	2016	Change in % yoy
	Trailer Production ⁴⁾	262,228	283,524	+7.7	311,223	+10.2

➔ North American truck market 2016 declining significantly (but < 10% share of SAFH group sales), trailers also down almost 10% but holding above 2014 level; Europ. T&T market growing solidly despite Russian shortfall

5 Sources: 1) ACT N.A. Commercial Vehicle Outlook, July 2016, published monthly by Americas Commercial Transportation Research Co., LLC, Columbus, Indiana.

2) North American Commercial Truck & Trailer Outlook, July 2016, published monthly by FTR Associates, Nashville, Indiana.

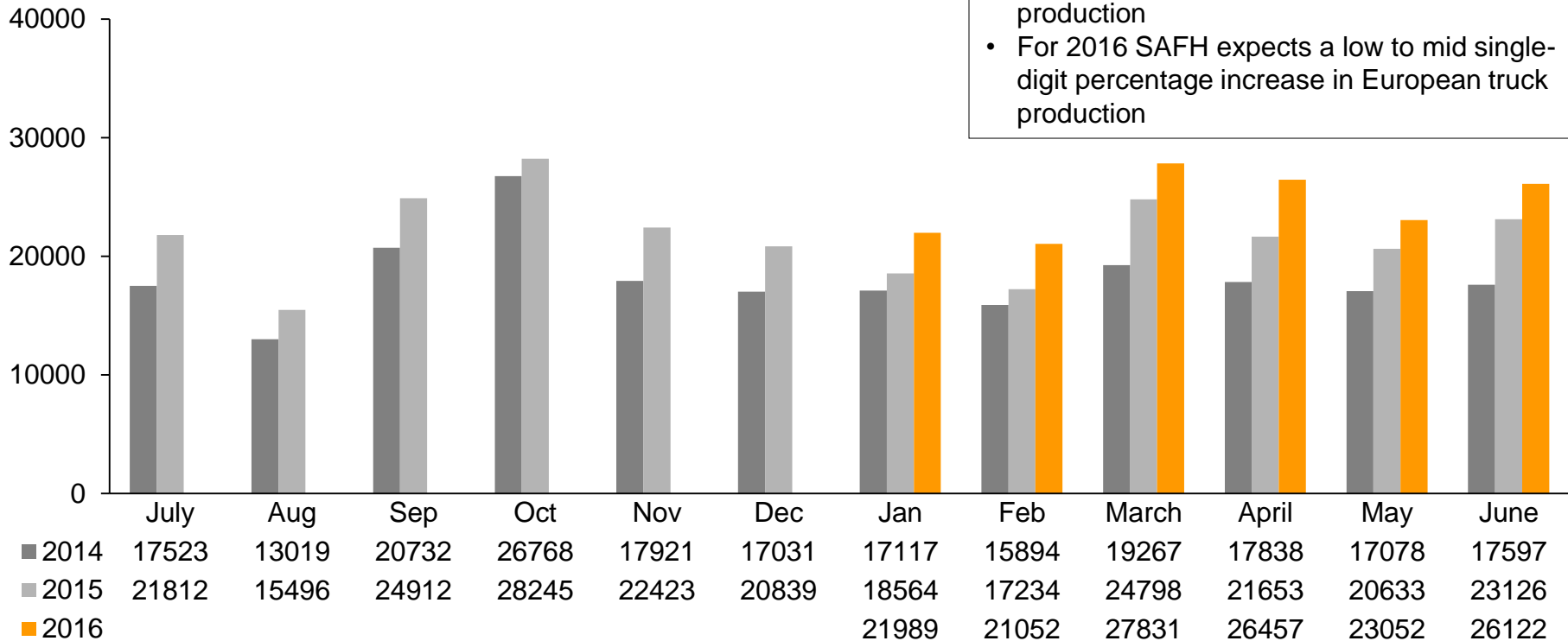
3) LMC/Global Medium and Heavy Truck Market Outlook Q4 2015/ Zita Zigan, Director of Global Commercial Vehicle Forecasting July 2015

4) CLEAR June 2016, Western Europe (incl. Germany, France, UK, Spain, Italy, Netherlands, Belgium, Austria, Sweden, Denmark, Finland, Portugal, Switzerland, Norway, Ireland)

CLEAR April 2016, Eastern Europe (incl. Russia, Turkey, Poland, Ukraine, Czech, Hungary, Belarus, Romania, Slovakia, Lithuania, Bulgaria, Latvia, Estonia, Slovenia, Croatia)

Truck market development Europe

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



Analytics

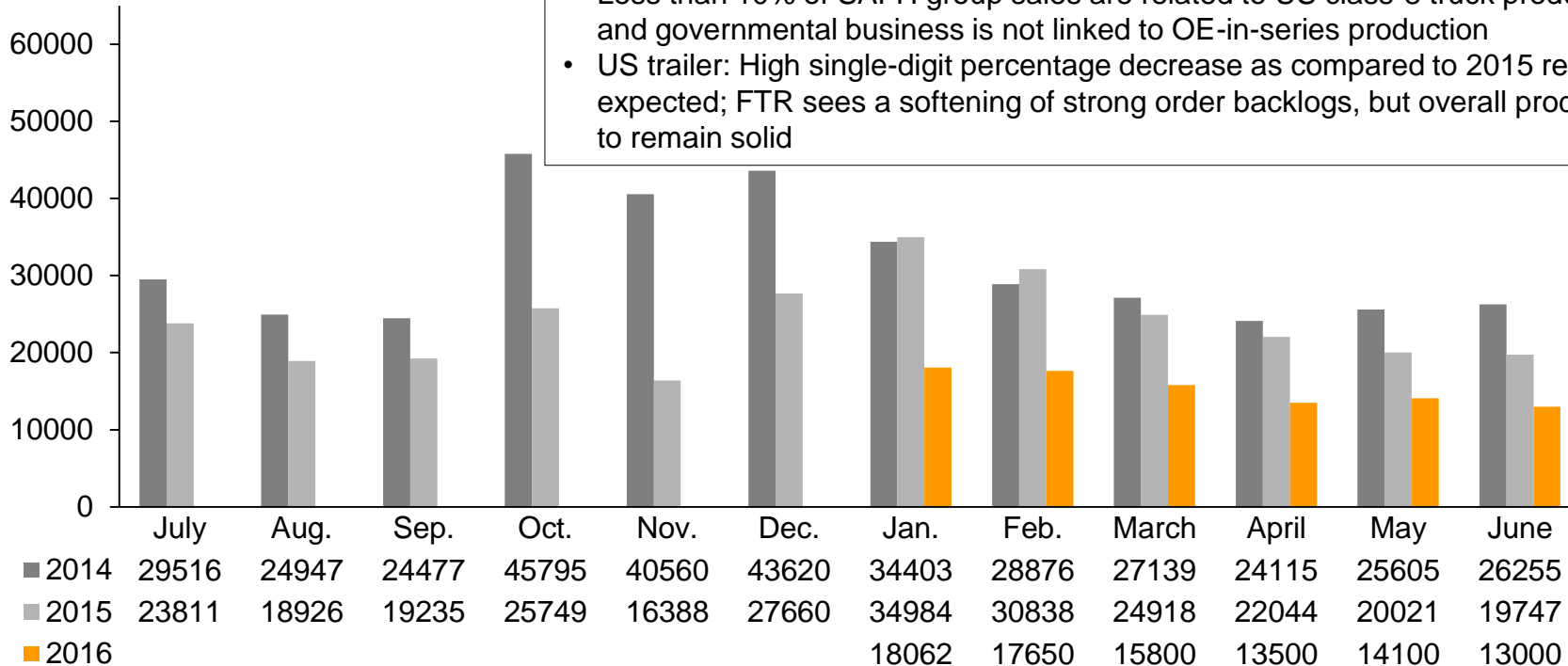
- Pent-up demand and sustained moderate economic recovery drive European truck production
- For 2016 SAFH expects a low to mid single-digit percentage increase in European truck production



Once more in June 2016 HCV new registrations were up 13.0% yoy.
Main contributions from Italy (+62.7%), France (+17.9%) and Germany (+9.8%)

Truck market trend North America

Class 8 net orders



Analytics

- US trucks: Market has decreased further and is stuck in a holding pattern at the bottom end of the cycle; FTR expects this level of activity persisting for a couple of months but anticipates higher order intake later in 2016
- Less than 10% of SAFH group sales are related to US class-8 truck production: vocational and governmental business is not linked to OE-in-series production
- US trailer: High single-digit percentage decrease as compared to 2015 record figures expected; FTR sees a softening of strong order backlogs, but overall production is expected to remain solid



Preliminary N.A. Class 8 truck net orders at 13,000 units, still down 34% yoy; FTR expects net orders to stabilize at a low level over the next months

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Executive Summary



1

Organic sales close to PY's level despite mostly weak markets

- Group sales in H1/16 decrease by 4.5% to € 533.6 mn (558.7), organically only -2.0%;
- Translational FX effects burden (€ -9.9 mn), Aerway divestiture impact at € -3.8 mn
- In Q2/16 organic sales trend improved to -1.8% yoy from -2.2% yoy in Q1/16

2

Adjusted EBIT margin improves further

- Adj. EBIT H1/16 slightly lower at € 49.0 mn (49.5) on reduced top line
- H1/16 adj. EBIT margin up 30 BPs topping 9.0% margin threshold at 9.2% (8.9%)

3

Significant swing in finance result

- The finance result amounted to € -6.9 mn in H1/16 as compared to € 1.4 mn in H1/15
- Deterioration almost exclusively related to swing in unrealized FX gains from the valuation of inter-company foreign currency loans that had amounted to € 5.6 mn in H1/15 compared to € 0.0 mn in H1/16
- As of 2016, the effects from the valuation of inter-company foreign currency loans, previously included in the finance result, are disclosed in the other comprehensive income (OCI)

4

Undiluted EPS at € 0.57 (€ 0.67) in H1/16

- Triggered by the swing in the finance result reported net profit came in at € 25.7 mn (30.4)
- Undiluted EPS adjusted for one-offs and inter-company loan effect at € 0.65 (0.69**)

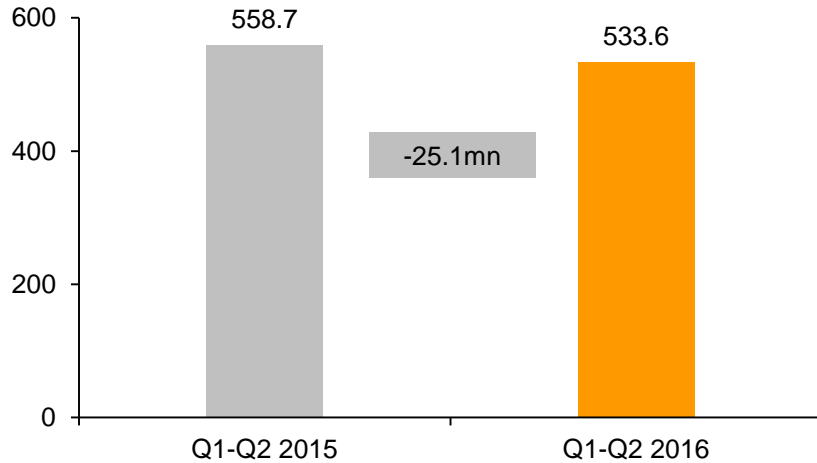
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Outlook 2016 confirmed

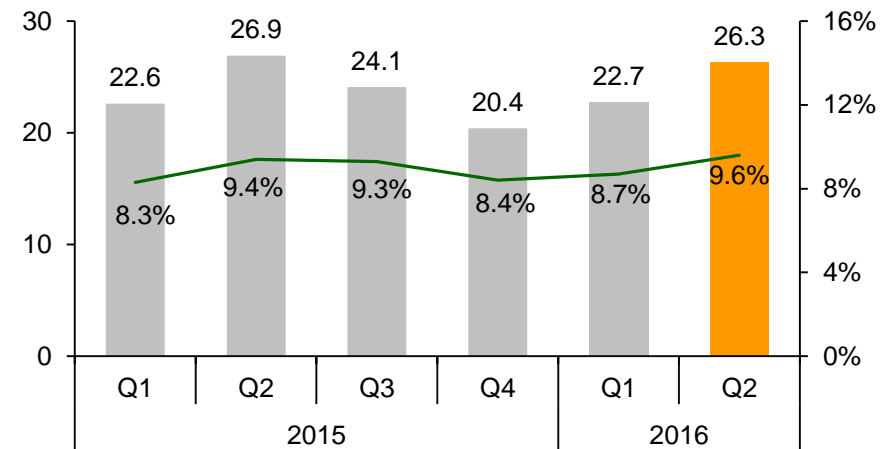
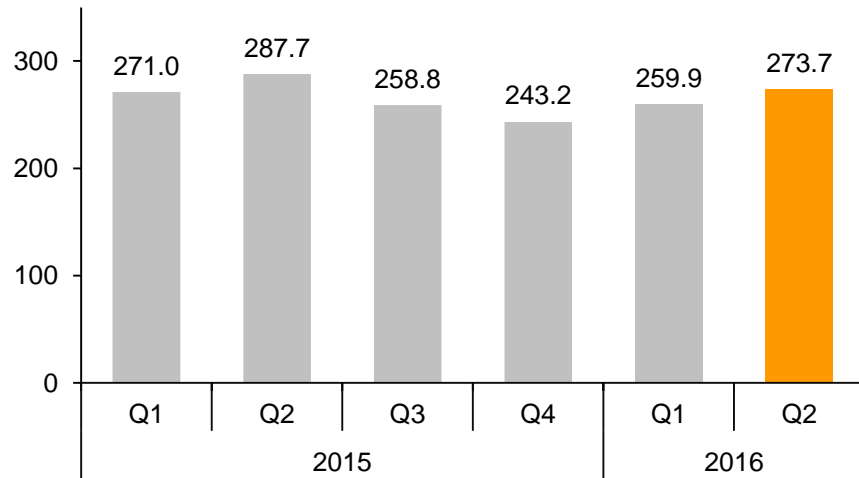
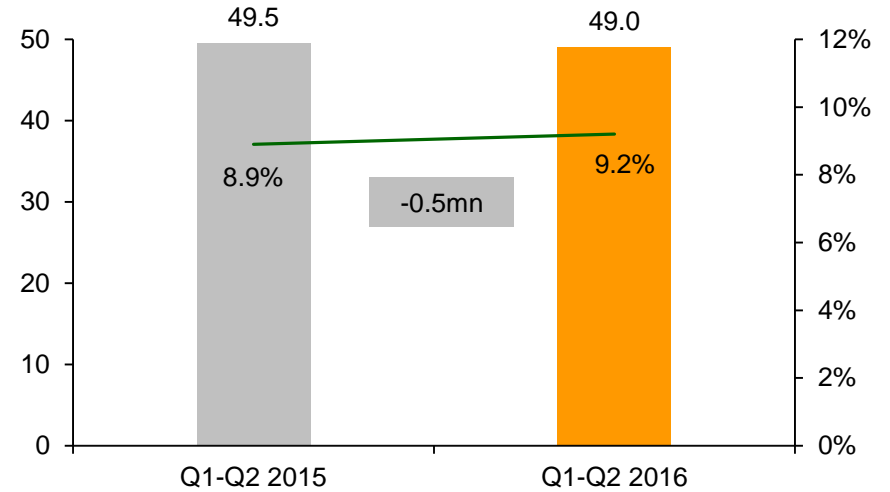
- Constant to slightly increased organic sales in the range of € 1,050 mn to € 1,070 mn expected to tend closer to the lower end of the corridor
- Adj. EBIT margin is planned to come in between 8 and 9% for the full year; Now expected to reach the upper half of the projected corridor

Business performance – group sales and group adjusted EBIT

Sales in €mn

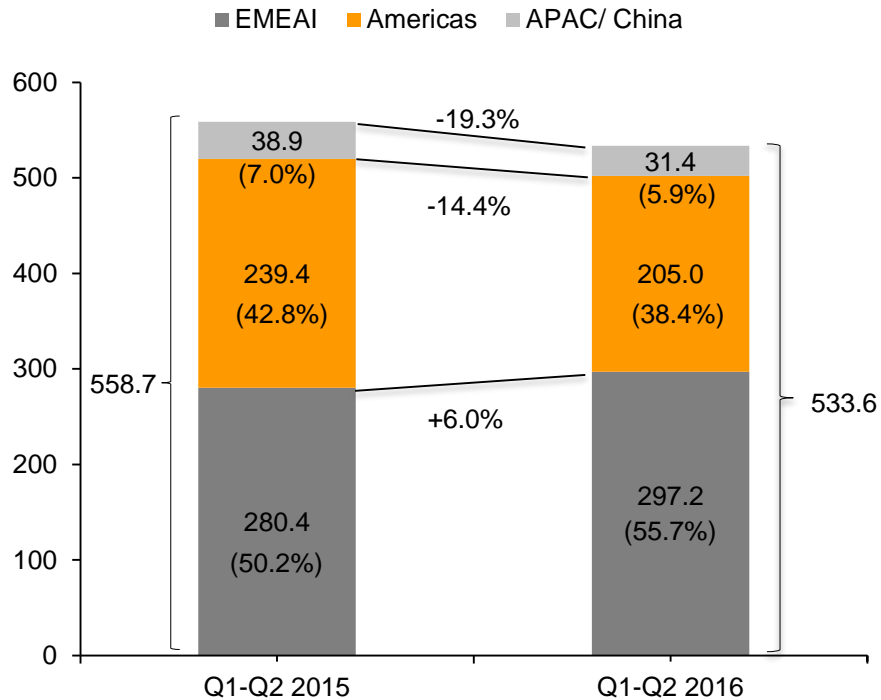


Adjusted EBIT in €mn

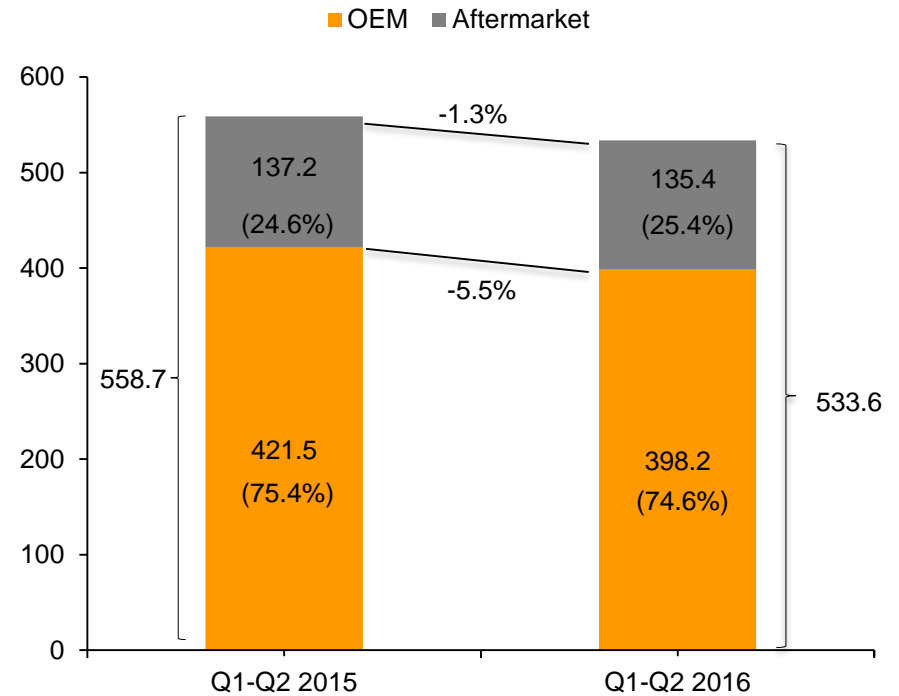


Business performance – sales split by region and by channel

Sales in €mn by Region

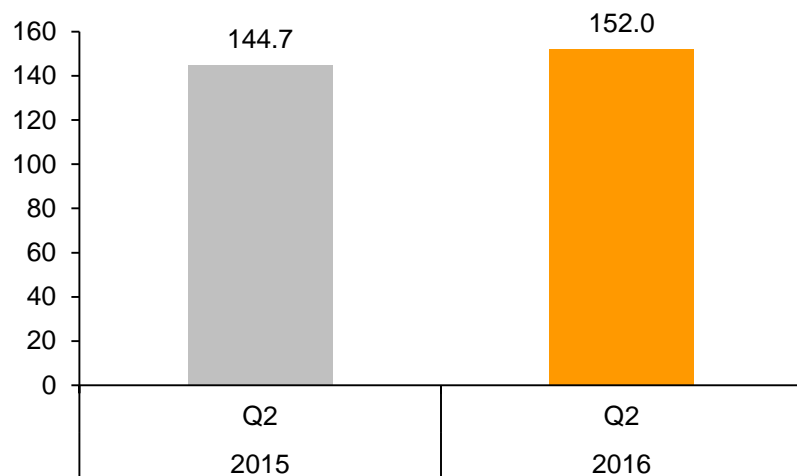


Sales in €mn by channel (OE and AM)

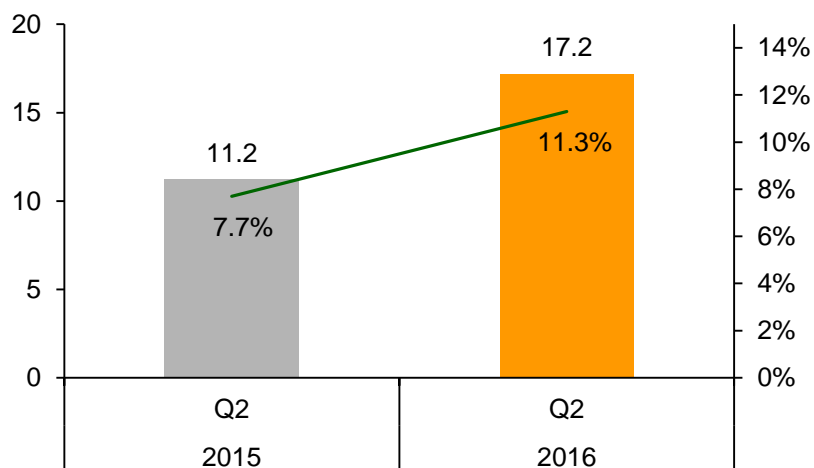


Business performance – EMEAI

Sales in €mn



Adjusted EBIT in €mn and margin in %



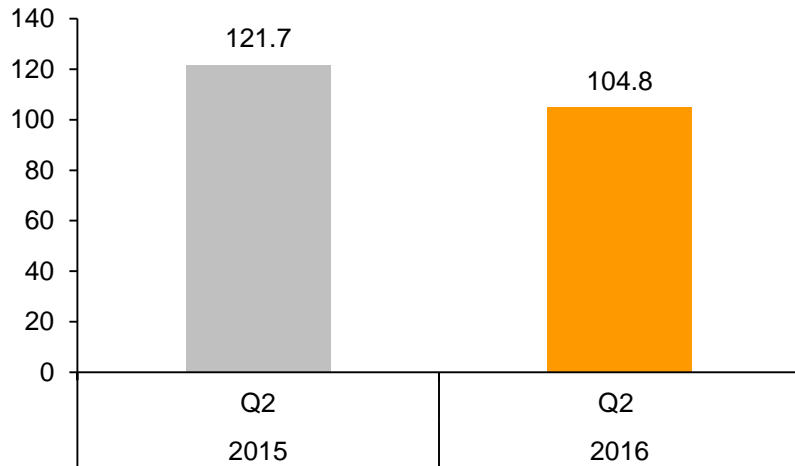
Summary

- Solid sales increase in Q2/16 by 5.0% to € 152.0 mn (144.7); adjusted for exchange rate effects + 6.8%
- Sales driven by continued high demand in OE trailer components in Western Europe but also the Mid East,
- AM solid
- Market share gains in Spain, UK, South Africa and Iran
- Russian OE market still inauspicious

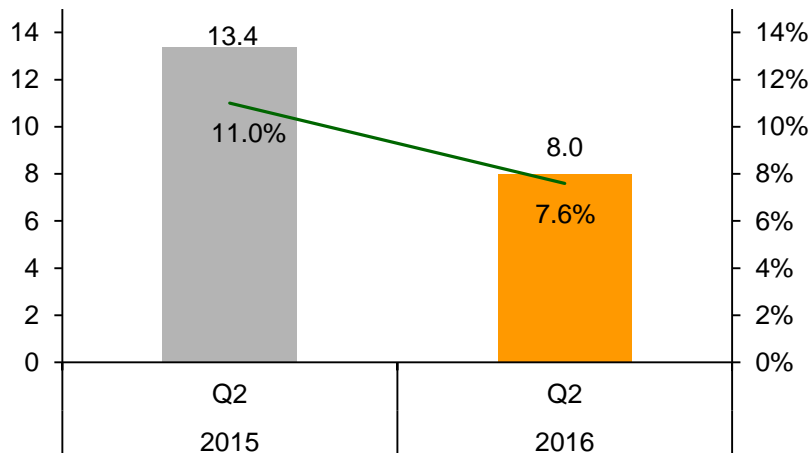
- Adj. EBIT Q2/16 up by 53.6% reaching € 17.2 mn (11.2)
- Adj. EBIT margin leaped to 11.3% (7.7%)
- Significant improvement in profitability driven by economies of scale effects, trailing effects from successful plant consolidation in Germany, efficiency enhancement measures at other locations within the region and stepped-up bundling of purchasing

Business performance – Americas

Sales in €mn



Adjusted EBIT in €mn and margin in %

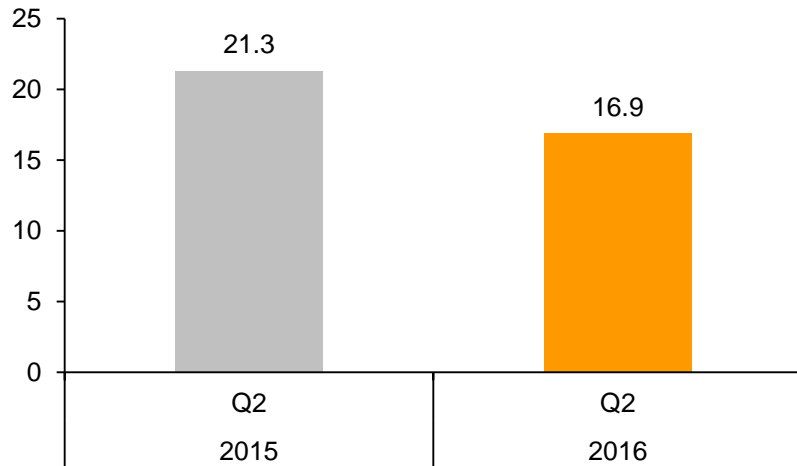


Summary

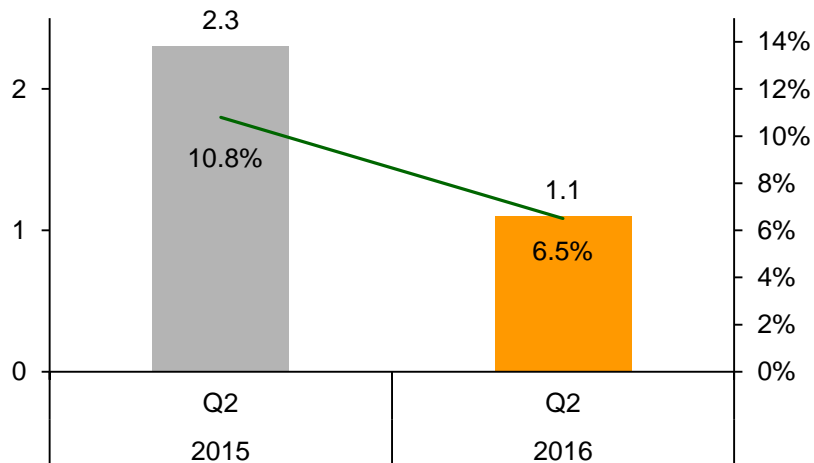
- Q2/16 sales decreased by 13.9% yoy to € 104.8 mn (121.7), yet sequentially at a lower pace than in Q1/16 when sales declined by 14.9%; Adj. for FX and Aerway (approx. € 4.0 mn), sales organically declined 9.9%
 - Sales decline was mitigated in Q2/16, despite further drop-off in the market
 - Negative volume impact from heavy decrease of North American truck market and still weak AM market conditions
 - Brazilian market still challenging at very low levels
-
- Profitability affected by lower sales volume and metal price increases to be passed on with some time delay
 - Adj. EBIT slipped from € 13.4 mn in Q2/15 to € 8.0 mn in Q2/16
 - Adj. EBIT margin holding up at 7.6% (11.0%) yet weaker when compared to the very strong PY Q2 quarter
 - Measures for capacity adjustments, cost savings as well as efficiency measures implemented and to be propelled further

Business performance – APAC/ China

Sales in €mn



Adjusted EBIT in €mn and margin in %



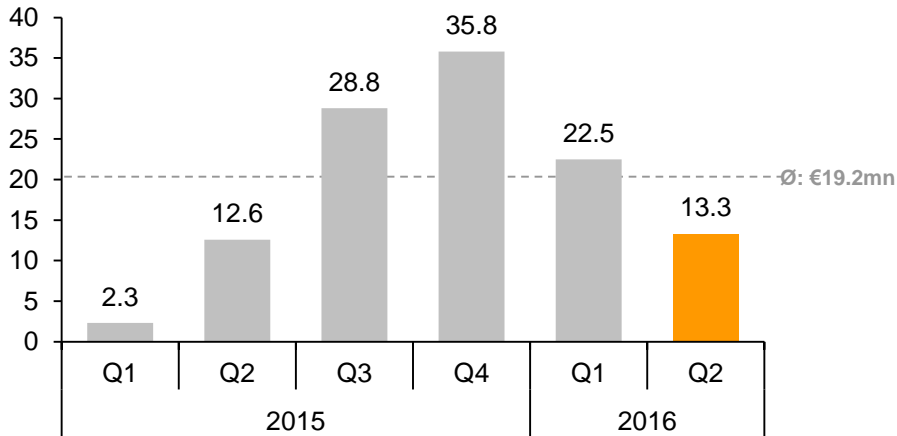
Summary

- Overall, sales in Q2/16 eased by 20.7% to € 16.9 mn (21.3), compared to Q1/16 sales sequentially rose by 16.6% yoy.
- Organically (adj. for FX effects) sales decreased by 15.0%
- Weak general economic environment in most ASEAN markets
- Australian transport market facing raw material price deflation and transport sector weakness but with signs of recovery

- Due to slow sales volumes and upfront expenses for our further business expansion adj. EBIT in Q2/16 gave in to € 1.1 mn (2.3)
- Adj. EBIT margin stood at 6.5% after 10.8% in Q2/15 but higher than in Q1/16 when the margin corresponded to 3.8%

Business performance – Outstanding cash generation in HY 1

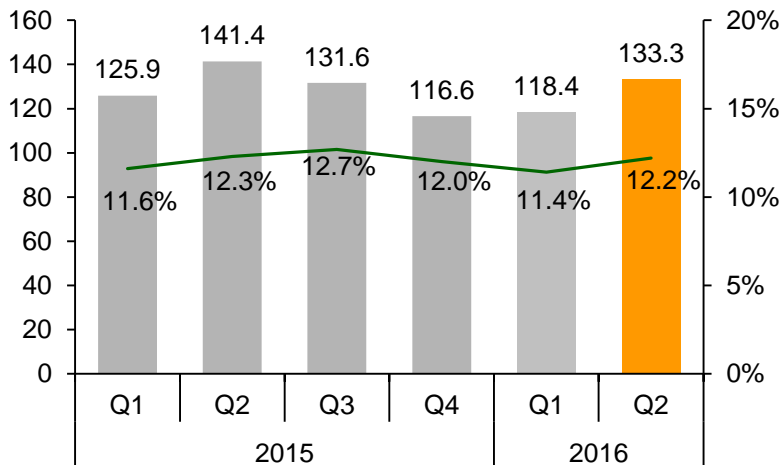
Operating cash flow before income tax in € mn



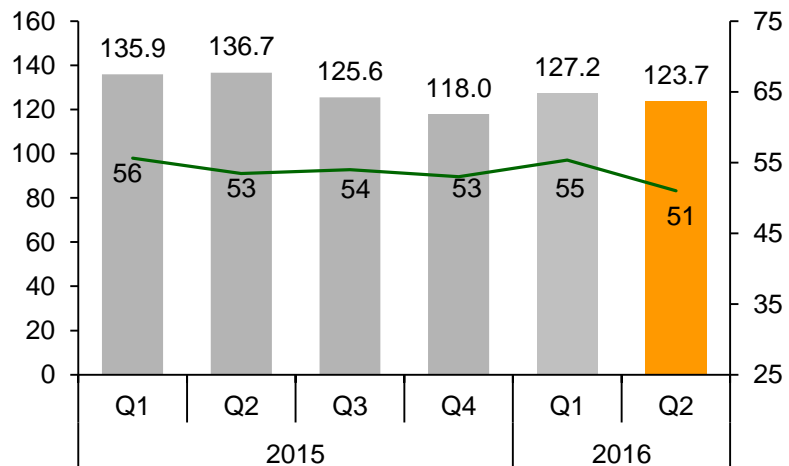
Summary

- Q2/16 operating cash flow increased to € 13.3 mn (12.6) yoy fostered by improved NWC and trailing effects of German plant consolidation
- Less funds tied up in trade receivables compared to Q2/15, down € 18.1 mn yoy, but € 6.1 mn higher compared to March 31
- Inventories decreased by € 13.0 mn in Q2/16 yoy, also € 3.5 mn lower compared to March 31
- NWC up in Q2/16 despite improved inventories mostly due to sequentially higher sales and trade receivables as well as lower level of trade liabilities; Yet NWC requirements were € 8.1 mn lower yoy
- Days of inventories down from 53 days end of Q2/15 to a more satisfactory, but still too high level of 51 days end of Q2/16

Net working capital in € mn and as % of sales



Inventories in € mn and days of inventories



Financials – Balance Sheet

in € mn	06/30/2016	%	12/31/2015	%
Non-current assets	394.5	40.9%	380.3	42.8%
Inventories	123.7	12.8%	118.0	13.3%
Other current assets	154.1	16.0%	129.5	14.6%
Other short-term investments	0.0	0.0%	115.0	12.9%
Cash and cash equivalents	292.7	30.3%	145.7	16.4%
Total assets	965.0	100.0%	888.5	100.0%
Equity	287.8	29.8%*	287.8	32.4%
Other non-current liabilities	108.0	11.2%	96.1	10.8%
Interest bearing loans and borrowings	432.3	44.8%	383.2	43.1%
Other current liabilities	136.9	14.2%	121.4	13.7%

Net debt as of June 30, 2016: € 139.6mn (12/31/15: € 122.4mn)

16 * If the balance sheet total was adjusted for cash and cash equivalents as well as other short-term investments which exceed the figure of approx. € 7 mn which is targeted by SAF-HOLLAND, this would result in a mathematical equity ratio of 42.3% (December 31, 2015: 45.3%) at June 30, 2016

Financials – Profit and Loss statement

in € mn	Q1-Q2/2016	%	Q1-Q2/2015	%
Sales	533.6	100%	558.7	100%
Cost of sales	-424.3	-79.5%	-450.0	-80.5%
Gross profit	109.3	20.5%	108.7	19.5%
Selling expenses	-31.2	-5.8%	-31.0	-5.6%
Administrative expenses	-25.0	-4.7%	-24.2	-4.3%
R&D	-9.5	-1.8%	-10.7	-1.9%
Other op. income	0.2	0.0%	0.9	0.1%
Operating result	43.8	8.2%	43.7	7.8%
Finance Result*	-6.1	-1.1%	2.2	0.4%
Earnings before tax	37.7	7.1%	45.9	8.2%
Income Tax	-12.0	-2.2%	-15.5	-2.8%
Result for the period	25.7	4.8%	30.4	5.4%

Comments

- Organic sales almost at PY's level: 4.5% sales decline, organically down only 2.0%; € 9.9 mn thereof attributable to translational FX effects, € 3.8 mn to Aerway divestiture
- Telling gross margin improvement by 1.0 PP yoy to 20.5% (19.5%)
- SG&A cost up as a percentage of sales due to pre-expenses for building up central functions liaised to establishing Strategy 2020 organizational structure and trade fair cost (bauma, IAA Commercial Vehicles)
- Operating result slightly higher despite lower sales
- Finance result easing to € -6.1 mn (2.2) in H1/16: Deterioration almost exclusively related to swing in unrealized FX gains from the valuation of inter-company foreign currency loans** that had amounted to € 5.6. mn in H1/15 besides € 1.1 mn higher net interest expense and € 0.7 mn higher expenses from derivative financial instruments
- Reported net profit amounted to € 25.7 mn (30.4) affected by swing in finance result

17 * Finance result includes share of net profit from investments accounted for by using the equity method of € 0.8 mn in Q1-Q2 2016 (€ 0.8 mn in Q1-Q2 2015)

** As off 2016 inter-company foreign currency loans are treated as part of a net investment in a foreign operation, disclosed in other comprehensive income (OCI) and no longer in the finance result.

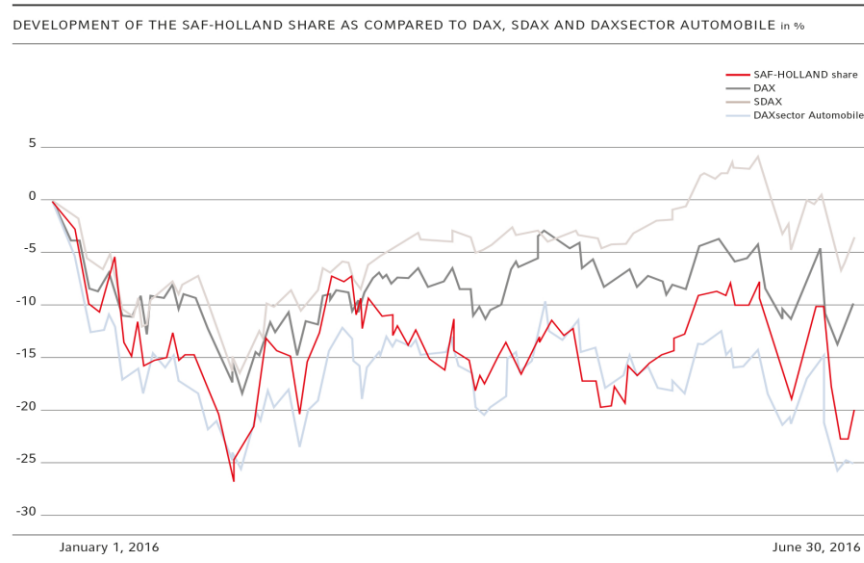
Financials – Cash Flow statement

in €mn	Q1-Q2/2016	Q1-Q2/2015
Result before tax	37.7	45.9
Finance result	6.9	-1.4
Amortization/depreciation	11.1	10.5
Changes in Net Working Capital	-21.2	-41.1
Other items cash flow	1.3	1.0
Operating cash flow before income tax	35.8	14.9
Income tax paid	-6.2	-10.7
Operating cash flow	29.6	4.2
Cash flow from investing*	92.6	-12.8
Cash flow from financing	25.0	-11.1
Effect of f/X changes	-0.3	0.7
Net change in cash	146.9	-19.0

¹⁸ * Q1-Q2/2016 includes sales of other short term investments of € 115 mn, as well as purchase of other financial assets of € 13.4 mn

Share price and shareholder structure

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

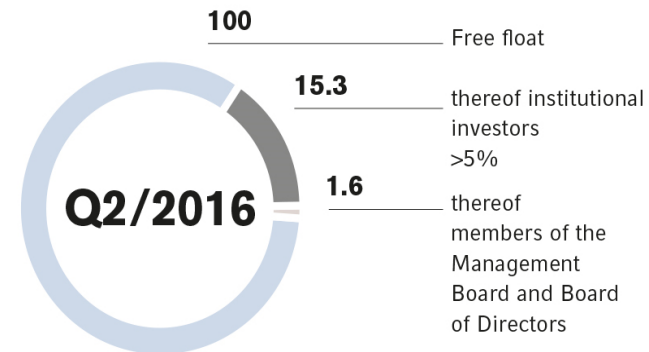


Basic data for share as of June 30, 2016

ISIN	LU0307018795
Number of shares	45,361,112
Closing price	€9.94
undiluted adjusted EPS	€0.65

Shareholder Structure (in %)

SHAREHOLDER STRUCTURE 2016 in %



As of June 30, 2016

SAF-HOLLAND share price development in HY1/2016

- Share price eased 20.4% in HY1/16 but outperforms DaxSector Automobile index by approx. 5 Percentage points
- Higher volatility due to general financial market fluctuations, Brexit referendum and sector news flow

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3	Financial information	9
4	Outlook	21

Outlook: Financial targets 2016 confirmed

	FY 2016*	Strategy 2020
Sales	Organically constant or slight increase	Organic: € 1,250 mn
	€ 1,050 mn to € 1,070 mn tending closer to the lower end of this corridor	+ Coop., JVs, Acquisitions: € 1,500 mn
Adj. EBIT-margin	8 - 9% expected to reach the upper half of the originally projected corridor	≥ 8%
NWC ratio	12 – 13%	12%
CAPEX	Approx. € 28 mn	€ 26 mn - € 28 mn p.a.

²¹ * Assumed there is no significant deterioration of political, economic or industry-specific environment;
Not including potential sales and earnings contributions from cooperations, JVs and acquisitions concluded during the course of the year

Appendix

Reconciliation statement for adjusted EBIT

in €mn	Q1-Q2/2016	Q1-Q2/2015
Result of the period	25.7	30.4
Income tax	12.0	15.5
Financial Result	6.9	-1.4
Depreciation and amortization from PPA	2.8	3.2
Restructuring and integration costs	1.6	1.8
Adjusted EBIT	49.0	49.5
in % of Sales	9.2%	8.9%

Key financials

in €mn	Q1-Q2/2016	Q1-Q2/2015
Sales	533.6	558.7
Cost of sales	-424.3	-450.0
Gross profit	109.3	108.7
Margin	20.5%	19.5%
Adjusted result	29.4	35.3
Margin	5.5%	6.3%
Adjusted EPS in €	0.65	0.78
Adjusted EBITDA	57.3	56.8
Margin	10.7%	10.2%
Adjusted EBIT*	49.0	49.5
Margin	9.2%	8.9%
Operating cash flow before income tax	35.8	14.9
Undiluted adjusted EPS**	0.65	0.78

24 *Please refer to page 23 for detailed information on EBIT adjustments

**The finance result in Q1-Q2 15 included unrealized foreign exchange gains in the amount of € 5.6 mn, whereas as of 2016 unrealized foreign exchange effects were recognized in other comprehensive income, and not in the finance result. If unrealized foreign exchange gains in the finance result in Q1-Q2 15 had been disclosed in OCI instead, the undiluted adjusted EPS would have amounted to 0.69 in Q1-Q2 15.

Strong financial profile supporting further growth & dividend payments

Strong financial profile*

Corporate Bond

€75mn

due 04/2018

Revolving Credit lines

€157mn

due 10/2020 with option of renewal until 10/2022

Convertible Bond

€100.2mn

due 09/2020

Promissory note (SSD)

€200mn

€140mn due in 11/2020
€17mn due in 11/2022
€43mn due in 11/2025

Non-current loan

€50mn

due 06/2026

- Optimized and diversified financing structure
- Access to institutional and private investors with reduced dependency from banks
- Currently unsecured financing
- More flexibility with increased financial headroom and optimized financing costs
- Financing of Strategy 2020 targets secured

Dividend policy

Dividend payment of € 0.40 per share (py: € 0.32);
€ 18.1mn (py: € 14.5 mn) distribution in total representing a 39% (py: 44%) share of FY 2015 available net earnings

Distribution of generally 40 to 50% of available net earnings on a sustainable base if reported equity ratio reaches around 40%

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