

# Strategy 2020

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## Third quarter 2016 results

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November 10, 2016



# Agenda

<b>1</b>	<b>Highlights Q3/2016</b>	<b>3</b>
<b>2</b>	Market Trend	7
<b>3</b>	Financial information	9
<b>4</b>	Outlook	21

## Highlights of Q3/2016 (1)

### Business Trend

- Despite the challenging market environment in most emerging markets and persisting market weakness in North America, organic sales in 9M/16 close to PY's level (- 1.3%); Organic sales trend improved -1.8% yoy in Q2/16 to +0.3% in Q3/16
- Adj. EBIT margin for 9M/16 close to previous year's level at 8.9% (9.0%) in the upper half of FY target range; Q3 adj. EBIT margin came in at 8.4% (9.3%), excluding one-time write-down at Xiamen at 8.8%

### One-time effects

- One-time transaction costs totaled approx. € 2.5 mn incl. KLL
- Overall € 0.6 mn positive impact of Haldex transaction in the finance result, with € 0.9 mn in one-time other transaction-related finance cost included therein
- One time write-down of approx. € 1.0 mn in China due to typhoon damage and SAP intro-related inventory clearance recognized in manufacturing cost

## Highlights of Q3/2016 (2)

### **Acquisition of KLL Equipamentos para Transporte Ltda.**

- Acquisition of 57.5% stake in truck and bus air suspension specialist KLL, Brazil in Sept.

### **Expansion of EMEA/ production capacities**

- SAFH currently establishing additional production facility in Turkey for Mid-East demands in combination with new shift model in German plants

# IAA new products & highlights

## SAF TRAK

- European Trailer Innovation Award winner
- First drive axle for trailers by SAFH



## Introduction of new products at St. Louis Press Event

- Introduction of P89 Series Air Disc brakes
- ELI-te launch (Electronic Lock Inspection for fifth wheels – technology enhanced)
- CBX40 Aero Beam launch (one of the lightest-weight slider air suspension systems available)

## Sales successes

- Contract with Navistar: Standard position of FWs
- US Xpress awarded SAFH with P89 air disc brake order on 1,800 trailers

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# Truck and trailer market trends

## Global truck forecast

		2014	2015	2016	Change in % yoy	2017	Change in % yoy
North America Class 8	ACT Truck Build <sup>1)</sup>	297,097	323,282	227,489	-29.6	202,915	-10.8
	FTR Truck Shipment <sup>2)</sup>	294,855	319,614	228,766	-28.4	225,000	-1.6
		2014	2015	2016		2017	Change in % yoy
Western, Central & Eastern Europe	LMC <sup>3)</sup>	395,512	428,642	434,006	+1.3	471,557	+8.7

## Global trailer forecast

		2014	2015	2016	Change in % yoy	2017	Change in % yoy
North America	ACT N.A. Trailer Shipments <sup>1)</sup>	328,391	388,308	354,000	-8.8	304,750	-13.9
	FTR N.A. Trailer Build <sup>2)</sup>	292,386	330,817	304,700	-7.9	265,400	-12.9
		2014	2015	2016	Change in % yoy	2017	Change in % yoy
Western & Eastern Europe	Trailer Production <sup>4)</sup>	262,228	283,524	311,223	+10.2	301,759	-3.0

→ NA truck market to decline by 30% now for 2016, trend change expected for the second half of 2017 (< 10% share in SAFH group sales); Trailer build down as well, but much more solid with SAFH outperforming market trend by share gains and increasing value sold-in; EMEA/I strong despite severe weakness in Russia

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

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

3) LMC/Global Medium and Heavy Truck Market Outlook Q4 2015/ Zita Zigan, Director or 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)

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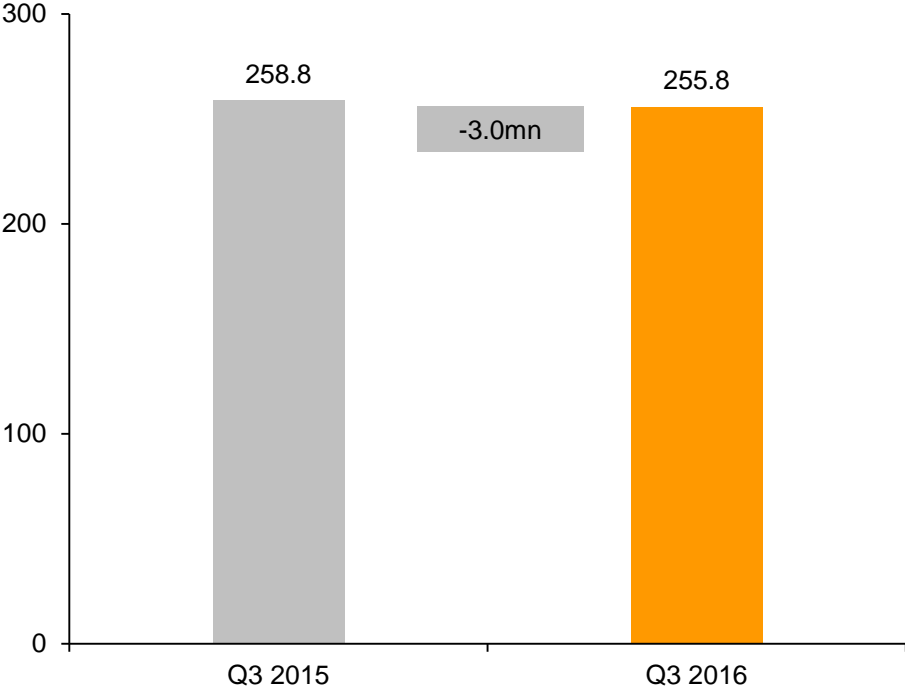
# Executive Summary



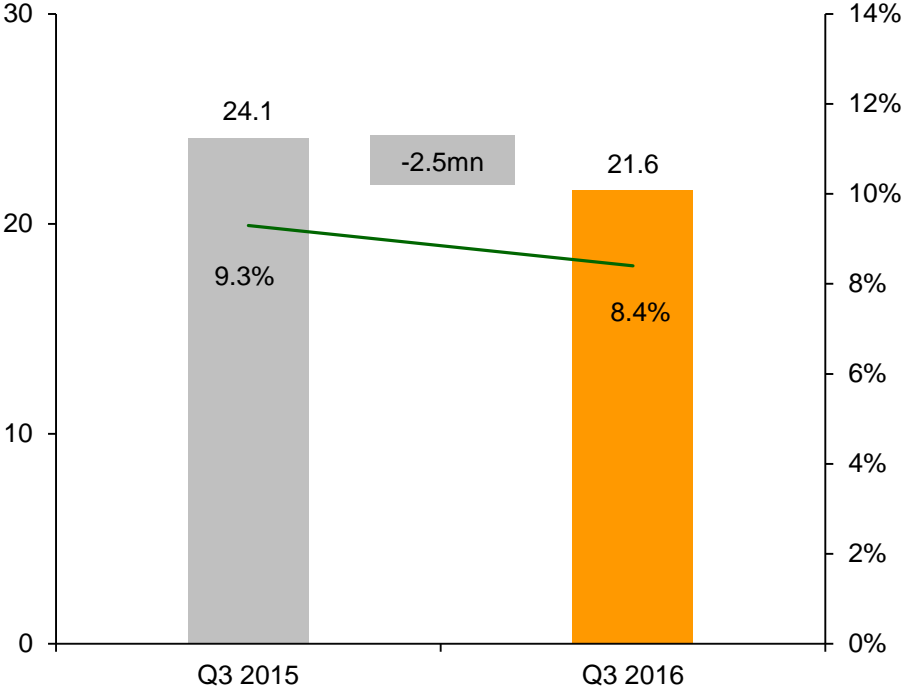
1	<p><b>Organic sales slightly increase in Q3/16 in weak markets</b></p> <ul style="list-style-type: none"> <li>• Group sales in 9M/16 decreased by 3.4% to € 789.4 mn (817.5), organically only -1.3%;</li> <li>• Translational FX effects burden (€ -12.1 mn), Aerway divestiture impact € -5.3 mn</li> <li>• In Q3/16 organic sales trend significantly improved to +0.3% yoy from -1.8% yoy in Q2/16</li> </ul>
2	<p><b>Adjusted EBIT margin close to previous year´s high level</b></p> <ul style="list-style-type: none"> <li>• Adj. EBIT 9M/16 slightly lower at € 70.6 mn (73.6) on reduced top line</li> <li>• 9M/16 adj. EBIT margin strong at 8.9% (9.0%)</li> </ul>
3	<p><b>Considerable swing in finance result</b></p> <ul style="list-style-type: none"> <li>• The finance result amounted to € -10.3 mn in 9M/16 as compared to € -2.5 mn in 9M/15</li> <li>• Swing in unrealized FX gains related to the valuation of inter-company foreign currency loans that had contributed to € 5.0 mn in 9M/15 compared to € 0.0 mn in 9M/16 (in OCI as of 2016)</li> <li>• € 0.6 mn positive effect from Haldex offer (valuation of shares versus hedging cost) with € 0.9 mn in one-time other transaction-related finance cost included therein</li> </ul>
4	<p><b>Undiluted EPS at € 0.81 (0.93) in 9M/16</b></p> <ul style="list-style-type: none"> <li>• Reported net profit at € 36.3 mn (42.1) affected by swing in the finance result and burdening one-time effects from Haldex bid (net approx. € -2.3 mn) and China write-down (net approx. € -0.7 mn)</li> <li>• Undiluted EPS adjusted for one-offs at € 0.94 (1.01**)</li> </ul>
5	<p><b>Outlook 2016 confirmed</b></p> <ul style="list-style-type: none"> <li>• Constant to slightly increased organic sales in the range of € 1,050 mn to € 1,070 mn expected to come in at the lower end of the corridor</li> <li>• Adj. EBIT margin planned to come in between 8 and 9% for the full year; expected to reach the upper half of the projected range</li> </ul>

# Business performance – group sales and group adjusted EBIT (1)

### Sales in €mn

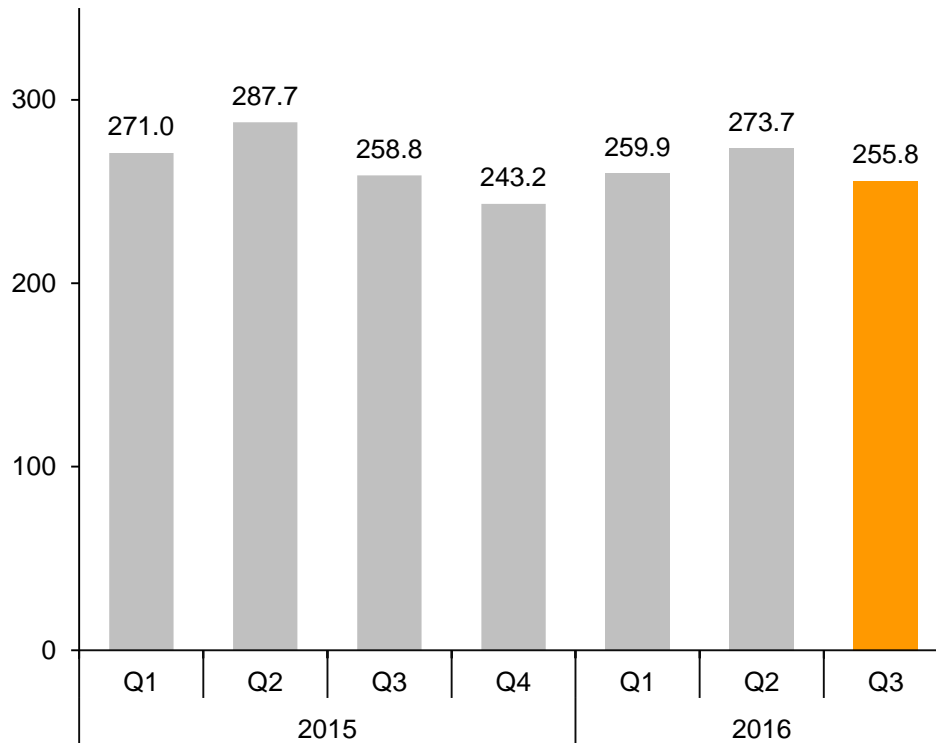


### Adjusted EBIT in €mn

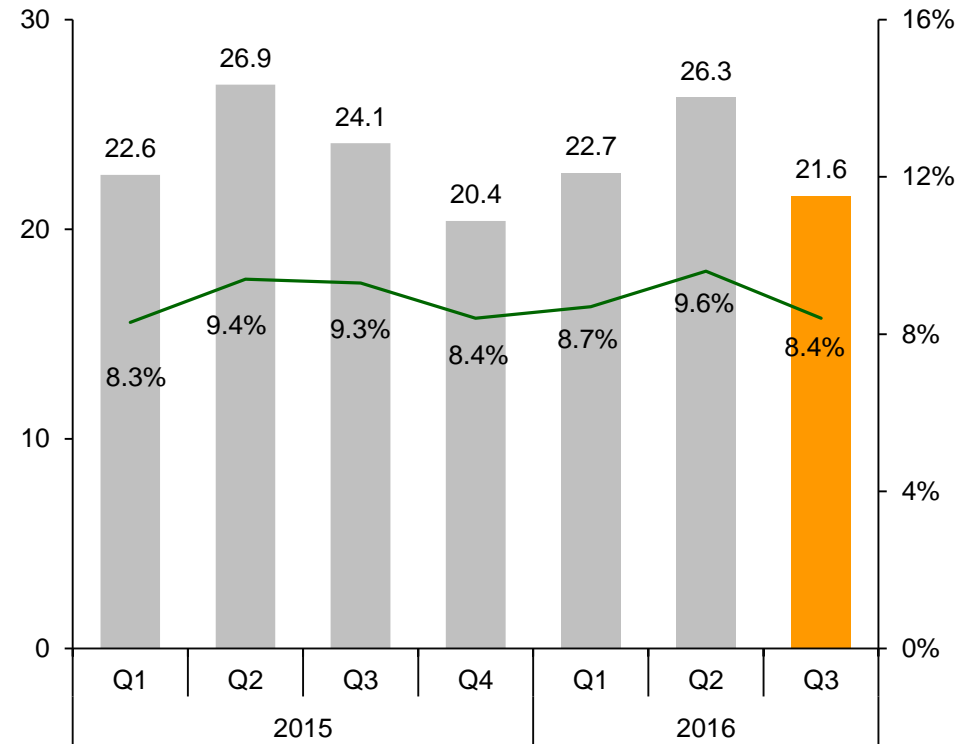


# Business performance – group sales and group adjusted EBIT (2)

## Sales in €mn

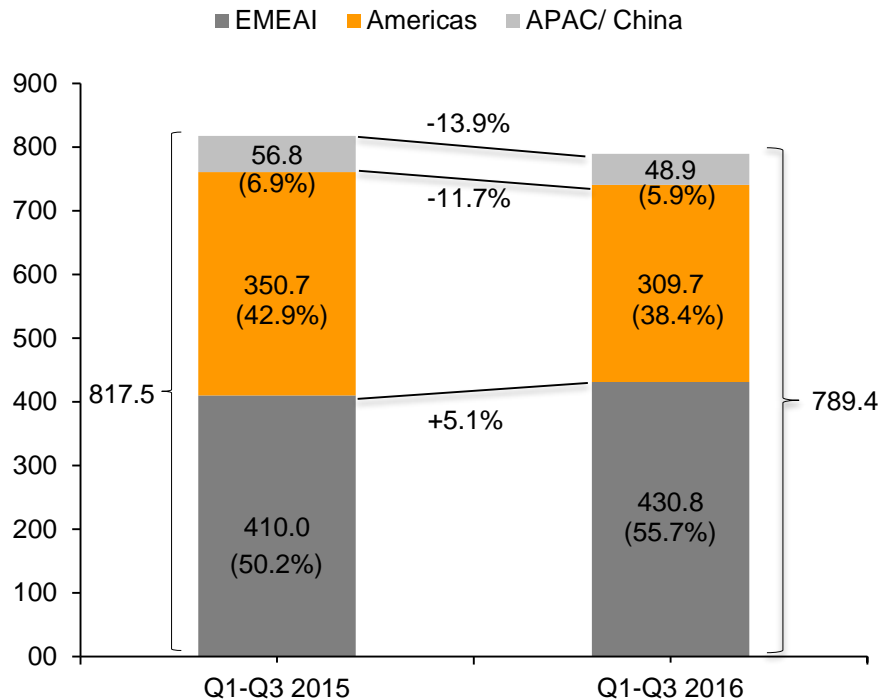


## Adjusted EBIT in €mn

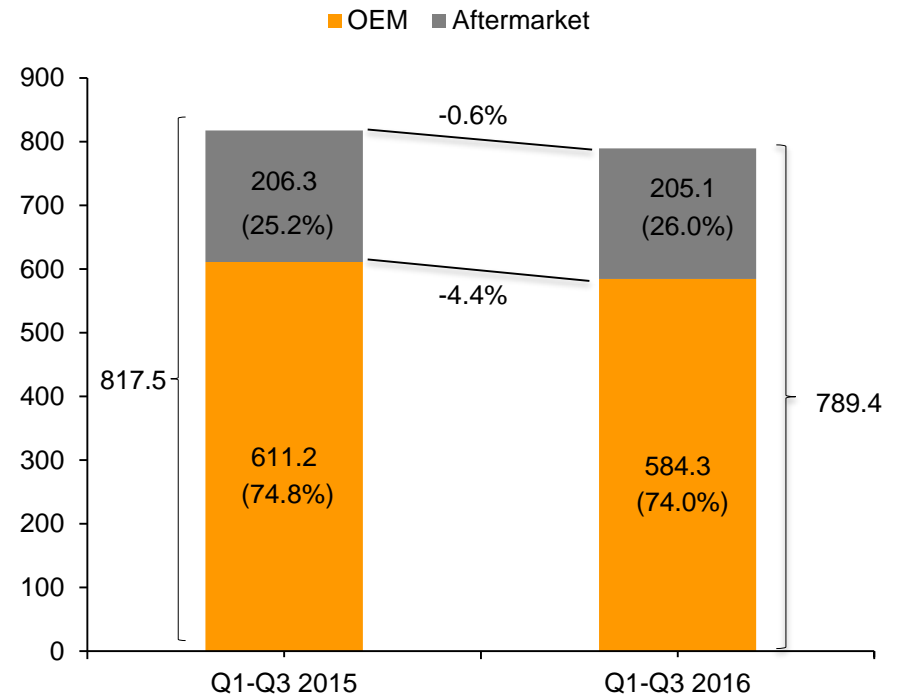


# Business performance – sales split by region and by channel

## Sales in €mn by Region

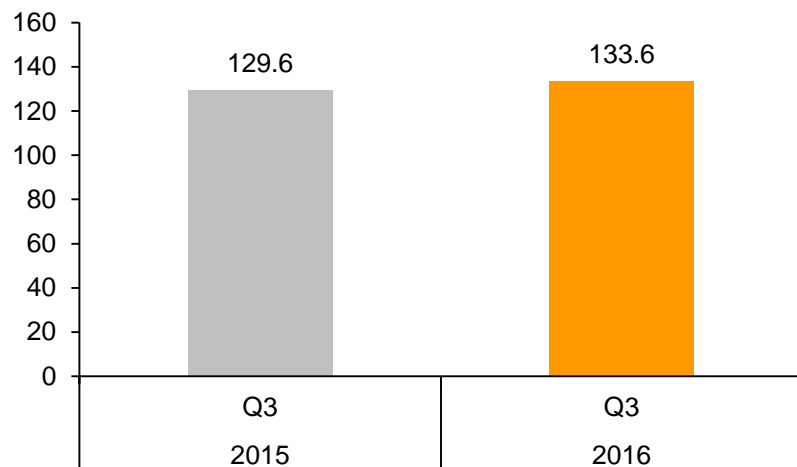


## Sales in €mn by channel (OE and AM)

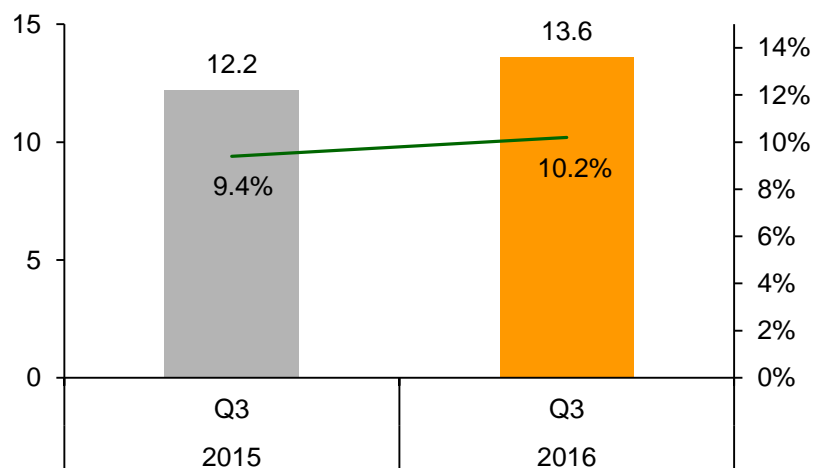


## Business performance – EMEAI

### Sales in €mn



### Adjusted EBIT in €mn and margin in %

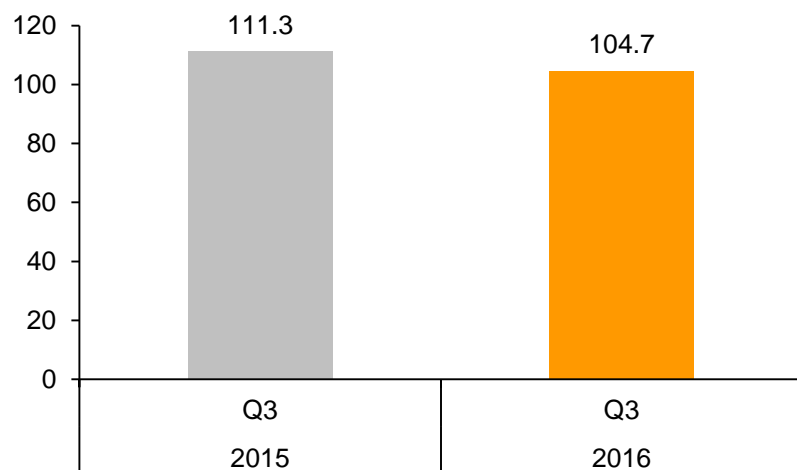


### Summary

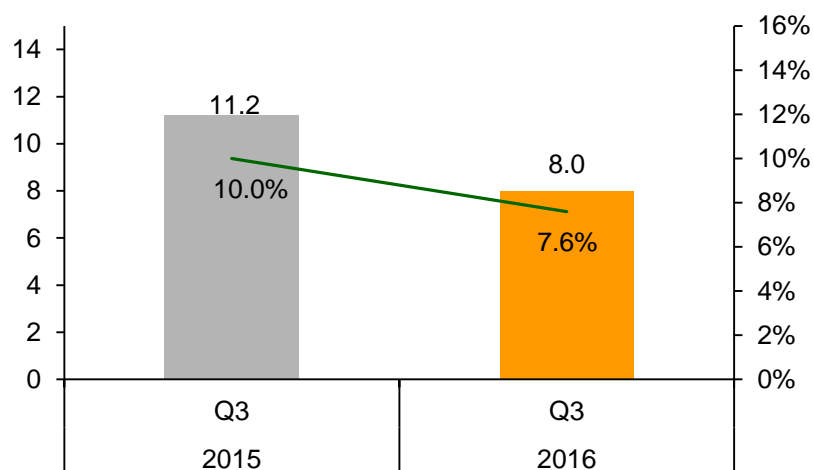
- Solid sales increase in Q3/16 by 3.1% to € 133.6 mn (129.6); despite softer demand from Turkey in the quarter, adj. for exchange rate effects + 3.7%
  - Sales driven by continued solid demand in Western Europe, a firm development in Mid East and strong export business; robust AM performance
  - Russian OE market remains on extremely low levels with some signs of improvements seen
- 
- Q3/16 adj. EBIT up by 11.5% yoy rising to € 13.6 mn (12.2)
  - Adj. EBIT margin strong at 10.2% (9.4%)
  - Improved profitability yoy a.o. supported by efficiency gains from European plant consolidation, growing export business and advantageous product mix and bundled sourcing

## Business performance – Americas

### Sales in €mn



### Adj. EBIT in €mn and margin in %

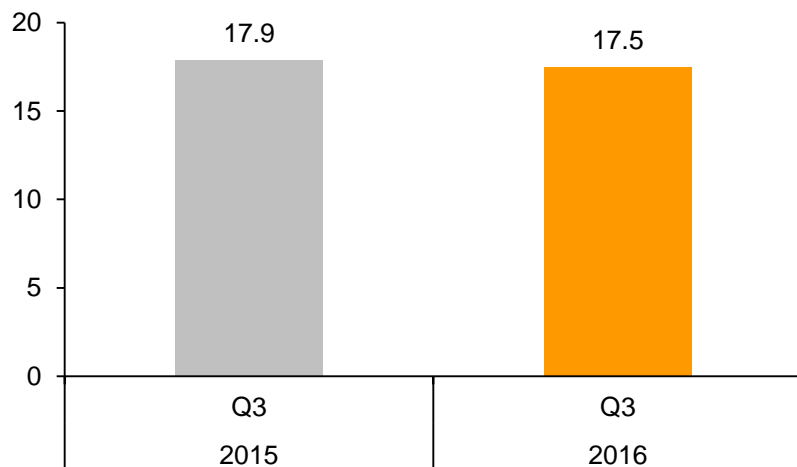


### Summary

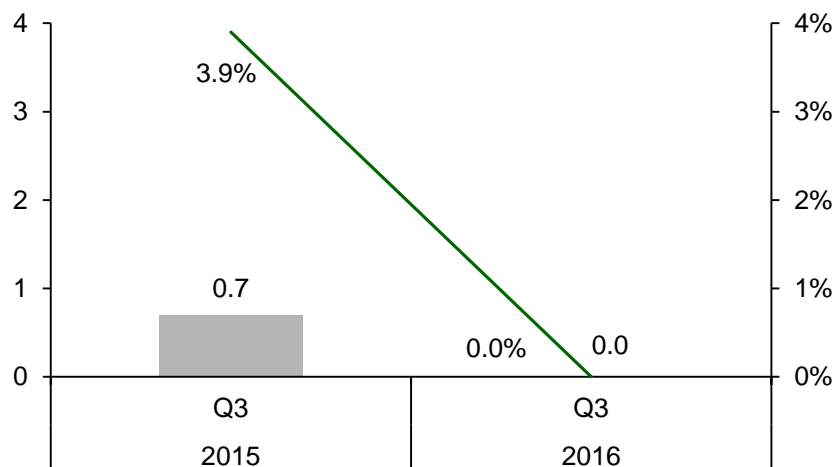
- Q3/16 sales down 5.9% yoy to € 104.7 mn (111.3), clearly outperforming the class-8 (-36.1%) and trailer (-13.1%) markets Despite a further market fall sales versus Q2 were sequentially down by only 0.1% due to market share gains
- Adj. for FX and Aerway (approx. € 3.7 mn), sales organically declined by only 3.7%
- Sales from Brazil still at very low levels
- Profitability affected by lower sales and scrap metal/steel price increases to be passed on to customers with some delay
- Adj. EBIT came in at € 8.0 mn in Q3/16 down from € 11.2 mn in Q3/15
- Adj. EBIT margin in Q3/16 holding at 7.6% (10.0%), same level as in Q2/16
- Self-help measures: Capacity adjustments, cost savings and efficiency measures implemented and being propelled further

## Business performance – APAC/ China

### Sales in €mn



### Adjusted EBIT in €mn and margin in %



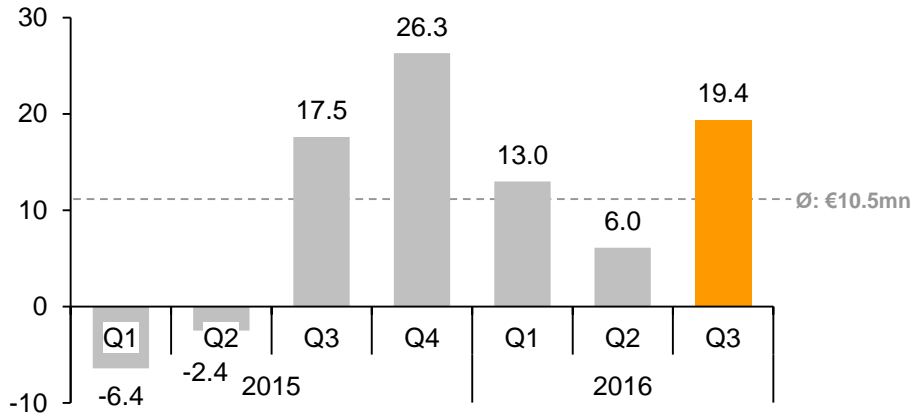
### Summary

- Sales in Q3/16 stable at € 17.5 mn (17.9); compared to Q2/16 sales sequentially rose by 3.6% in weak markets
- Organically sales were at PY's level
- Typhoon hit Xiamen location in Sept. damaging parts of the inventories; in addition one-time inventory clearance was carried out as part of SAP intro; both effects resulted in one-time extraordinary write-downs of approx. € 1.0 mn
- Improving sales and earnings contribution from Australia fostered by share gains achieved in a challenging environment

- Mostly due one-time expense adj. EBIT in Q3/16 gave in to € 0.0 mn (0.7)
- Adj. EBIT margin consequently stood at 0.0% as compared to 3.9% in Q3/15; without the one-time extraordinary write-downs in inventories and old stock, the regions adj. EBIT margin would have been at HY 1 2016 level (5.3%)

# Business performance – strong operating free cash flow in Q3/2016

## Operating free cash flow in € mn



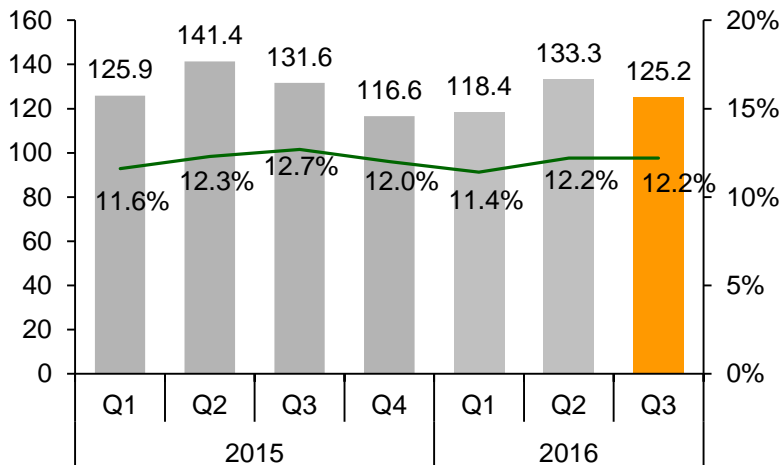
## Operating FCF

- Q3/16 operating free cash flow increased by 10.9% to € 19.4 mn (17.5) yoy due to lower NWC requirements and less capex

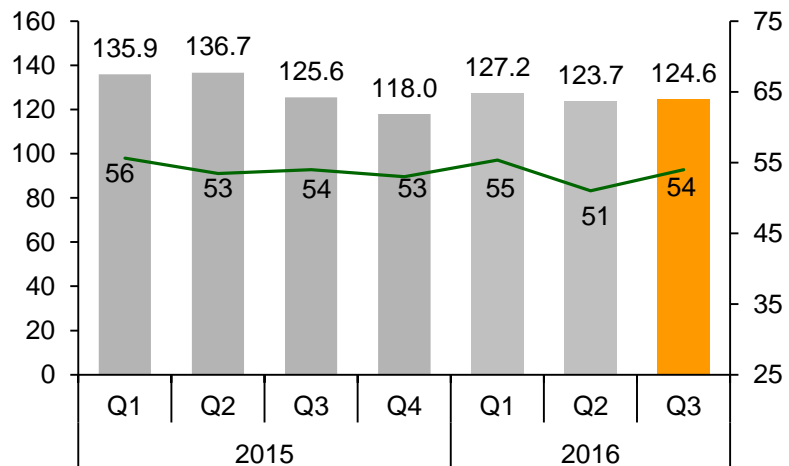
## NWC/ Inventories

- NWC requirements € 6.4 mn lower yoy
- Inventories decreased by € 1.0 mn in Q3/16 yoy, slightly up by € 0.9 mn compared to June 30, 2016
- Days of inventories on same level as in previous year at 54 days at the end of Q3/16, still at an unsatisfactory level

## Net working capital in € mn and as % of sales



## Inventories in € mn and days of inventories





## Financials – Balance Sheet

in € mn	09/30/2016	%	12/31/2015	%
Non-current assets	380.7	38.7%	380.3	42.8%
Inventories	124.6	12.7%	118.0	13.3%
Other current assets	172.8	17.6%	129.5	14.6%
Other short-term investments	0.0	0.0%	115.0	12.9%
Cash and cash equivalents	304.8	31.0%	145.7	16.4%
<b>Total assets</b>	<b>982.9</b>	<b>100.0%</b>	<b>888.5</b>	<b>100.0%</b>
Equity	295.8	30.1%*	287.8	32.4%
Other non-current liabilities	108.2	11.0%	96.1	10.8%
Interest bearing loans and borrowings	435.0	44.3%	383.2	43.1%
Other current liabilities	143.9	14.6%	121.4	13.7%

Net debt as of September 30, 2016: € 130.2mn (12/31/15: € 122.4mn)

17 \* 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 43.2% (December 31, 2015: 45.3%) at September 30, 2016

## Financials – Profit and Loss statement

in € mn	Q1-Q3/2016	%	Q1-Q3/2015	%
Sales	789.4	100%	817.5	100%
Cost of sales	-631.4	-80.0%	-658.6	-80.6%
<b>Gross profit</b>	<b>158.0</b>	<b>20.0%</b>	<b>158.9</b>	<b>19.4%</b>
Selling expenses	-45.1	-5.7%	-45.4	-5.6%
Administrative expenses	-39.1	-5.0%	-35.2	-4.3%
R&D	-14.3	-1.8%	-14.8	-1.8%
Other op. income	0.8	0.1%	1.2	0.2%
<b>Operating result</b>	<b>60.3</b>	<b>7.6%</b>	<b>64.7</b>	<b>7.9%</b>
Finance Result*	-8.9	-1.1%	-1.5	-0.2%
<b>Earnings before tax</b>	<b>51.4</b>	<b>6.5%</b>	<b>63.2</b>	<b>7.7%</b>
Income Tax	-15.1	-1.9%	-21.1	-2.6%
<b>Result for the period</b>	<b>36.3</b>	<b>4.6%</b>	<b>42.1</b>	<b>5.1%</b>

### Comments

- Organic sales almost at PY's level: 3.4% sales decline, organically down only 1.3%; € 12.1 mn in negative translational FX effects, € 5.3 mn reduction due to Aerway divestiture
- Gross margin improvement by 0.6 PP yoy to 20.0% (19.4%)
- SG&A cost up as a percentage of sales mainly due to higher admin. expenses resulting from EUR 2.5 mn in Haldex bid- and KLL transaction cost
- Operating result burdened by one-time transaction cost and write-down in China; adjusted for these effects the operating result was near PY's level
- Finance result at € -8.9 mn (-1.5) in 9M/16: Deterioration influenced by swing in unrealized FX gains from the valuation of inter-company foreign currency loans\*\* that had amounted to € 5.0 mn in 9M/15;  
Haldex effect: EUR 6.7 mn financial income from Haldex stake valuation versus EUR 6.1 mn transaction-related expenses
- Reported net profit amounted to € 36.3 mn (42.1) affected by swing in finance result and one-time expenses already mentioned

18 \* Finance result includes share of net profit from investments accounted for by using the equity method of € 1.4 mn in Q1-Q3 2016 (€ 1.0 mn in Q1-Q3 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-Q3/2016	Q1-Q3/2015
Result before tax	51.4	63.2
Finance result	10.3	2.5
Amortization/depreciation	16.8	16.0
Changes in Net Working Capital	-17.5	-39.3
Other items cash flow	2.1	1.3
<b>Operating cash flow before income tax</b>	<b>63.1</b>	<b>43.7</b>
Income tax paid	-9.2	-13.8
<b>Operating cash flow</b>	<b>53.9</b>	<b>29.9</b>
<b>Cash flow from investing*</b>	<b>87.6</b>	<b>-20.7</b>
<b>Cash flow from investing</b> <i>(excl. proceeds from sale of other short-term investments)</i>	<b>-27.4</b>	<b>-20.7</b>
<b>Cash flow from financing</b>	<b>18.4</b>	<b>-22.3</b>
Effect of f/X changes	-0.8	0.8
<b>Net change in cash</b>	<b>159.1</b>	<b>-12.3</b>

<sup>19</sup> \* Q1-Q3/2016 include the sale of other short term investments of € 115 mn, as well as the purchase of other financial assets of € 13.4 mn (Haldex)

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## 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 to the lower end of the range	+ Coop., JVs, Acquisitions: € 1,500 mn
Adj. EBIT-margin	8 - 9% expected to reach the upper half of the originally projected range	≥ 8%
NWC ratio	12 – 13%	12%
CAPEX	Approx. € 28 mn	€ 26 mn - € 28 mn p.a.

<sup>21</sup> \* 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-Q3/2016	Q1-Q3/2015
<b>Result of the period</b>	<b>36.3</b>	<b>42.1</b>
Income tax	15.1	21.1
Financial Result	10.3	2.5
Depreciation and amortization from PPA	4.0	4.9
Restructuring and integration costs	4.9	3.0
<b>Adjusted EBIT</b>	<b>70.6</b>	<b>73.6</b>
in % of Sales	8.9%	9.0%

## Key financials

in €mn	Q1-Q3/2016	Q1-Q3/2015
<b>Sales</b>	<b>789.4</b>	<b>817.5</b>
Cost of sales	-631.4	-658.6
<b>Gross profit</b>	<b>158.0</b>	<b>158.9</b>
Margin	20.0%	19.4%
<b>Adjusted result</b>	<b>42.8</b>	<b>49.3</b>
Margin	5.4%	6.0%
<b>Undiluted adjusted EPS in €**</b>	<b>0.94</b>	<b>1.09</b>
<b>Adjusted EBITDA</b>	<b>83.1</b>	<b>84.8</b>
Margin	10.5%	10.4%
<b>Adjusted EBIT*</b>	<b>70.6</b>	<b>73.6</b>
Margin	8.9%	9.0%
<b>Operating cash flow before income tax</b>	<b>63.0</b>	<b>43.7</b>

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

\*\*The finance result in Q1-Q3 15 included unrealized foreign exchange gains in the amount of € 5.0 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-Q3 15 had been disclosed in OCI instead, the undiluted adjusted EPS would have amounted to 1.01 in Q1-Q3 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

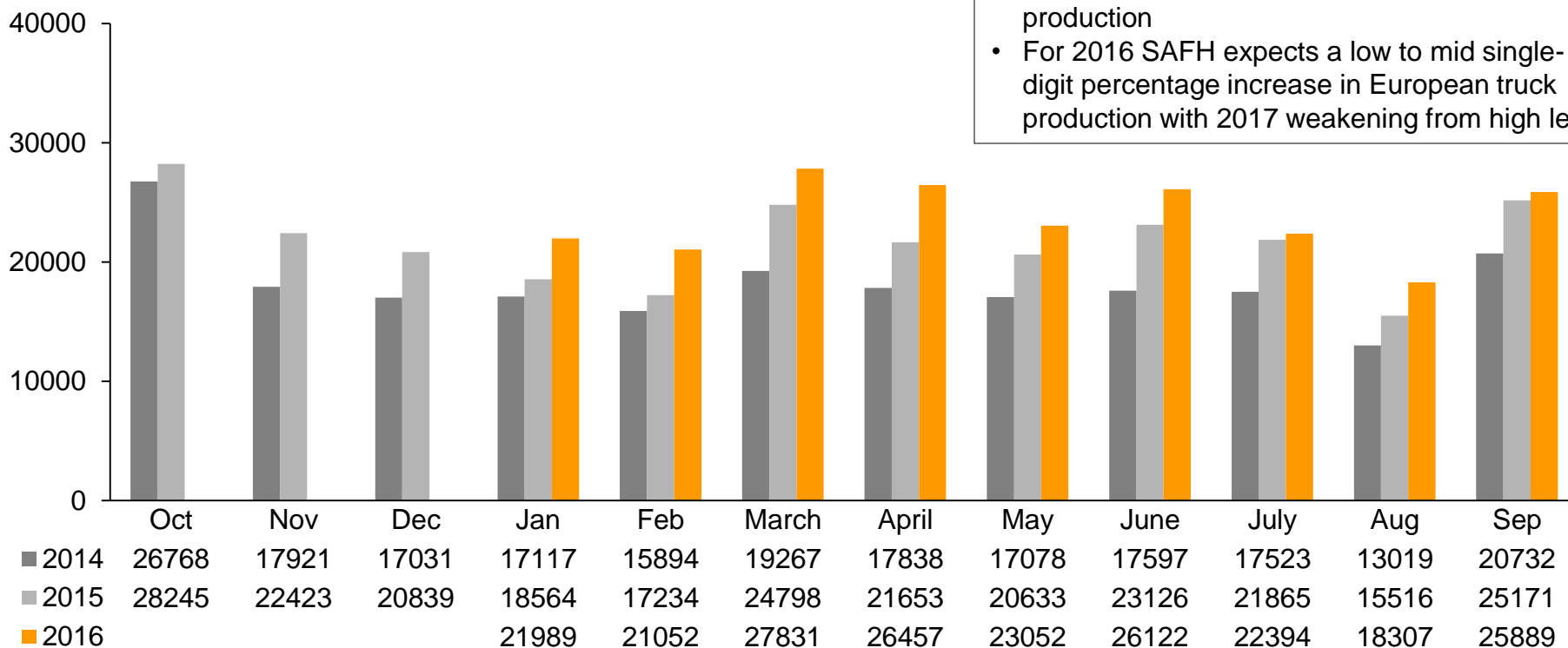
## Dividend policy

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%


# 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 with 2017 weakening from high level

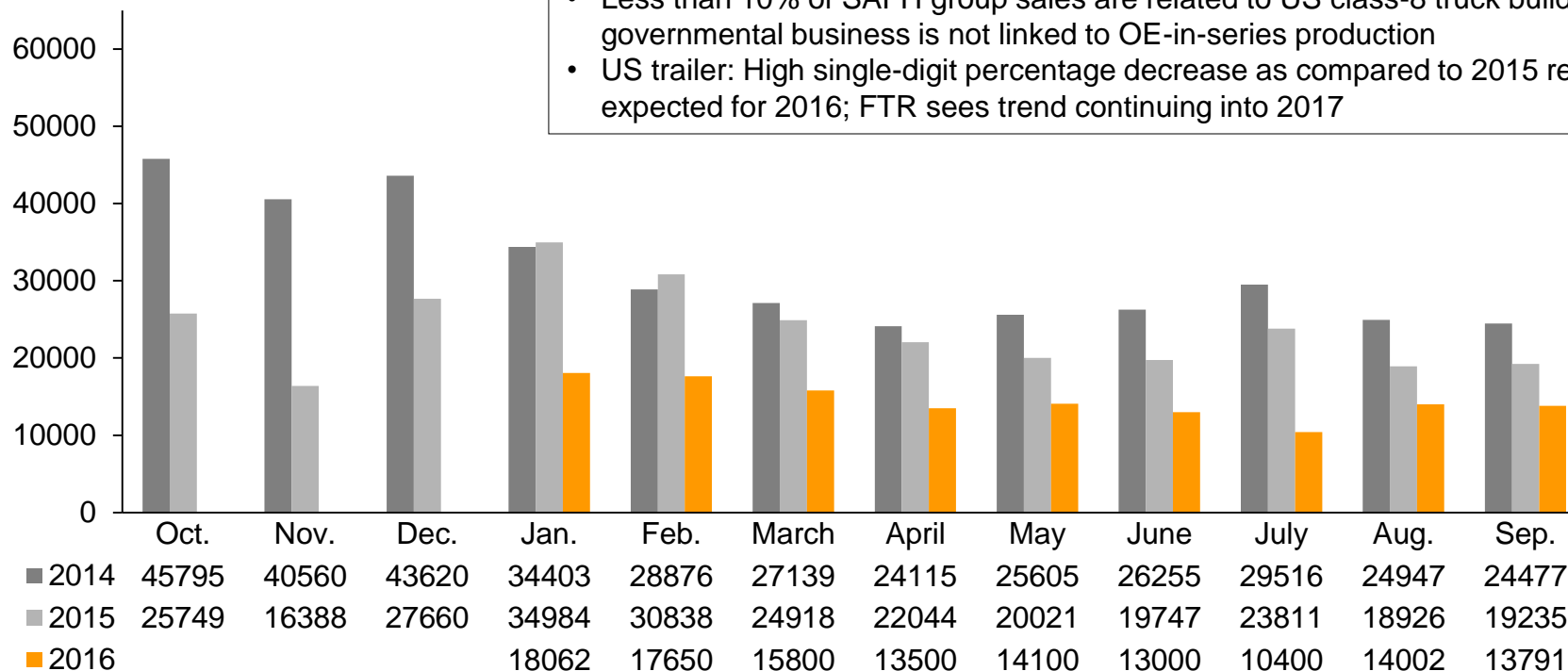

 Once again, in Sept. 2016 HCV new registrations were up 2.9% yoy.  
 Main contributions from Italy (+37.6%), Spain (+21.9%), France (+10.8%) and Germany (+5.6%)

# Truck market trend North America

## Class-8 net orders

### Analytics

- US trucks: Market has decreased even further with a trend change expected not before mid 2017
- Less than 10% of SAFH group sales are related to US class-8 truck build: 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 for 2016; FTR sees trend continuing into 2017



Preliminary N.A. Class 8 truck net orders in Sept. 2016 at 13,800 units, down 28% yoy, yet up 33% over July low; FTR expects net orders to stabilize over the next months

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