

SAF-HOLLAND

Text of Speech at the Annual General Meeting on May 14, 2009

Slide 1 (Title):

Mr. Chairman, dear shareholders, ladies and gentlemen,

I would like to welcome you to the second Annual General Meeting of SAF-HOLLAND. I am very pleased that you have made the journey to Luxembourg today to attend our AGM. I am Reiner Beutel, and I have been CEO of the Company since February.

Slide 2 (Subtitle):

Following a brief introduction of our Company, I would like to give you an overview of the market situation and the business of SAF-HOLLAND. Afterwards, I will present the financials. Following this, I will focus on the strategy of the Business Units and describe the restructuring measures we have taken to adjust to the current market situation. Finally, I will conclude with the outlook for the current fiscal year and the prospects for the medium term.

Slide 3 (Product Portfolio):

In this slide you can see SAF-HOLLAND's core areas of expertise. We are one of the leading manufacturers of axle systems,

suspensions, fifth wheels, kingpins, and landing legs for heavy trucks and trailers.

We have a global presence with production sites in North and South America, Europe, and Asia, and we have a worldwide service network with 9,000 service centers. In order to be close to our customers, we manufacture our products in the region and provide after-sales services locally. This global presence gives us the competitive advantage to respond to customer needs quickly, provides economies of scale and reduces transportation and logistics costs. It also reduces our exposure to exchange rate fluctuations. For this reason, we have devoted our annual report this year to the theme “Global Reach, Local Touch.”

Slide 4 (Executive Summary):

Our strategy as a global supplier of high-quality, innovative components and systems for the truck and trailer industry remains valid despite the financial crisis.

Until the third quarter of 2008, we experienced strong market growth in Europe, Asia, and South America, and SAF-HOLLAND participated in the worldwide boom of the transportation industry. In the first half of the year, we achieved double-digit growth rates in sales and profits, and we were facing very strong demand for our products. Consequently, we expanded our capacity during this period.

However, at the end of the third quarter 2008, the truck and trailer industry collapsed. Sales and production of trucks and trailers decreased by 25 to 80% in our respective markets, as did orders for our products.

Adjusted EBIT for 2008 was EUR 41.2 million, which is a decline of 32 % over the prior year. Earnings per share were 69 Euro cents compared with EUR 1.15 in 2007. Sales decreased by 1.7% to EUR 799 million. Exchange rate-adjusted sales, which provide a better picture of the business, increased slightly.

SAF-HOLLAND reacted immediately to the market downturn with a comprehensive and aggressive restructuring concept. We reduced costs by EUR 16 million and net working capital down to 86.7 Mio. Euro. For 2009, additional annualized cost reductions of EUR 34 million and inventory reductions of EUR 25 million are targeted.

Slide 5 (Subtitle):

Ladies and gentlemen, before I present SAF-HOLLAND's performance, I would like to explain the market situation during the past year.

Slide 6 (Worldwide Market Development):

Our markets are growth markets, fundamentally and sustainably. Globalization drives freight transportation. The growth of freight transportation is supported by two trends: the integration of more and more countries into worldwide trade and the trend to shift industrial production to countries with lower costs.

You can see in the diagrams that not only China and Russia are experiencing rapid growth, but that road transportation measured in vehicle kilometers is growing in Europe and the USA as well. And regardless of whether goods move from one continent to another by ship or by air freight – trucks and trailers are always at the beginning and at the end of every transport chain. Transportation growth followed this longterm trend and remained strong until the third quarter of 2008.

Slide 7 (Market Downturn in Q4 2008):

This picture shows the dramatic drop in global demand for commercial vehicles in the fourth quarter 2008. In the first half of 2008, demand continued to rise at double-digit rates in all markets. The exceptions being the USA, where the truck markets have been at relatively low levels since 2007. In the third quarter, sales were already decreasing around the world and dropped significantly in the fourth quarter. In Germany, one of our most important markets, demand dropped by more than half.

Slide 8 (Market- Q1)

In the first quarter of 2009, the industry declined further.

The European trailer markets are 75% below the previous year and the heavy truck markets are 50% below 2008.

US trailer production decreased by 45% and the class 8 truck market declined by 30% from an already low level. The BRIC countries are following suit with some time delay.

Now, in the middle of the second quarter, we are seeing initial positive developments in the areas of aftermarket and truck production schedules in North America.

Slide 9 (Subtitle):

Ladies and gentlemen, how did our business perform in this environment?

Slide 10 (Major Events 2008/2009):

Let us first look back at the key events of the past year.

In May 2008, we acquired the landing leg product line from the American company Austin-Westran, with a manufacturing plant in China. As a result, we bought a profitable business, but also the ability to manufacture landing legs for Europe and the USA in a low-cost country.

In June 2008, we reached a cooperation agreement in our very profitable aftermarket business with DAF Parts, and similar agreements with Volvo and MAN followed in December.

A major strategic step towards increasing our fifth wheel business in Europe was the acquisition of Georg Fischer Verkehrstechnik GmbH, the second-largest manufacturer of fifth wheels, based in Singen, Germany.

When the markets deteriorated sharply at the end of the third quarter, we immediately took aggressive actions to reduce costs and working capital.

In addition, we initiated discussions with the lending banks about our financing. In February 2009, these discussions led to a standstill agreement until mid-year. In the course of this process, the banks asked for an expert opinion on the Company as a going concern and a validation of our restructuring plan. In a preliminary report, KPMG confirmed the going concern prognosis for SAF-HOLLAND.

Slide 11 (Business-Overview):

On slide 11 you can see the most important key figures for 2008. Sales in 2008 declined slightly from previous year and reached EUR 798.8 million.

Adjusted EBIT decreased from EUR 60.5 million in 2007 to EUR 41.2 million in 2008. The EBIT-margin declined to 5.2%.

Slide 12 (Business-Overview):

The negative effects of the financial crisis began to impact our markets at the end of the third quarter. And the decline even accelerated in the fourth quarter.

The slump hit us in a situation where we had just increased our capacity in Europe. The overcapacity resulted in under absorption and unused fixed costs as well as margins erosion.

In addition, we had built up inventories over the course of the year, which totaled EUR 112 million in the third quarter. We had done this in view of an apparently almost historical development: the first half of 2008 was marked by an extraordinarily strong inflow of new orders in Europe. As a result, we experienced raw material shortages and increasing material prices. To control the situation we built up inventories.

Additionally, we had to build up inventories in the USA for the start of production of our own axles, plant consolidation measures and new business with the US military.

Slide 13 (Sales by Region):

SAF-HOLLAND has a leading position in most important markets: Europe remains our largest market. Here, we generate two-thirds of our sales.

In North America, the market was very weak in 2008, and we recorded a decline in 2008.

The region "Other" primarily includes sales in the emerging markets Brazil, India, China, and Russia. In these regions, we expanded our business by almost 45% on an exchanged rate-adjusted basis.

Slide 14 (Sales by Business Unit):

Sales by Business Unit changed only very little from the previous year. Trailer Systems remained the largest Business Unit, accounting for two thirds of total sales.

Our very profitable Aftermarket Business Unit shows a decline because fleets were partly taken out of operation, and as a result, demand for spare parts decreased significantly.

The growth in the Powered Vehicle Systems Business Unit was driven by the acquisition of Georg Fischer.

Slides 15 and 16 (EBIT by Business Unit):

Let us now take a look at Business Unit performance. In the Powered Vehicle Systems Business Unit, we more than doubled the adjusted EBIT to EUR 7.2 million through an improved customer and product mix. A US military contract will generate stable business over the next several years with good margins.

EBIT in the Trailer Systems Business Unit declined to EUR 12.3 million due to decreasing production, overcapacity, and unabsorbed fixed costs.

Aftermarket earnings improved slightly due to a favorable product mix.

Slide 17 (Investments):

Ladies and gentlemen, investments more than doubled in 2008 to EUR 74 million.

This was primarily driven by the acquisition of Austin-Westran and Georg Fischer Verkehrstechnik. When we made these decisions, the world was a different world. In hindsight, these acquisitions might seem very aggressive, but the strategic rationale remains valid. These acquisitions will improve our competitive position over the long term and create significant value.

With the production of landing legs in China, we are improving our presence in the world's third largest market for commercial

vehicles. In addition, the acquisition is strengthening our position in North America since previously Austin-Westran was one of our competitors, thus creating synergies with our existing business. Moreover, we will utilize our Chinese manufacturing base and our European sales network to sell landing legs in Europe.

The company is currently contributing approximately EUR 11 million to sales, but we will increase this significantly in the future. The integration of Austin-Westran is proceeding according to plan, and we already achieved the most important milestones in 2008.

The acquisition of Georg Fischer Verkehrstechnik GmbH has closed a strategic gap. Georg Fischer is the second-largest supplier of fifth wheels in Europe and has a market share of approximately 20 percent. This complements our Holland fifth wheel business, which is the market leader in the US. The integration is proceeding according to plan. The acquisition of Georg Fischer was financed by a capital increase of EUR 14 million and bank loans.

The capital expenditure for our own axle production in North America was another major investment. In the past, we had purchased axles for our North American suspension and slider business from third parties. Now, we use our axle capabilities from Europe to create additional value and synergies in the US and to improve our margins.

Slide 18 (Subtitle):

I would now like to speak about the 2008 financials in more detail.

Slide 19 (Key Figures):

Sales in 2008 decreased from EUR 813 million in 2007 to EUR 799 million in 2008. This was a 1.7% decline.

Exchange rate-adjusted, sales grew slightly.

The increase in capacity in the first half-year led to high fixed costs. When the volume went down at the end of the third quarter, the gross margin deteriorated. Therefore, the gross margin for 2008 decreased by 2.6 percentage points compared to 2007.

This decrease in the margin progressed all the way to the bottom line. Adjusted EBIT decreased from EUR 60.5 million in 2007 to EUR 41.2 million in 2008, and adjusted earnings per share fell from EUR 1.15 to EUR 0.69. Operating cash flow declined by only EUR 10 million to EUR 41.9 million.

Slide 20 (Balance Sheet):

Now let's turn to the balance sheet. Here, you see an increase in fixed assets, which resulted primarily from the two acquisitions.

The decrease in current assets resulted primarily from the write-downs on goodwill of EUR 19 million.

In addition, we reduced inventories in order to improve cash flows. At year-end, inventories had decreased by almost EUR 11 million to just under EUR 86 million. In sum, total assets fell slightly compared with the previous year.

Equity decreased from EUR 108 million to EUR 72 million. This was mainly driven by the write-downs on goodwill. Bank loans increased from EUR 263 million to EUR 312 million as a result of the acquisitions.

Slide 21 (Cash Flow Statement):

Now I would like to speak about the cash flow. Profit before tax was minus EUR 22 million. Depreciation and amortization increased by EUR 20 million driven by the write-downs on goodwill resulting from the impairment test. Overall, operating cash flow is positive at EUR 34.8 million.

Cash flow from investing activities was minus EUR 72 million due to the acquisitions of Austin-Westran and Georg Fischer Verkehrstechnik. If we deduct these acquisitions and consider only maintenance capex, our business generated a positive cash flow.

Slide 22 (Subtitle):

Ladies and gentlemen, I would now like to make some comments about the strategy of SAF-HOLLAND.

Slide 23 (Strategy):

The SAF-HOLLAND strategy remains valid despite the deep recession. Our strategy is to develop, manufacture, and market high-quality, innovative systems and components for the truck and trailer industry.

The objective of the business combination between SAF and Holland was to introduce the products available in the US and Europe to the respective markets. The acquisitions of Austin-Westran and Georg Fischer complement this objective.

In trailer axles we are a leading European supplier with an approximately 40% market share. In the US, we now use our European axle technology and combine this with the trailer suspensions business of Holland. Therefore, we can now supply a complete and innovative so called slider to our customers. Previously, axles were sourced from a direct competitor; now this product is produced in our factory in Warrenton, Missouri.

Landing legs are a key product of our US business. With the acquisition of Austin-Westran we increased our US market share and acquired a low-cost manufacturing base in China. With a newly developed product which will be produced in China, we can now also offer landing legs in Europe and grow our business in the US further.

Slide 24 (Strategy PVS):

The strategy of our Powered Vehicle Systems Business Unit is to increase our global market position. In fifth wheels and king pins, we are the dominant player in North America.

With the acquisition of Georg Fischer, we can leverage our market and technology leadership in North America and increase our market share in Europe as well. Furthermore, we will offer Georg Fischer's products, particularly fifth wheels, to truck manufacturers in Brazil.

In China, our focus is on the truck and bus markets. In addition, we aim to use China as a low-cost production location in the future.

Slide 25 (Strategy Trailer Systems Europe):

The Business Unit Trailer Systems developed a new generation of axles with a modular design. With this modular approach, we can target niche markets and special applications and increase our market presence in higher margin segments.

We are already producing axles in China. We will increase our production capacity there and start manufacturing axle beams in China for the European market.

Slide 26 (Strategy Trailer Systems North America):

These illustrations show sliders, which are complete systems mounted beneath a trailer. The slider consists of axles, the wheel suspension, the suspension system, and brakes. The upper model represents the current North American standard with drum brakes.

The lower model is equipped with disc brakes, which is the standard in Europe. We expect that the share of disc brakes will increase in the US, and we have a significant competitive and technological advantage over our competitors with this product.

In addition, this year we have started to manufacture axles in the US in our Warrenton plant. This will improve our margins and provide technological and quality advantages.

Slide 27 (Strategy TS BRIC):

Globally, our aim is to focus on the BRIC countries. The growth rates in these countries are significantly higher than those in our core markets of Europe and the USA. Extensive investments in transportation infrastructure are driving this growth.

We are well-positioned in all four countries, Brazil, Russia, India, and China. While the demand for trucks is dominant in China, for example, we have focused on axle systems for buses in India because this is still the much larger market. In Russia, in turn, growing trade with the EU is promoting demand for transport.

Slide 28 (Strategy Aftermarket):

Ladies and gentlemen, our Aftermarket Business Unit is very profitable. In order to grow the aftermarket business, we need to expand our installed base. Because with the installed base, the demand for spare parts increases, too.

In addition, we have increased our product offering through Georg Fischer products and can create synergies through the integration of the Georg Fischer aftermarket business into the SAF-HOLLAND organization.

We have also reached agreements with the truck manufacturers DAF and Volvo to cooperate in the aftermarket business. As a result, our service network has grown to 9,000 service centers worldwide. Currently, we are also discussing potential cooperation with Mercedes-Benz, Iveco, and Renault.

Slide 29 (Subtitle):

Ladies and gentlemen, let me now talk about the global economic crisis and the measures we have taken and will take in order to cope with the crisis. After the Lehman Brothers meltdown, the market for commercial vehicles came to a complete stop last year within just a few weeks.

Slide 30 (Restructuring Measures):

SAF-HOLLAND has responded rapidly and aggressively to the new situation. Within weeks, we developed a restructuring concept and implemented measures aimed at a reduction of costs and working capital.

At the heart of the concept is the consolidation of our manufacturing presence in Europe, North America, and Asia. We have closed two plants in the US and one plant in Europe as well as frozen a plant in Germany. We decreased the number of employees by 720 and reduced direct overhead costs substantially. In addition, we introduced reduced working hours in all of our German plants and in parts of the administration. These measures will be in effect until further notice.

Management, too, has committed to a cutback. Bonuses were completely waived for 2008, and in 2009, fixed salaries for management and all executives are being cut by ten to fifteen percent. The pay for top management was reduced by up to 50%. In addition, the members of the Management Board have provided an unsecured loan of EUR 1.3 million to SAF-HOLLAND to show their commitment to the Company.

Altogether, the objective is to save approximately EUR 50 million. EUR 16 million of cost savings were already achieved in 2008. For 2009, the objective is to save another EUR 34 million over the course of the year.

With these measures, we will lower the breakeven to approximately EUR 500 million in sales. These measures will put us in a position to navigate SAF-HOLLAND through the global economic crisis.

Slide 31 (Subtitle):

Ladies and gentlemen, how do we see the future of SAF-HOLLAND over the short- and medium-term?

Slide 32 (Outlook):

In the short term, we are continuing to improve SAF-HOLLAND's efficiency and cost base. Moreover, we will reduce inventories and working capital by EUR 25 million. With these measures, we will make sure that SAF-HOLLAND will come out of the crisis much stronger.

As of now, nobody can predict when this crisis will be over, but our markets are usually the first ones to recover. We are already seeing initial positive signs in the aftermarket and the truck production schedules in North America.

Despite the crisis, we continue to pursue our global strategies aggressively. We are committed to growing our business in markets such as Brazil, India, and China and investing in our technological leadership. In this way, we will improve the foundation for the sustainable medium- and long-term growth of our Company.

For the medium term, the objective is unchanged to generate sales of EUR 1 billion with an adjusted EBIT margin of 10 percent.

Thank you very much.