SAF-HOLLAND Annual General Meeting on April 26, 2018

Speech from Detlef Borghardt, CEO

Chart 1

Dear Shareholders and Shareholder representatives, Ladies and Gentlemen,

My name is Detlef Borghardt and I am the CEO of SAF-HOLLAND. On behalf of the whole Management Board, I would like to welcome you to the Annual General Meeting 2018 of SAF-HOLLAND S.A.

In 2017, most of the major economies developed positively. The global commercial vehicle markets largely returned to their long-term growth trend, even if some of the important regional markets, such as Brazil, made little progress or, in the case of the commercial vehicle production in Turkey, showed clear signs of weakness. The dynamic increase in demand for trucks and trailers in the second half of 2017 in the United States turned out to be not solely a positive development for us.

The Group’s individual segments saw very divergent development. While the EMEA/I and APAC/China regions both posted an outstanding development in sales as well as in earnings, the earnings performance in the Americas region came in below plan.

The unexpected dynamic recovery in the truck and trailer markets in North America in the second half of 2017, at a time when we were already in the middle of relocating our plants in the course of our US plant consolidation, presented us with production and logistical challenges. It was no question for us that the priority was the needs and requirements of our customers, and we did our best to meet them. After all, making our customer needs a priority is the basis upon which we have built our long-term successful working relationship, not only with our customers in the original equipment business but also with the fleets and in the spare parts business.

We were still able to reach key operating milestones last year in the US. By relocating the Holland production site in September and the plant in Muskegon at the end of December 2017, the Group was able to complete the relocation measures planned within the scope of the U.S. plant consolidation on schedule at the end of 2017.

Chart 2

Full-year 2017 sales and earnings targets achieved

	Originally (March 2017)	Actual business development 2017	Status
Sales	Organic sales from EUR 1,060 to EUR 1,090 mn	EUR 1,138.9 mn (reported) EUR 1,138.8 mn (organic)	
Adj. EBIT margin	8 to 9 % Tending towards the mid-point of the range	8.0 %	
Net Working Capital ratio	12-13%	11.0%	

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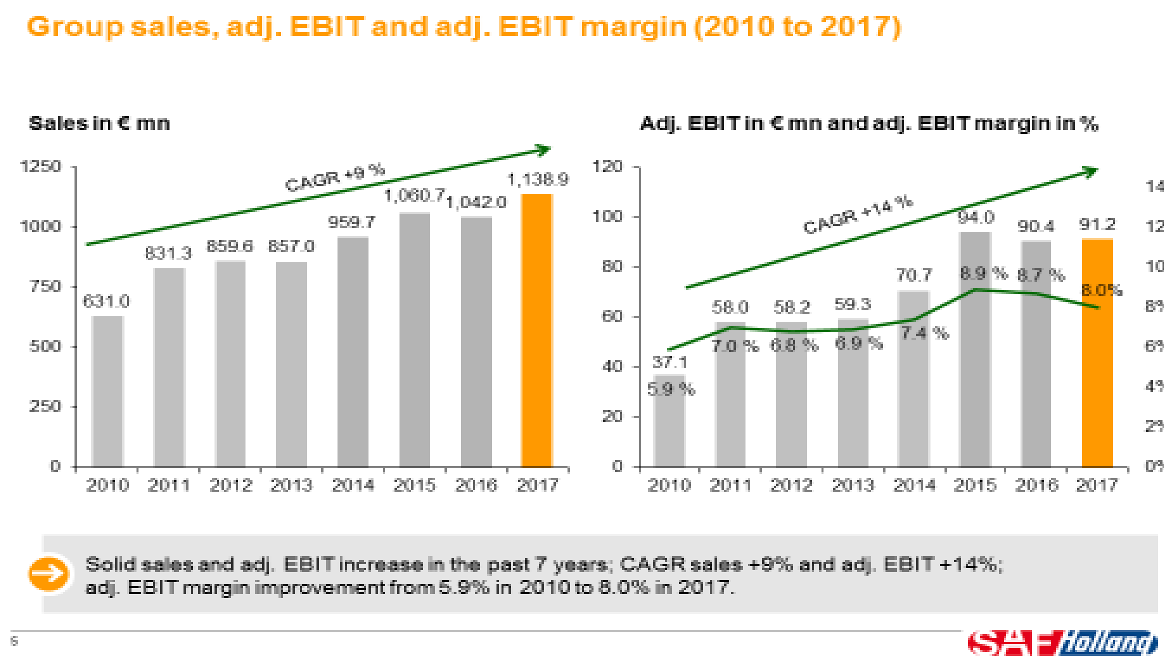
The 2017 financial year overall was a challenging year. Still, SAF-HOLLAND significantly exceeded its original sales target and increased sales by EUR 96.9 million to a total of EUR 1.138,9 million – a big step. The Group also achieved its operating earnings targets, though finally at the lower end of the targeted range of 8 to 9%.

We also took some important steps during the reporting year towards achieving our medium-term targets as part of our Strategy 2020. We worked intently on designing solutions for smart trailers, increasing our contribution to autonomous driving and implementing a significant number of digitization projects. And we progressed on the road to complement our growth through acquisitions and joint ventures – also an important objective of our Strategy 2020.

Chart 3



Let me briefly relate to the most important other FY 2017 figures:

2017 sales were driven by soaring customer demand from the US truck and trailer industries, a solid increase in Europe and dynamic sales growth in China. Sales revenue picked up 9.3% equalling € 1,138.9 mn (py: 1,042.0).

Negative FX effects (€ 9.1 mn) and sales contribution of the acquired Brazilian company KLL (€ 9.2 mn) balanced out, so organic sales were up 9.3% to € 1,138.8 mn topping both the originally planned figure of up to € 1,090 mn and the upward guidance adjustment from Oct. 2017 (€ 1,125 to 1,135 mn).

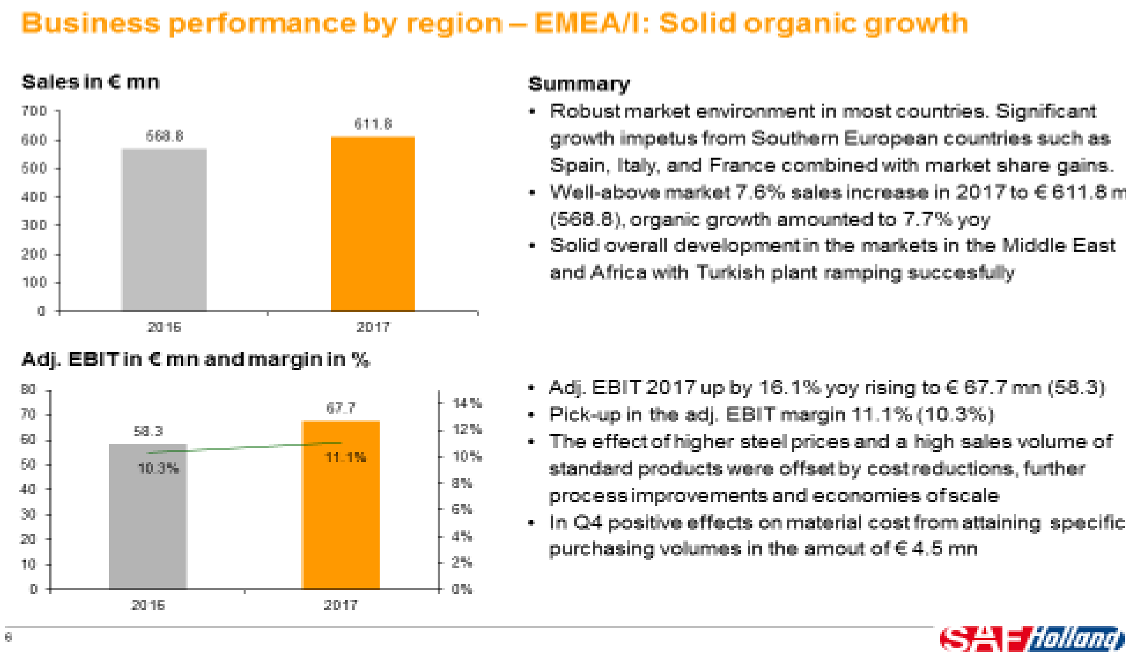
In terms of profits: Adj. EBIT in fiscal year 2017 increased to € 91.2 mn (py: 90.4). Adj. EBIT margin came in at 8.0% (py: 8.7%) at the lower end of the 8 to 9% range, mostly caused by the unexpected, swift increase in demand from US truck and trailer customers coinciding with our transitioning measures from the US plant consolidation.

Reported EBIT achieved amounted to € 72.7 mn (py: 78.4). Due to higher net interest expense the finance result declined to EUR -16.5 mn from EUR -13.5 mn a year ago.

Overall, the Group’s result for the period amounted to EUR 11.7 mn versus EUR 13.5 mn in 2016.

Let us briefly take a look at the course of business in the reporting regions …

Chart 4



In the EMEA/I region market environment was robust in most countries. A significant growth impetus came from Southern European countries such as Spain, Italy, and France and we achieved with market share gains.

To sum it up: the region performed excellently both on the sales and on the earnings side.

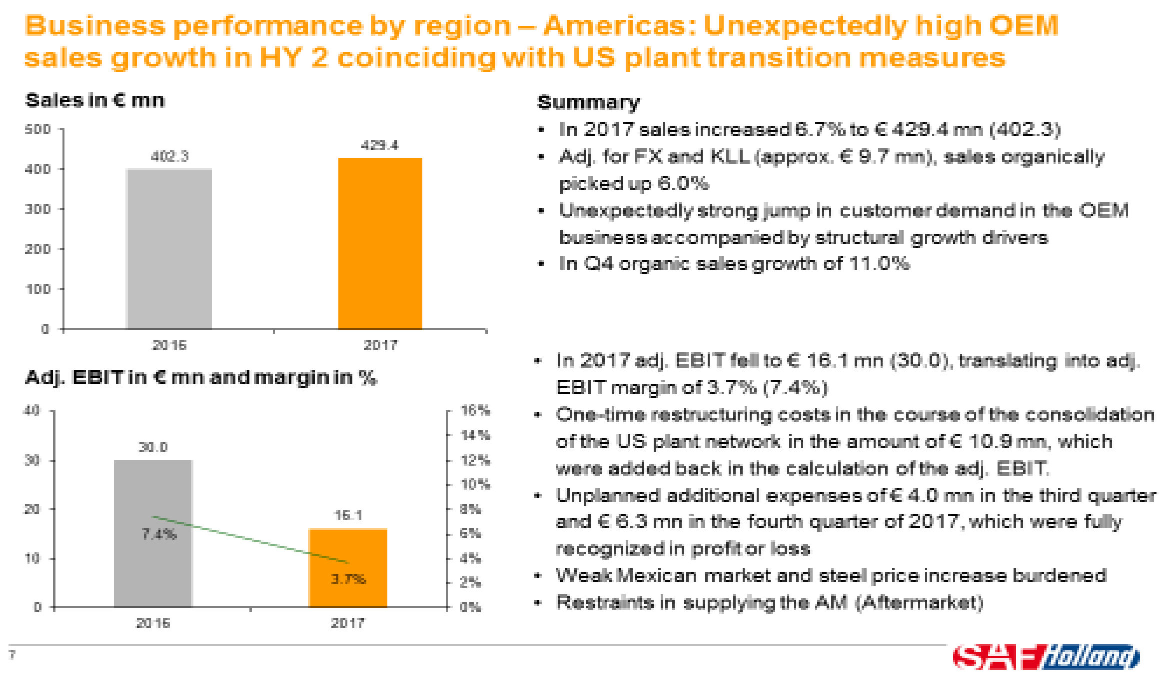
Sales in the EMEA/I region in 2017 thus rose 7.6% to € 611.8 mn (568.8), organic growth amounted to 7.7% yoy

We also experienced an overall solid development in the markets in the Middle East and Africa with our Turkish plant ramping successfully.

Besides, we managed to offset the effect of the higher steel prices and a high sales volume of standard products by cost reductions, further process improvements and economies of scale.

Consequently, the adj. EBIT 2017 was up 16.1% yoy rising to € 67.7 mn (58.3). At the same time, the adj. EBIT margin picked up to 11.1% (10.3%).

Chart 5



We saw quite a different picture in the Americas region.

In 2017 sales increased by 6.7% to € 429.4 mn (402.3). Adj. for FX and KLL (approx. € 9.7 mn), sales organically picked up 6.0%

In the OE business, we were confronted with a strong jump in customer demand, especially on the truck side, at the same time when we were executing our plant transition measures consolidating our production network in the US from 7 to 5 sites. This weighed in on margins and put some restraints on supplying the higher-margin Aftermarket.

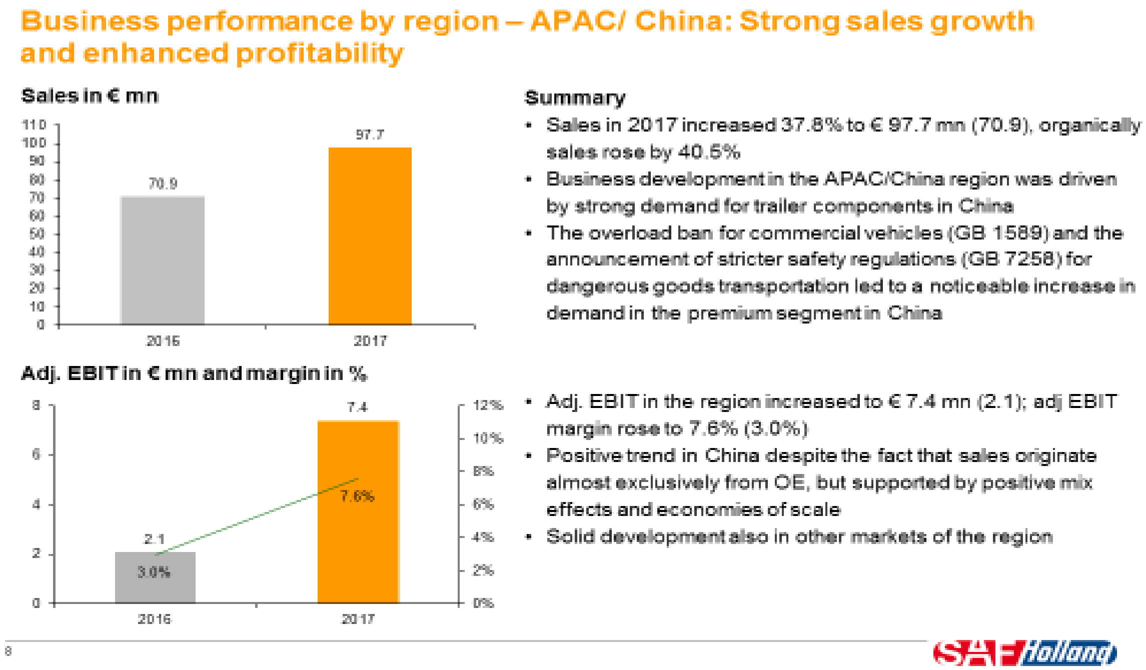
One-time restructuring costs in the course of the consolidation of the US plant network reached € 10.9 mn, which were added back in the calculation of the adj. EBIT.

Moreover unplanned additional expenses of € 4.0 mn occurred in the third quarter and € 6.3 mn in the fourth quarter of 2017, which were fully recognized in profit or loss.

Also the Weak Mexican market and consistent steel price increases burdened.

In total adj. EBIT in the Americas region in 2017 decreased to € 16.1 mn (30.0). This translated into an adj. EBIT margin of 3.7% (7.4%).

Chart 6



In the APAC/China region sales in 2017 increased 37.8% to € 97.7 mn (70.9). Organically sales rose by an even higher 40.5%.

Primarily the solid business trend in the APAC/China region was driven by strong demand for trailer components in China. We saw solid support from new legislative standards in China.

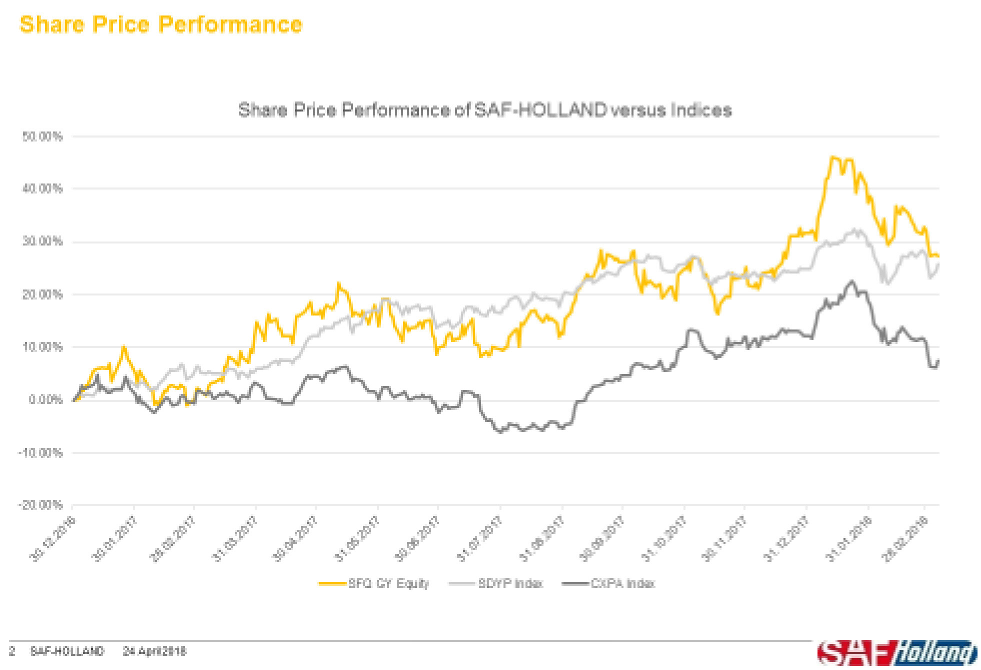
First the overload ban for commercial vehicles (GB 1589) and second the announcement of stricter safety regulations (GB 7258) for dangerous goods transporters led to a noticeable increase in demand in the premium segment in China.

As of January 2020 this segment will have to be equipped both with air suspensions and disc brake technology – our home turf if I may say so!

We were also successful inn improving profitability: The adj. EBIT in the region increased to € 7.4 mn (2.1), the adj EBIT margin rose to 7.6% (3.0%)

This positive trend in China is noteworthy due to the fact that sales originate almost exclusively from the OE business, supported by positive mix effects and economies of scale. Furthermore, we saw an overall solid development also in other markets of the region like Malaysia and Australia.

Chart 7

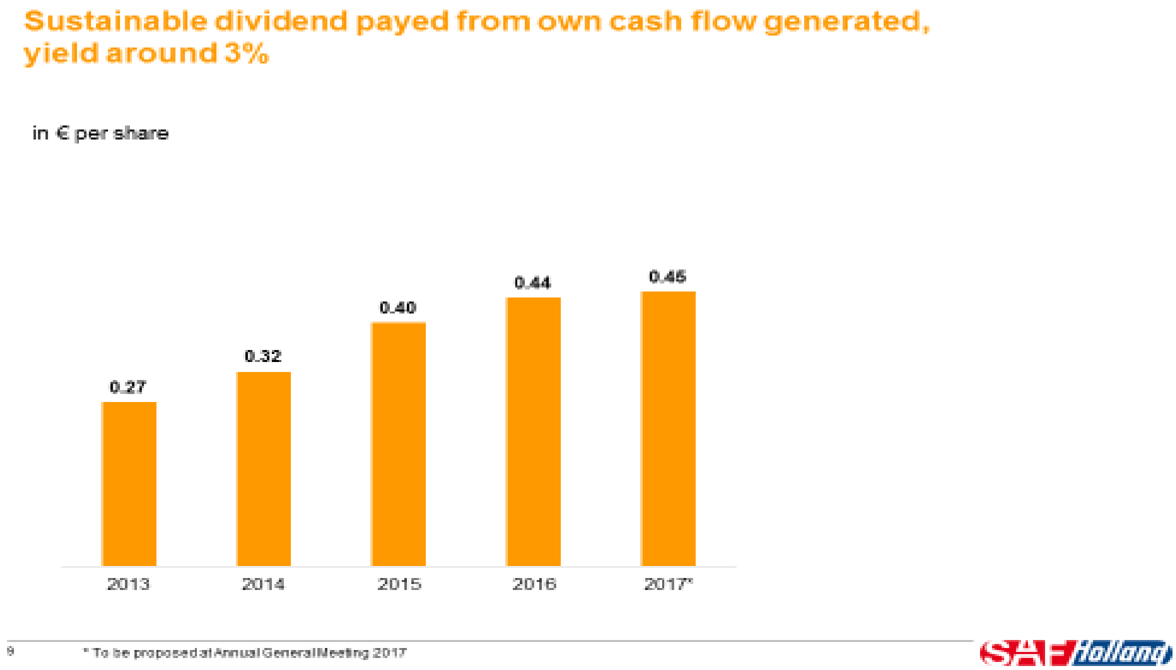


Let’s take a look at the share price trend for a minute,

During the 2017 financial year the SAF-HOLLAND share price showed a strong performance. Reflecting positive sentiment as regards the company and the industry environment, the share price appreciated 31.5% in 2017 outperforming the SDAX and DAX index and also the DAX Sector Automobile which was up 12.0%.

Beginning of this year the share price almost touched the EUR 20.0 mark and reached a new intraday all-time high of EUR 19.91 on January 12, 2018. Since then we have seen a consolidation down to the EUR 16 level. Following-up to a positive analyst recommendation, the share has recovered to around EUR 17 in the last couple of days.

Chart 8



Let me add, that we have proposed an increased dividend payment of EUR 0.45 per share. This corresponds to a total payout of EUR 20.4 mn and a payout ratio of 49.9% when compared to the result for the period.

SAF-HOLLAND pursues a long-term dividend policy aimed at giving shareholders an opportunity to participate appropriately in the company's success. As a general rule, the company plans to distribute between 40 and 50% of net income to shareholders.

So besides the solid share price appreciation, shareholders enjoy a dividend of 2.5% taking total return for the 2017 business year to 34%.

Chart 9

Outlook: Financial targets 2018 and mid-term planning 2020

	FY 2018*	Strategy 2020
Sales	Organic increase of 4 to 5% + potential M&A Assuming stable FX rates and unchanged scope of consolidation	Organic: € 1,250 mn + M&A: Coops, JVs, acquisitions Total: € 1,500 mn
Adj. EBIT margin	8 to 8.5%	≥ 8%
NWC ratio	12%	12%
CAPEX	€ 38 to 40 mn incl. high single-digit Euro mn amount related to new China plant	€ 26 mn to € 28 mn p.a.

30 * Projections assume that there is no significant deterioration of the political, economic or industry-specific environment, organic projections do not include potential sales and earnings contributions from acquisitions or JVs

Ladies and Gentlemen,

Let us now turn to what lies ahead of us: In the 2018 financial year our plan is to continue to grow and expand organic sales by 4 % to 5 % to reach a range of around EUR 1,180 million to EUR 1,195 million. Achieving this will bring us another step closer to achieving our Strategy 2020 goal of raising our organic sales to EUR 1,250 million by the year 2020.

The focus in 2018 will be to optimally reintegrate and align the logistics and production processes of our plant network in the US. We then expect to see a successive and sustainable improvement in the region’s profitability. This is the focus of our 2018 Management Action Plan (MAP) for the region.

Profitable growth is a priority in 2018. The adjusted EBIT margin is expected to reach a minimum of 8 % again in full-year 2018 and, from today's standpoint, is expected to be in the range of 8 to 8.5 %. In the Americas region, we expect to incur further additional operating expenses in the first half of 2018, but we foresee a gradual improvement in earnings over the course of the year.

Our medium-term 2020 target has been set out clearly: total sales of EUR 1.5 billion and an adjusted EBIT margin of at least 8 %. The share of sales from emerging economies should trend higher in the direction of 30 % because it is in these markets that we expect the transportation industry to see its highest growth rates in the coming years.

In the first quarter of the 2018 financial year, we accomplished a further milestone in our 2020 growth strategy by acquiring a majority stake in the Italian company V.ORLANDI S.p.A. This further strengthens our number two position in Europe for fifth-wheels and expands our specialty business with coupling systems and components. Regionally V.ORLANDI complements our position in trailer couplings in markets out of Europe such as China, the Middle East and Australia. The contribution expected from our latest acquisition will add to our stated organic sales and earnings outlook for the financial year 2018. Besides, we are in the process of closing the signed acquisition of York Group, Singapore the leading trailer axle manufacturer in China, which will propel us in the APAC/ China region.

Chart 10

Ladies and Gentlemen,

The SAF-HOLLAND Group has shown that everyone involved is moving in the same direction, and for this, I would like to thank all of our employees, also on behalf of my colleagues on the Management Board and Board of Directors. We would also like to show our special appreciation to SAF-HOLLAND's development partners, customers and suppliers for their reliable and faithful cooperation. Besides, we are very pleased with the long-term commitment shown by our shareholders. We invite all of you to join us on our journey ahead. With that in mind, I would like to come to the end of my presentation.

Thank you for your attention!