SMART STEEL

Q2 2018 Results

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Agenda

- Business Summary
- Guidance adjustment FY 2018
- Market update
- Regional trends: Status and profitability trend in the Americas
- Adjustment Group targets in sales and earnings FY 2018

Business Summary Q2 2018

- Q2 2018 sales growth of 15.0% reaching historically highest Q2 sales level of approx. € 345.4 mn (py: € 300.3 mn)

- Organic sales growth increased to 11.7%

- Current market environment marked by continued soaring customer demand and strained industry supply chain coinciding with new production network ramp-up and re-alignment lead to slower than originally expected reduction of additional operating expenses in the US

- Continued burdening effects and risks from still rising steel prices in the US (price pass-ons in most instances possible, but with a delay of approx. six months)

Business Summary Q2 2018

- Q2 2018 adjusted EBIT at € 23.8 mn (py: € 26.7 mn) down 10.9%; but sequentially higher than Q1 2018 (€ 20.3 mn)
- Adjusted EBIT margin came in at 6.9% (py: 8.9%) lower than anticipated
- Burden from increased operating cost related to the restructuring and realignment of the new US production network coinciding with sharp steel price increase in North America
- Noticeable improvement in net finance costs to € 2.4 mn (py: € 3.9 mn)
- EBT increased by 3.0% to € 17.2 mn (py: € 16.7 mn)

Business Summary Q2 2018: Guidance adjustment

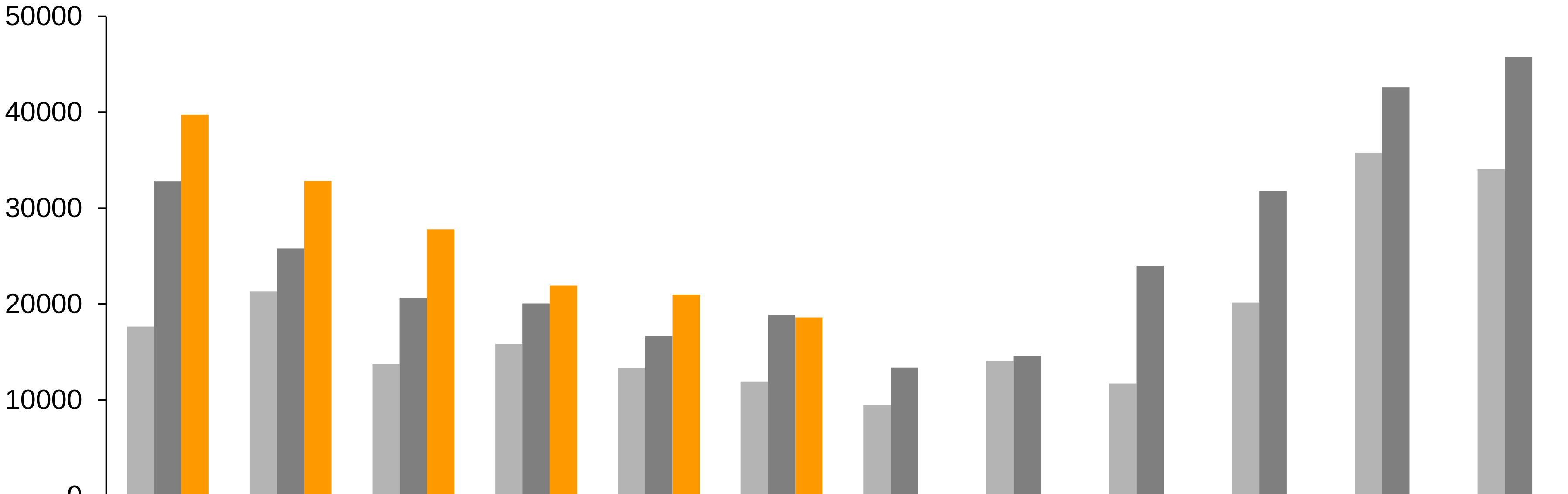
- Based upon Q2 2018 figures and expected further developments for the remainder of the year, SAF-HOLLAND adjusts its sales and earnings targets for the full business year 2018 (adj. EBIT margin specification)

- Considering group adj. EBIT margin we now expect the Group‘s adj. EBIT margin to come in within a range of 7.0% to 8.0 %;
  Previously: 8.0% to 8.5%

- Due to the stronger than expected organic sales revenue trend driven by both upbeat markets and underlying structural growth in the first six months 2018 we step up our sales forecast for the full year of 2018:
  Organic sales increase of 5% to 7%;
  Previously: Organic sales increase of 4% to 5%

Trailer market trend North America: Sustained strong order intake, backlog reaches up to six months

Trailer net orders



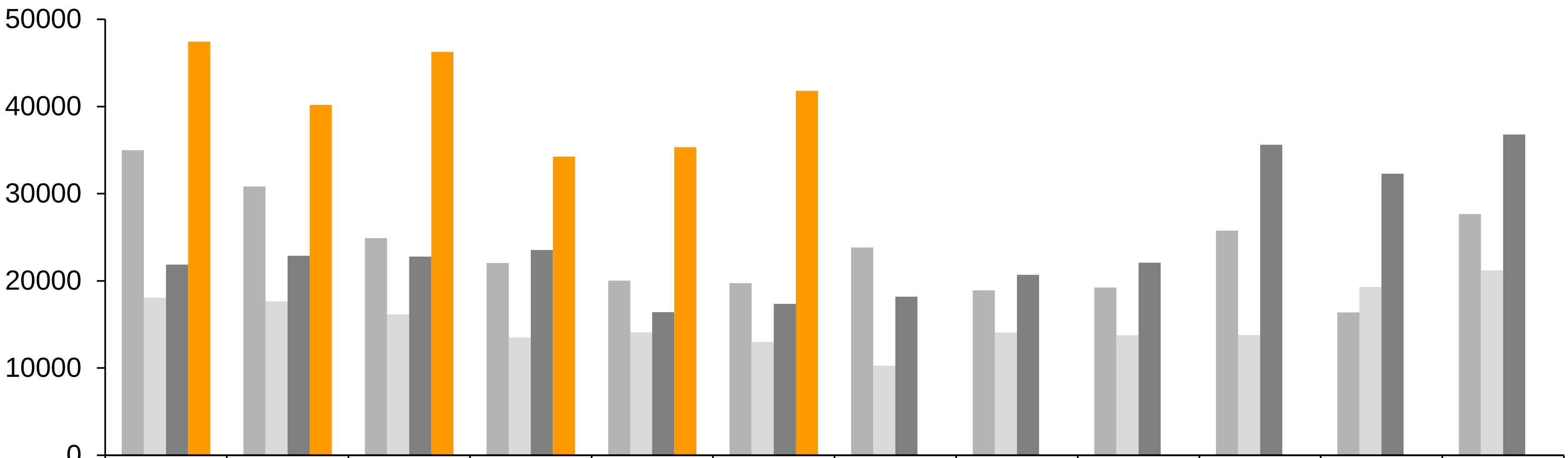
	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
2016	17649	21360	13789	15840	13302	11931	9482	14031	11746	20158	35790	34060
2017	32818	25798	20587	20056	16645	18911	13380	14620	23994	31793	42618	45792
2018	39764	32863	27811	21941	21008	18600						

June net trailer orders in NA were 18,600 units, down 11.5% m/m and down 1.6% y/y versus high comparables. In the first six months of 2018 net trailer orders increased by 20.3%.

 Source: FTR, July 2018

Truck market trend North America: Order boom versus strained supply chain

Class-8 net orders



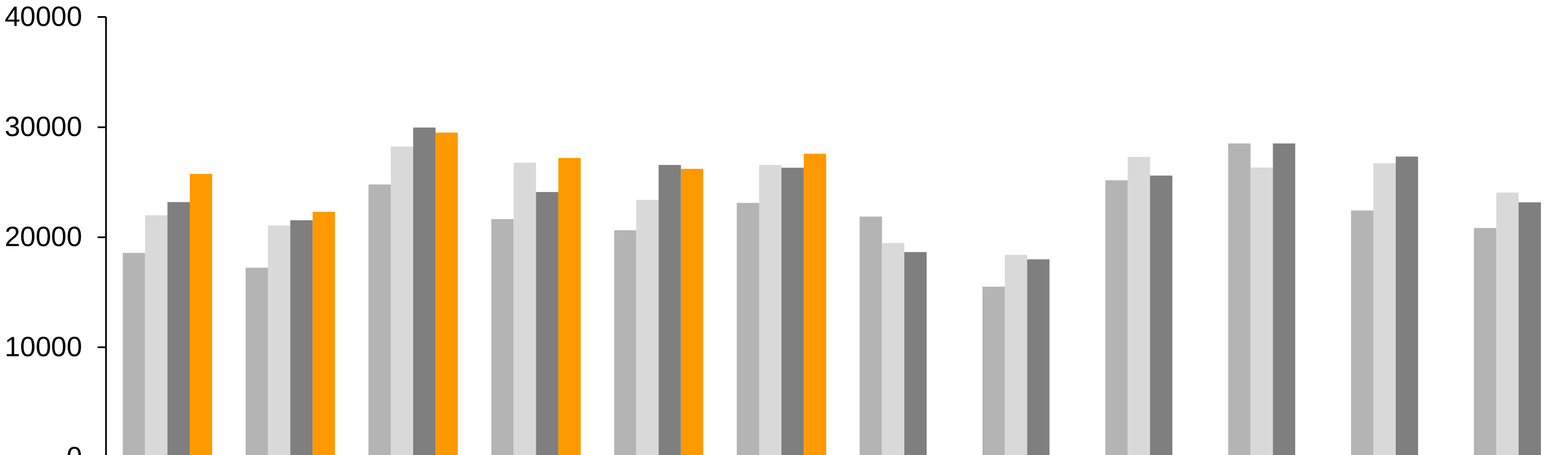
	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
2015	34984	30838	24918	22044	20021	19747	23811	18926	19235	25749	16388	27660
2016	18062	17650	16147	13500	14095	13000	10263	14078	13753	13775	19300	21200
2017	21863	22886	22765	23538	16419	17375	18197	20683	22082	35613	32293	36800
2018	47426	40185	46248	34262	35319	41800						

NA Class 8 net order intake for June 2018 was 41,800 units, up 18% m/m and significantly better than a year ago. In the first six months of 2018 class 8 net orders increased by 96%.

 Source: FTR, Truck OEMs - Total N.A. Cl. 8 Orders (US/CAN/MEX/EXP), July 2018

Heavy truck market in the EU: Solid trend continues

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

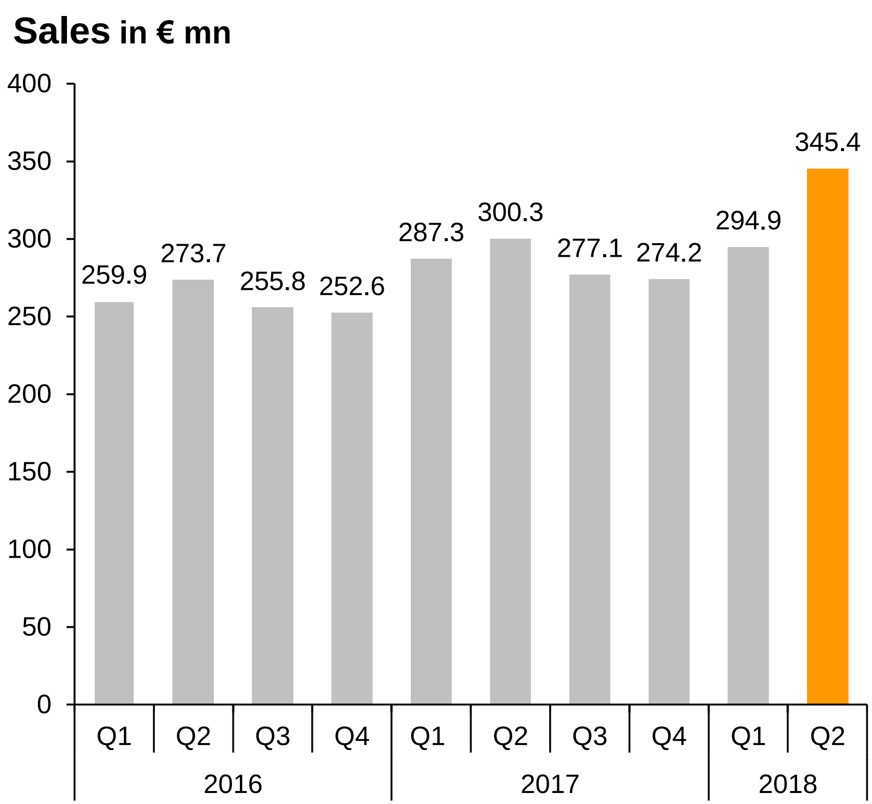


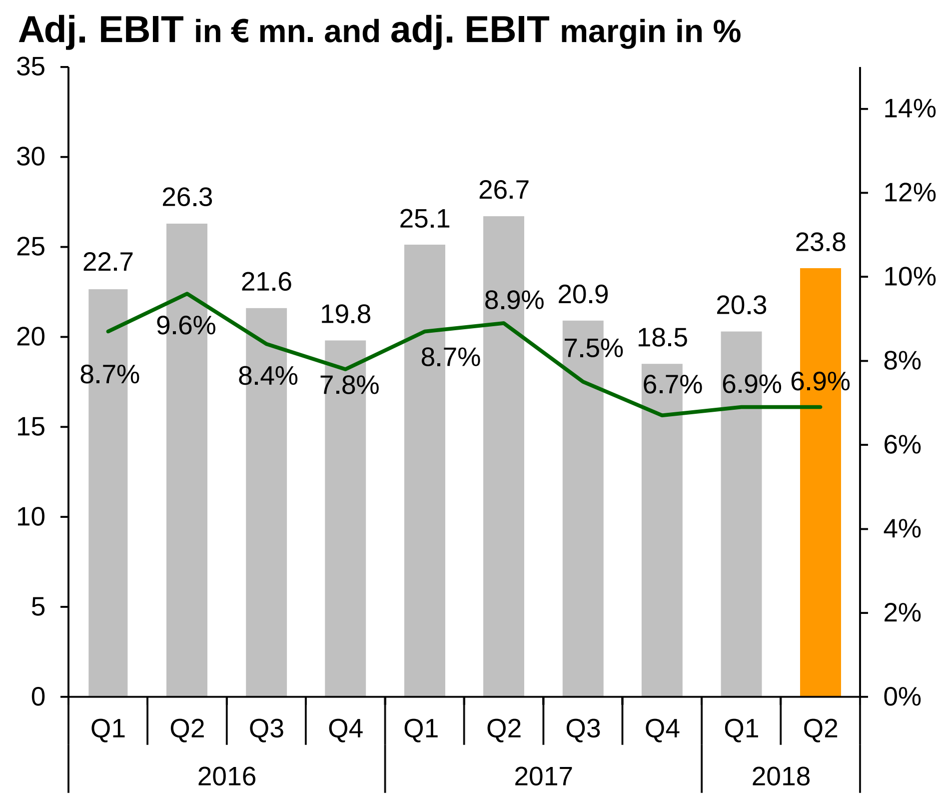
	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec
2015	18564	17234	24798	21653	20633	23126	21865	15516	25171	28529	22431	20839
2016	21989	21052	28250	26756	23402	26571	19453	18387	27305	26324	26727	24044
2017	23195	21531	29971	24096	26572	26307	18646	17984	25598	28521	27314	23177
2018	25753	22312	29501	27189	26212	27580						

In June 2018, demand for heavy commercial vehicles increased to 27,580 vehicles. In the first six months of 2018 heavy truck market in the EU increased by 3.9%.

 Source: ACEA, Commercial vehicle registrations, July 2018

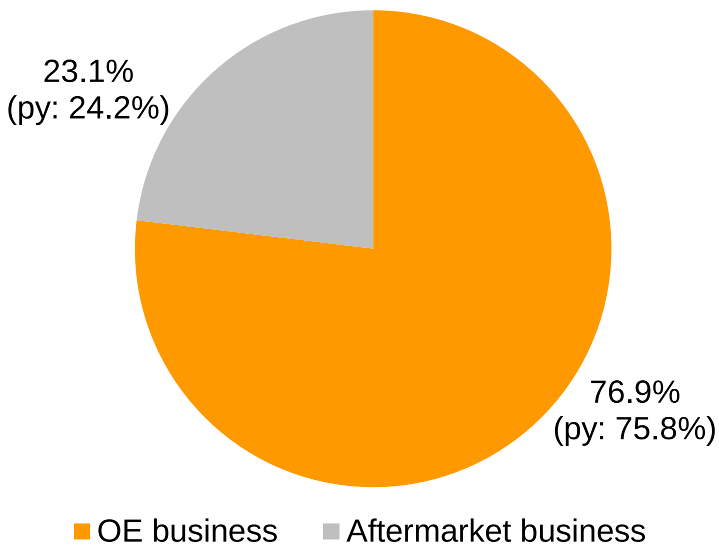
Group sales and adjusted EBIT by quarter

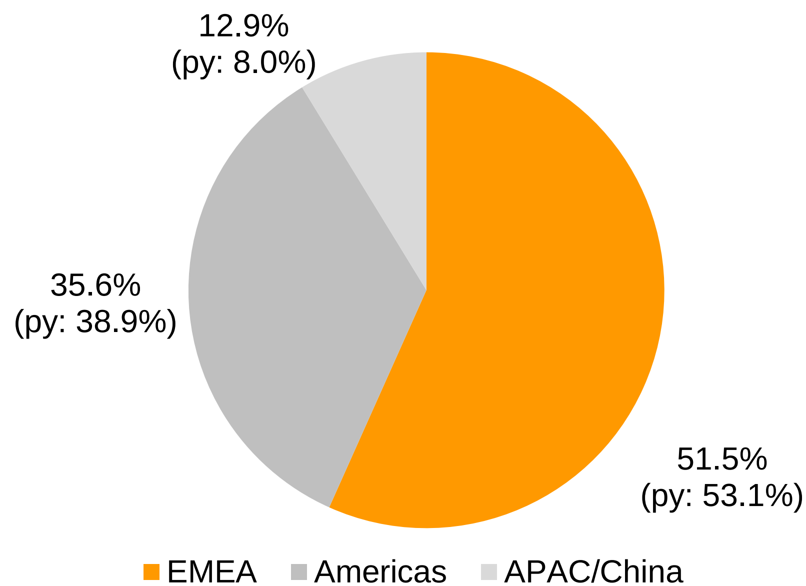




Q2 2018 top line grew by 15.0% reaching a record level of € 345.4 mn (py: € 300.3 mn).
Adjusted EBIT margin down to 6.9% (py: 8.9%).

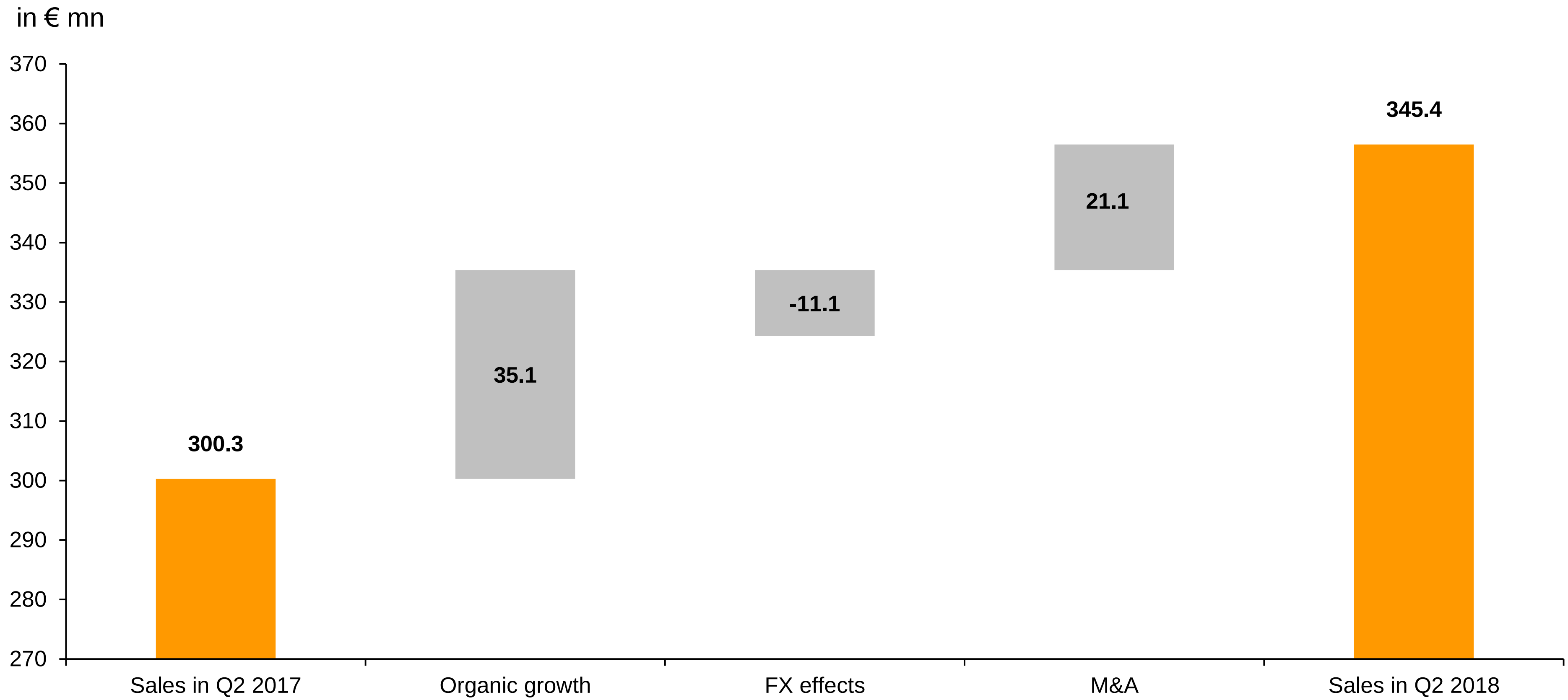
Share of group sales by channel and region in Q2 2018





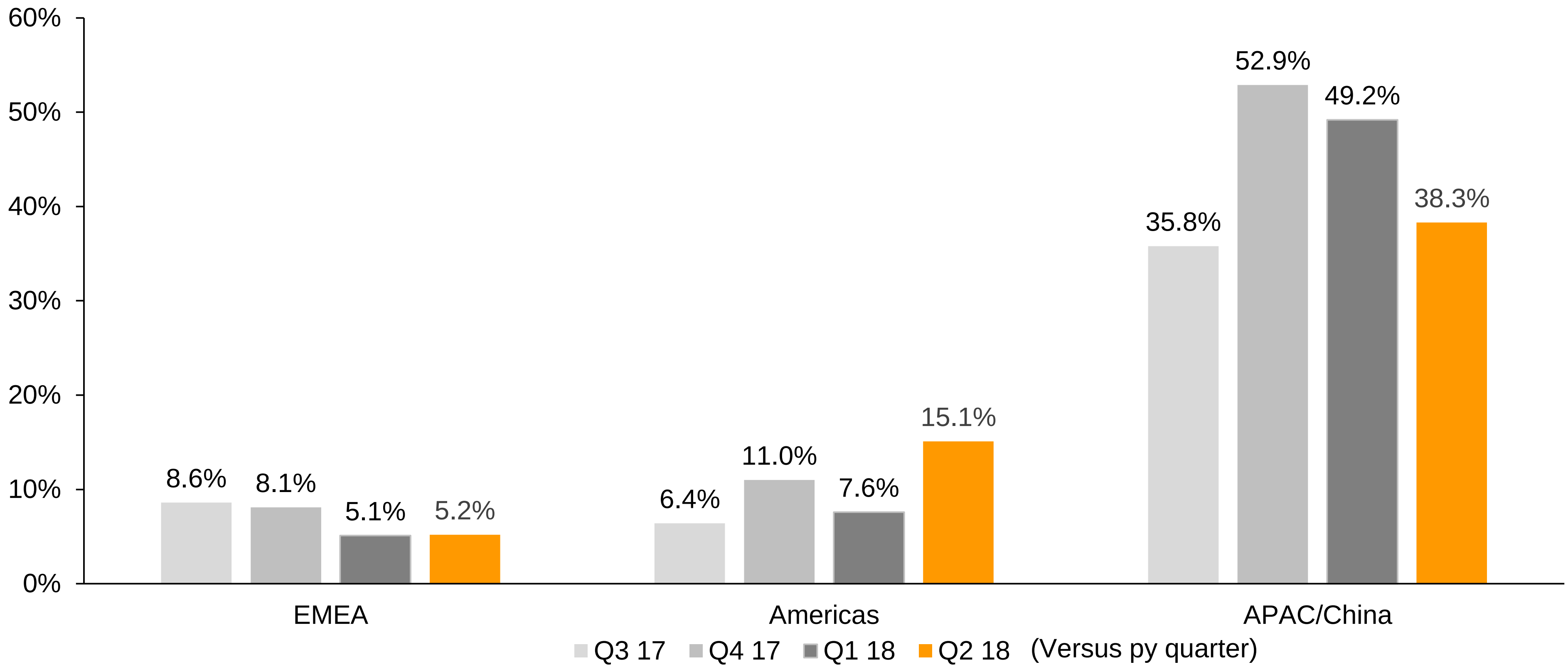
Share of the OEM business increases to 76.9%. Share of APAC/China picks up significantly to 12.9% while share of the Americas region shrinks burdened by negative translational FX effects.

Q2 2018 Sales composition



Top line in Q2 2018 increased by 15.0 % to € 345.4 mn incl. contributions from V.ORLANDI and York Group. Strong organic sales growth of 11.7%, yet still significant negative translational effects of € -11.1 mn (-3.7%).

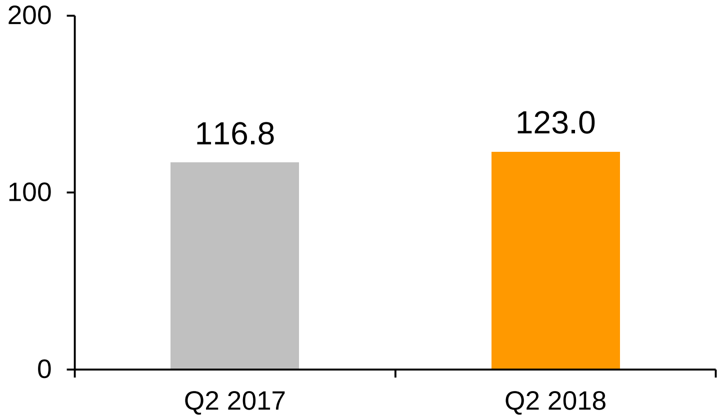
Positive trend in organic sales growth continued in all regions



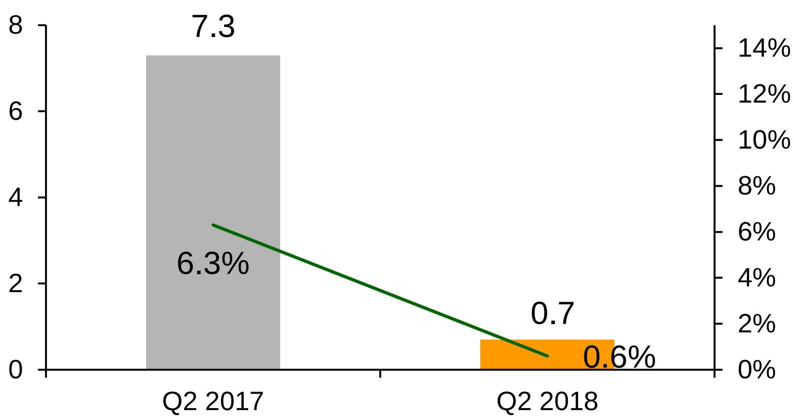
Positive trend in organic sales growth continued in all reporting regions.
Noteworthy: in the APAC/China region strong growth on already solid py comparables.

Business performance Americas: Burden from realignment of plant network and soaring steel prices; successive improvement continues

Sales in € mn



Adj. EBIT in € mn and **margin** in %

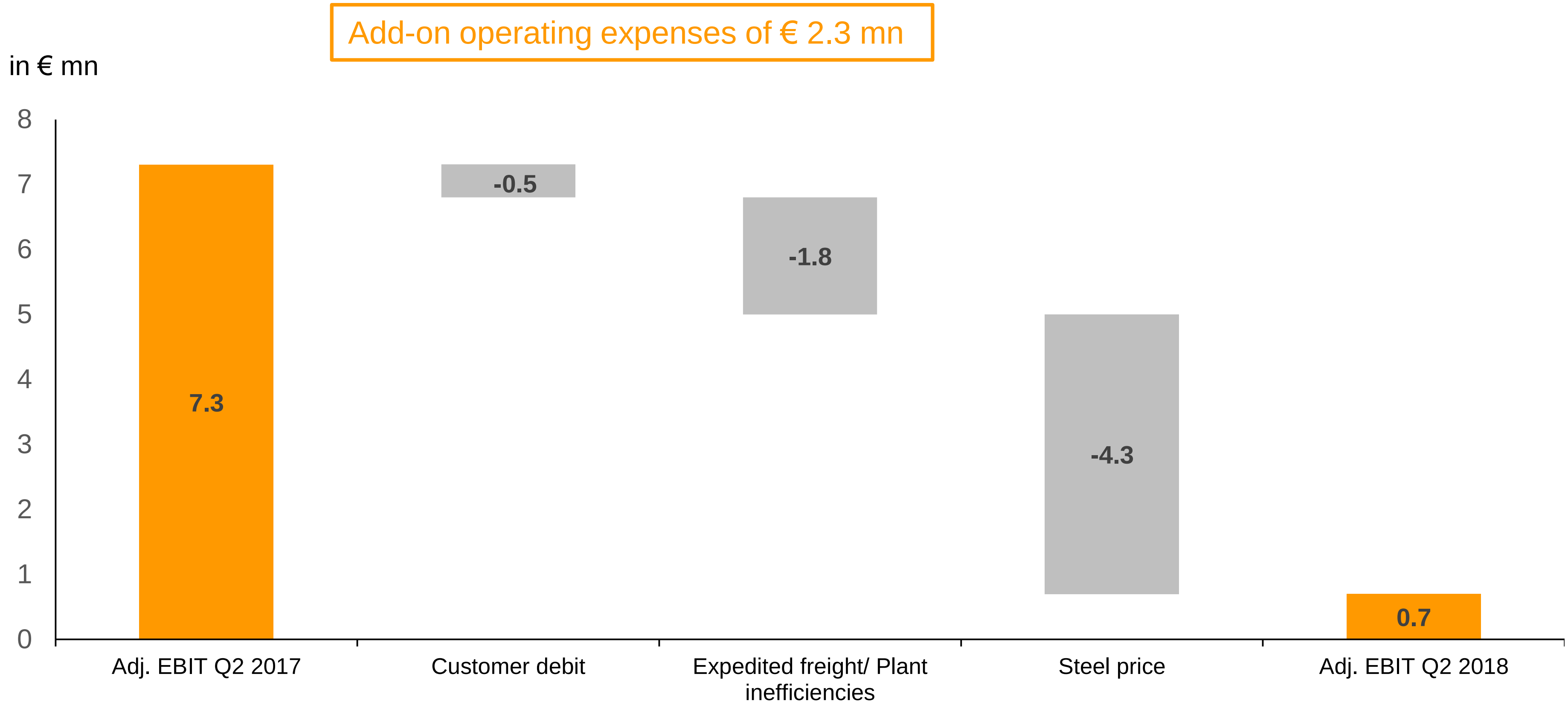


Summary

- Soaring customer demand and net order intakes coincide with strained industry supply chain
- Despite ongoing realignment measures, the Americas region realized organic sales growth of 15.1% (€ 134.5 mn)
- Negative exchange rate effects (-9.8%) weighed in
- Sales reported up 5.3% to reach € 123.0 mn (py: 116.8 mn), up € 21.1 mn versus Q1 2018

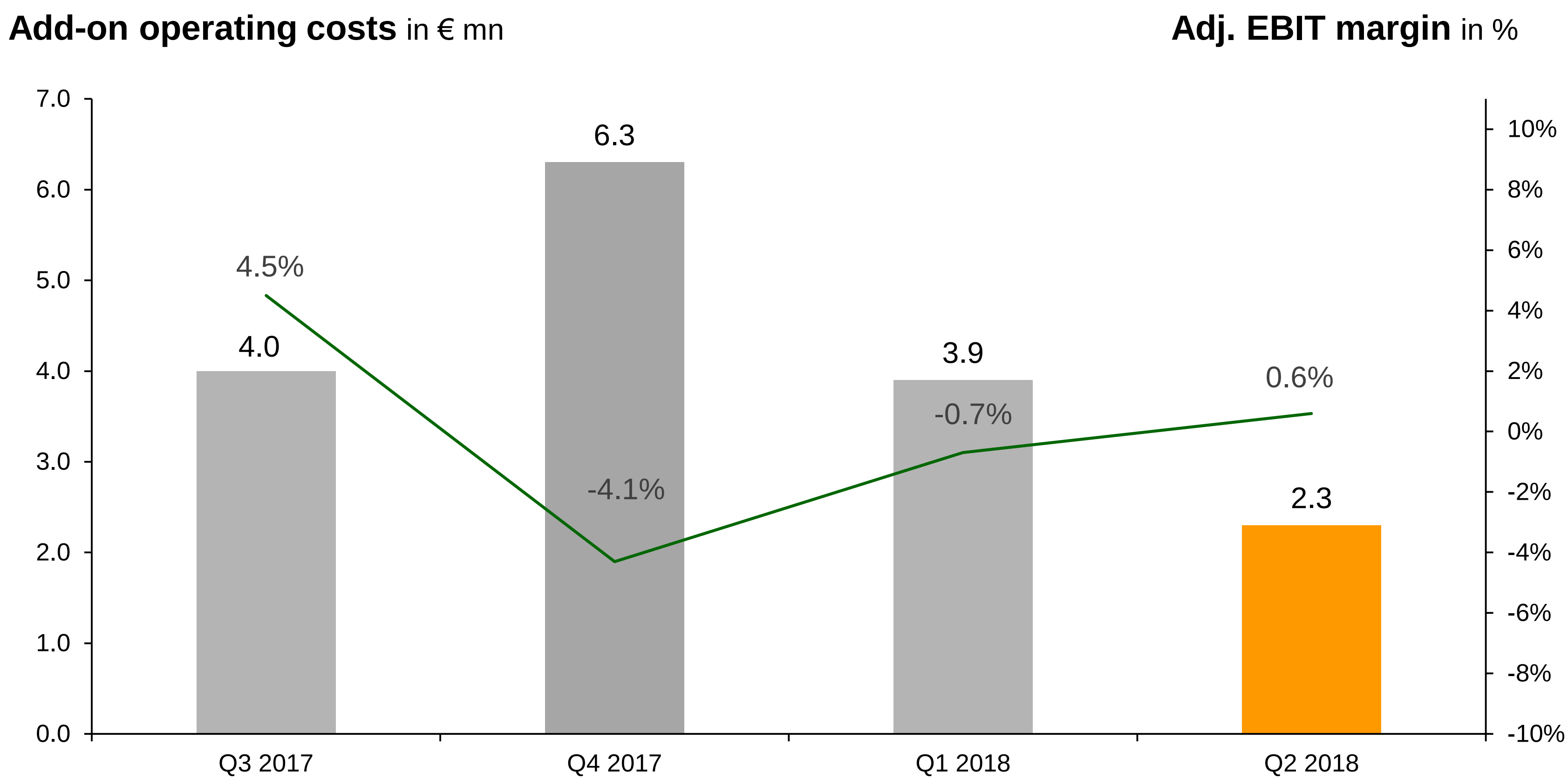
- Q2 2018 adj. EBIT at € 0.7 mn (py: € 7.3 mn)
- Additional operating expenses of € 2.3 mn were incurred, due to continued start-up inefficiencies and realignment of the new production network in the US
- Add-on expenses were express freight and logistics costs, production inefficiencies and compensation payments in accordance with supply agreements
- Soaring steel price burden of € 4.3 mn
- Successive margin improvement versus Q1 2018 (-0.7%)

Burdening effects on Q2 2018 adj. EBIT Americas region



€ 2.3 mn in extra operating expenses caused by the realignment of the US production network in Q2 2018. Besides, steel price-related upfront material expenses had an negative overall impact of € 4.3 mn, and mix was not supportive. AM improving but still facing noticeable backlogs.

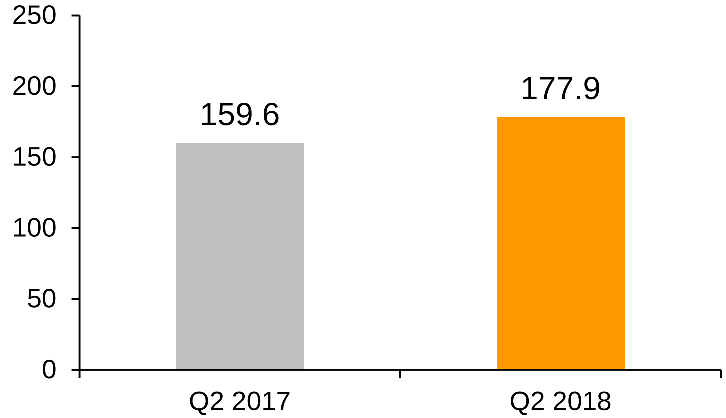
Add-on operating costs and adjusted EBIT margin trend Americas: Successive improvement



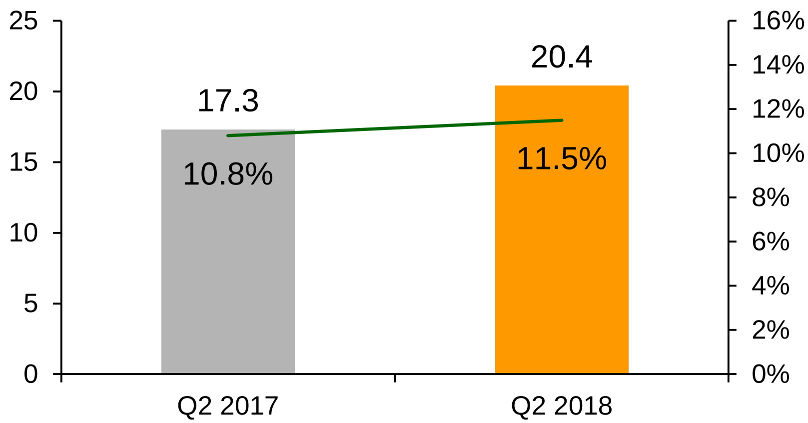
Cost situation derived from inefficiencies form realignment and ramp-up of new production network in the US still unsatisfying, measures ongoing. Successive improvement since low-point in Q4 2017 and return to profitability in Q2 2018.

Business performance by region: EMEA posts solid organic sales growth and operational leverage

Sales in € mn



Adj. EBIT in € mn and **margin** in %



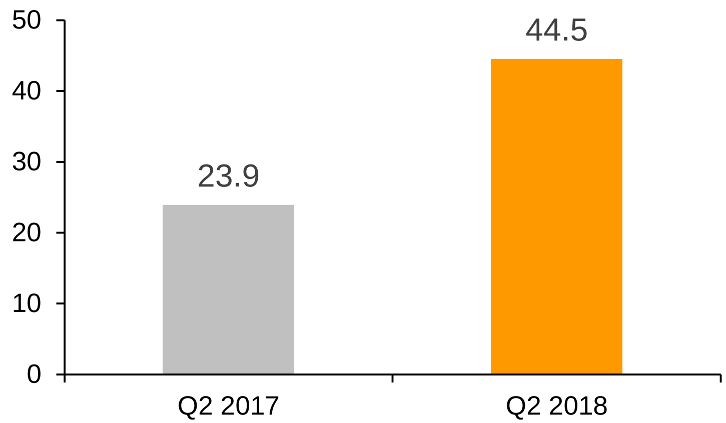
Summary

- Q2 2018 sales growth of 11.5 % to € 177.9 mn (py: € 159.6 mn)
- Favorable macroeconomic environment, improved Eastern European and Middle-East business and OE share gains colluded
- V.Orlandi contributed as of April 2018
- On an organic basis sales up +5.2% yoy
- Aftermarket (AM) growth of 4.0% on a high basis

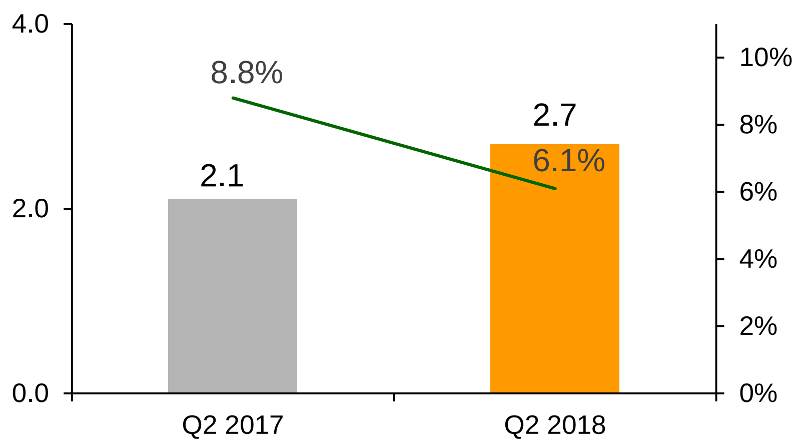
- Q2 2018 adj. EBIT rose 17.9% to € 20.4 mn (py: € 17.3 mn)
- Adj. EBIT margin expanded to 11.5% (py: 10.8%) supported by positive mix effects and operational leverage

Business performance by region: APAC/China again achieves highest percentage sales growth within the Group

Sales in € mn



Adj. EBIT in € mn and **margin** in %

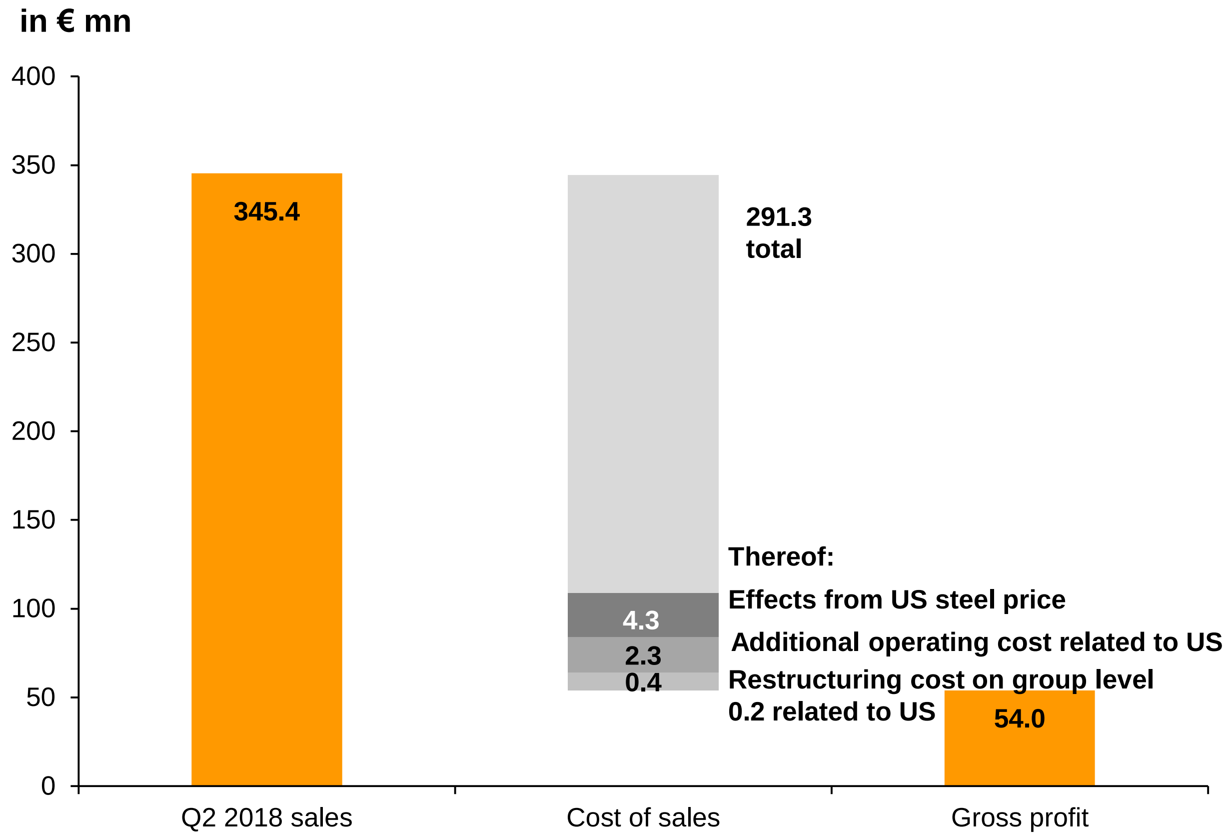


Summary

- APAC/China as of Q2 2018 includes India: Acquired York Group consolidated as of May 2018
- Q2 2018 sales increased by 86.2% from € 23.9 mn to € 44.6 mn; York contributed approx. € 14 mn in sales
- On an organic basis sales were up 38.3%
- Unchanged, the new regulatory load limits for CVs and stricter safety regulations for hazardous goods and automotive transporters provides for strong growth in the premium segment in China

- Adj. EBIT in the region APAC/China increased to € 2.7 mn (py: € 2.1 mn)
- As expected temporary margin dilution from York inclusion
- Adj. EBIT margin came in solid at 6.1% (py: 8.8%) despite still marginal share of aftermarket business in China

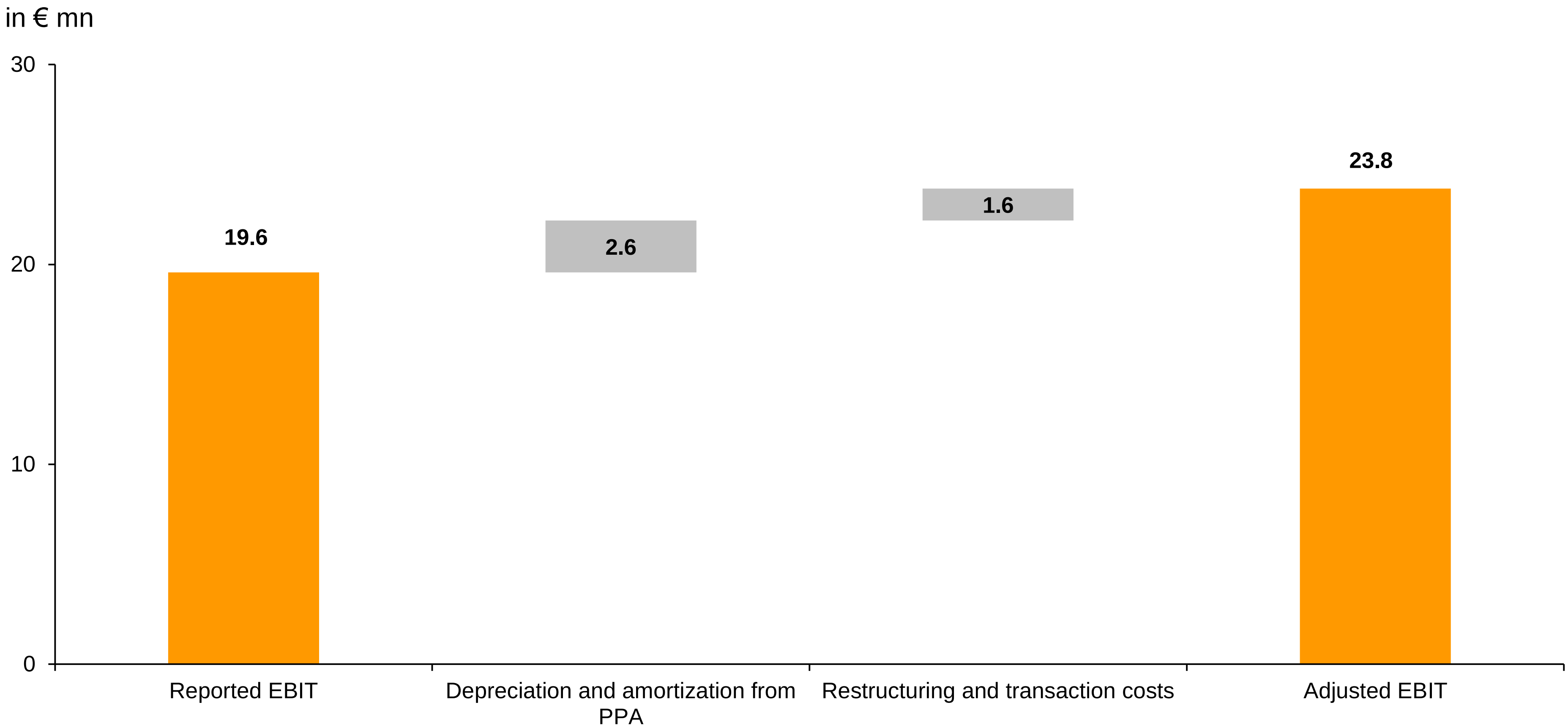
Reconciliation sales to gross profit Q2 2018



Impact on gross margin in Q2 2018	
Temp. workforce	−
Volume	+ −
Raw materials	−
Product mix	−
Restructuring cost	−
Exchange rate	−
Operating efficiencies	+ −

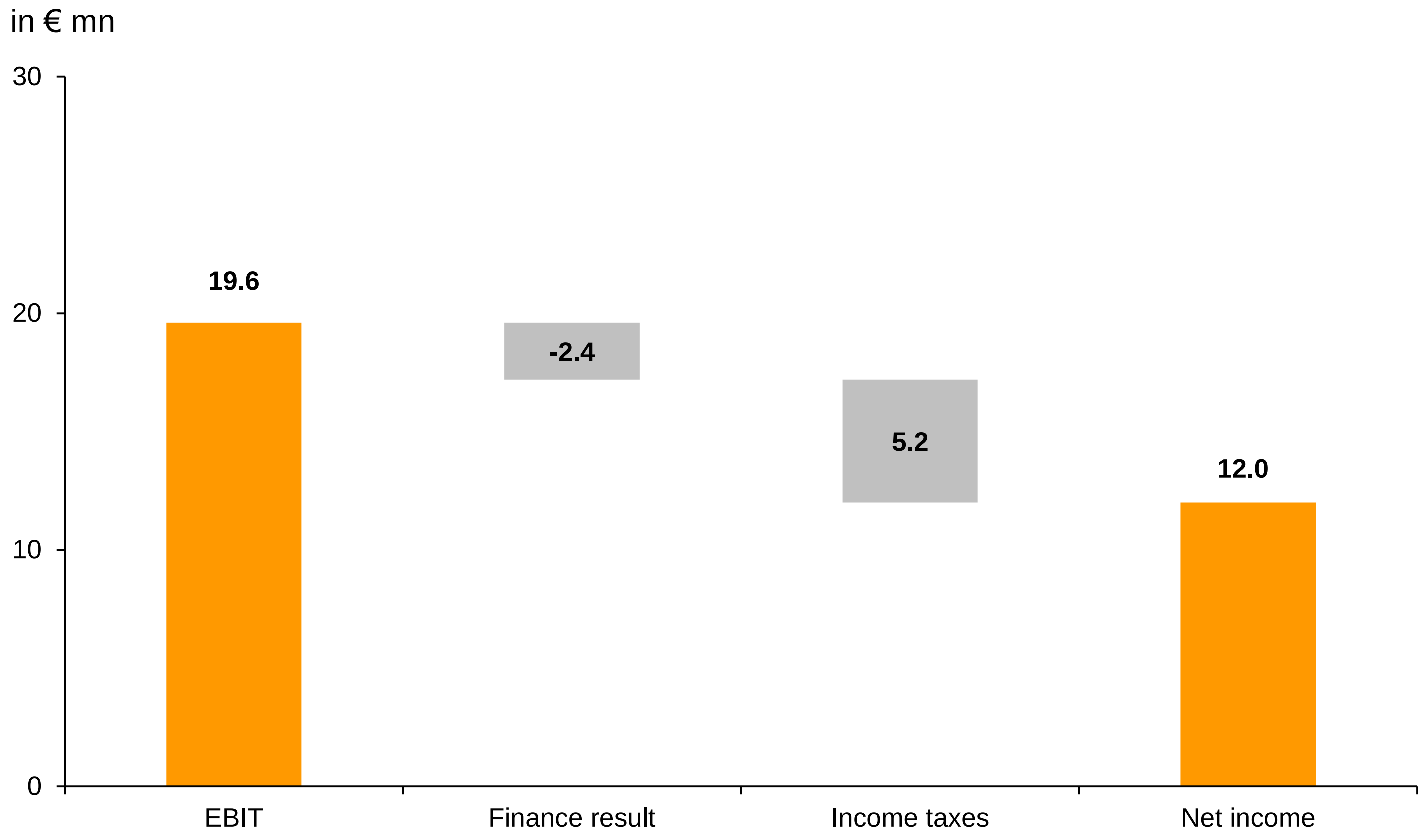
Q2 2018 gross profit at € 54.0 mn (py: € 55.0 mn) and gross margin at 15.6% (py: 18.3%) still impacted by additional operating expenses (€ 2.3 mn) related to US plant realignment besides significant rise in steel price leading to upfront material cost of € 4.3 mn.

Reconciliation of reported EBIT to adjusted EBIT Q2 2018



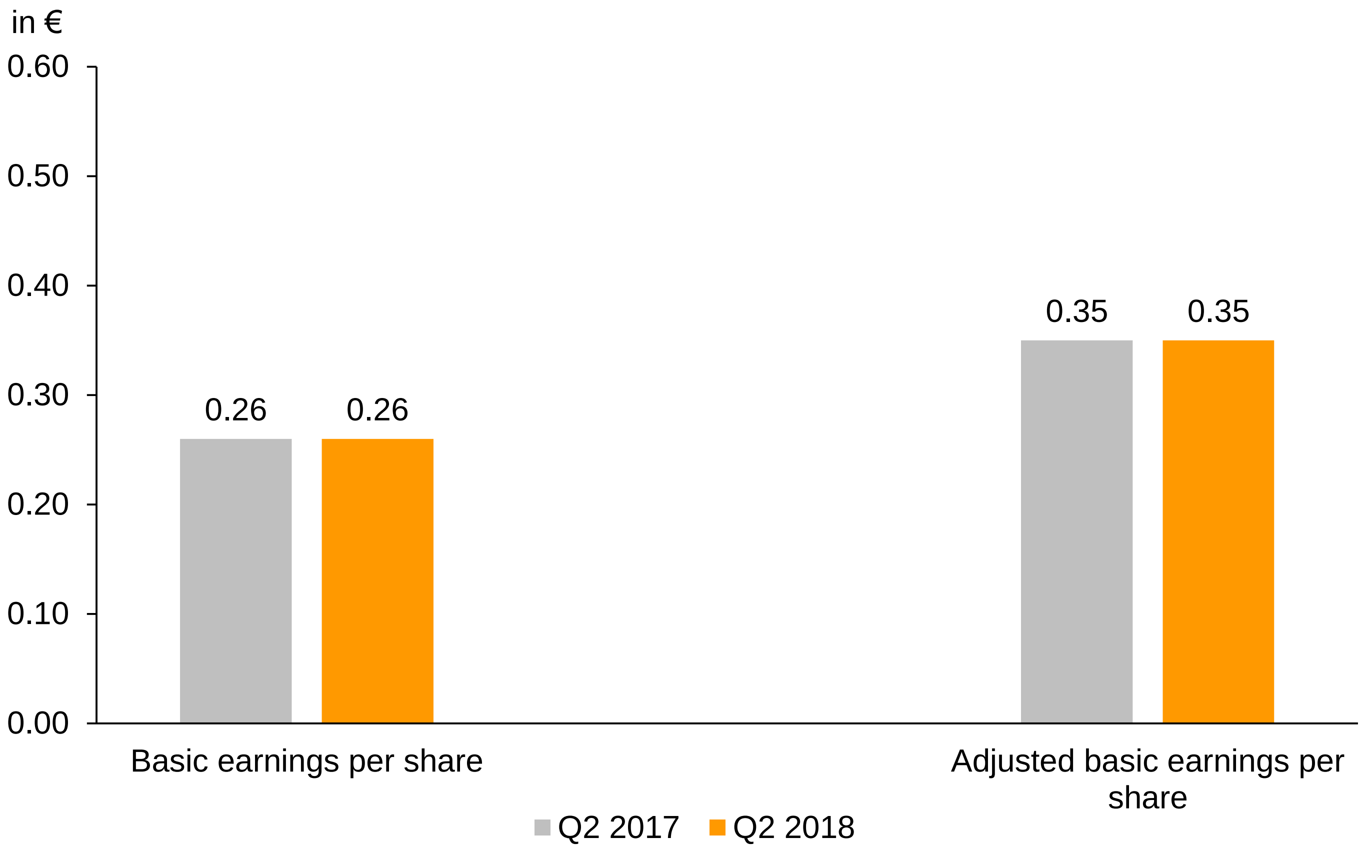
Excl. restructuring and transaction costs totaling € 1.6 mn (py: € 1.9 mn) and PPA of € 2.6 mn (py: € 1.2 mn), the adjusted EBIT amounted to € 23.8 mn (py: € 26.7 mn).

From EBIT to net income Q2 2018



Clean EBIT of € 19.6 mn (py: € 20.6 mn) combined with lower net finance cost of € 2.4 mn (py: € 3.9 mn) and stable Group income taxes of € 5.2 mn (py: € 5.0 mn) producing net income of € 12.0 mn (py: € 11.8 mn).

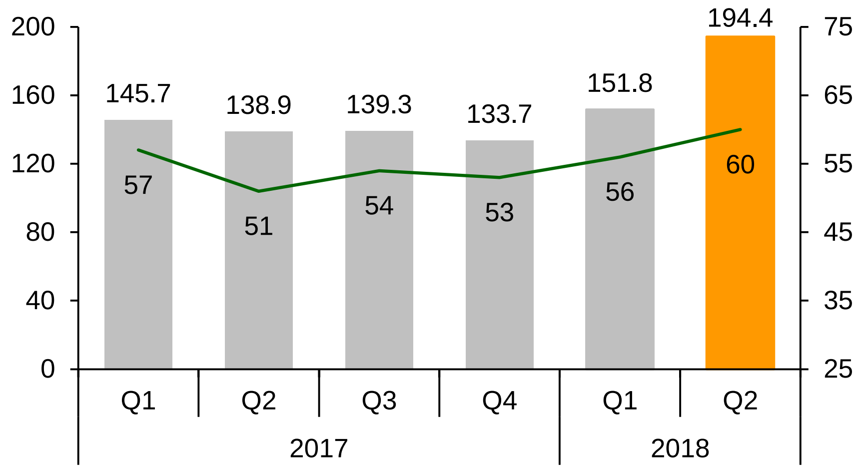
Basic EPS versus adjusted EPS



Based on 45.4 mn shares outstanding, basic EPS amounted to € 0.26 (py: € 0.26) and adjusted basic EPS to € 0.35 (py: € 0.35).

Inventories and net working capital (NWC)

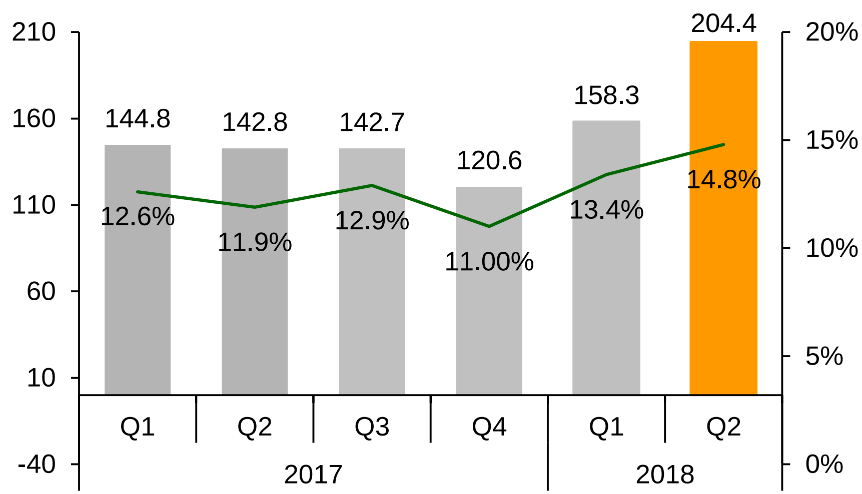
Inventories in € mn and days of inventories



Summary

- Inventories, due to strong organic sales growth, and deliberate step-up in the US, due to soaring steel prices and stressed supply chain, increased to € 194.4 mn end of Q2 2018 (Dec. 31, 2017: € 133.7 mn)
- Inventories increase due to acquisitions € 19.5 mn
- Elevated steel price level in absolute terms
- As a result, days of inventory outstanding came in at 60 days (June 30, 2017: 51 days)

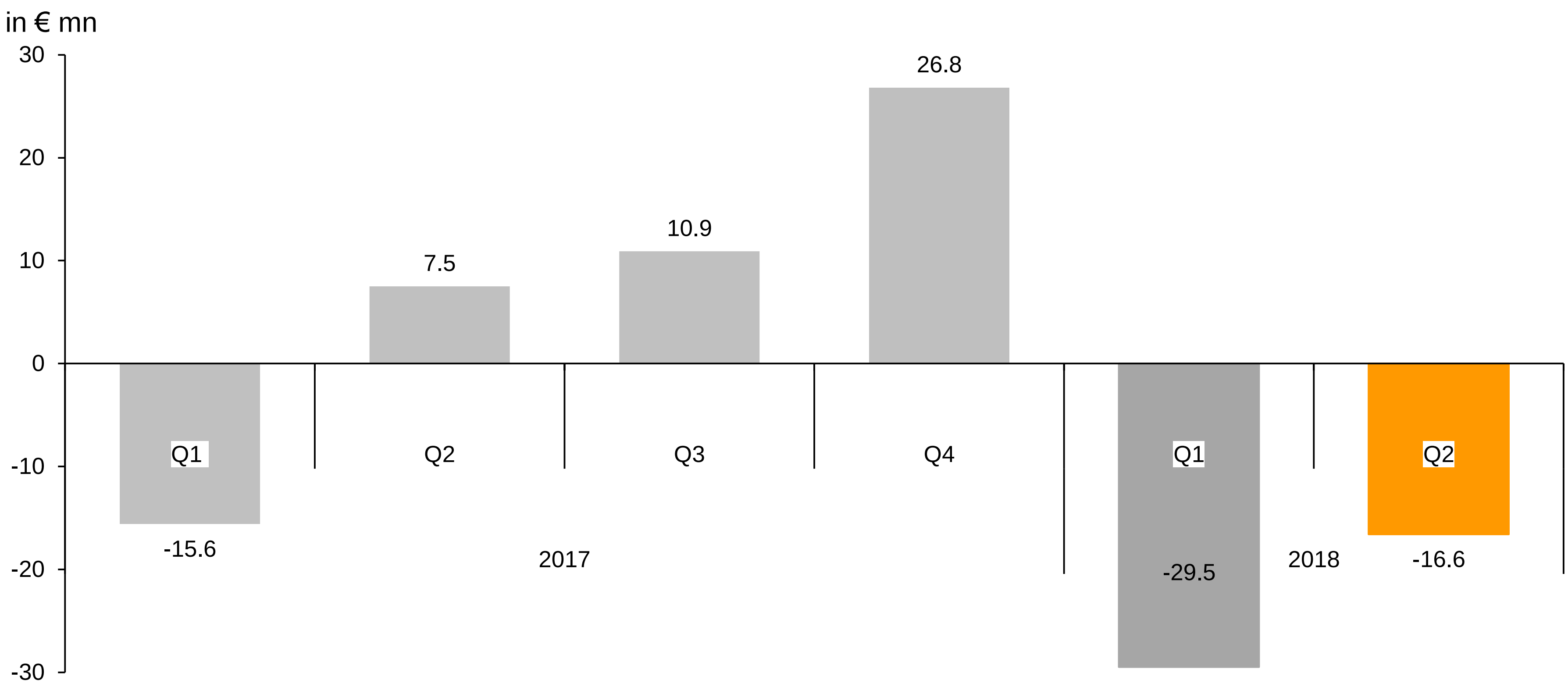
Net working capital in € mn and as % of sales



Summary

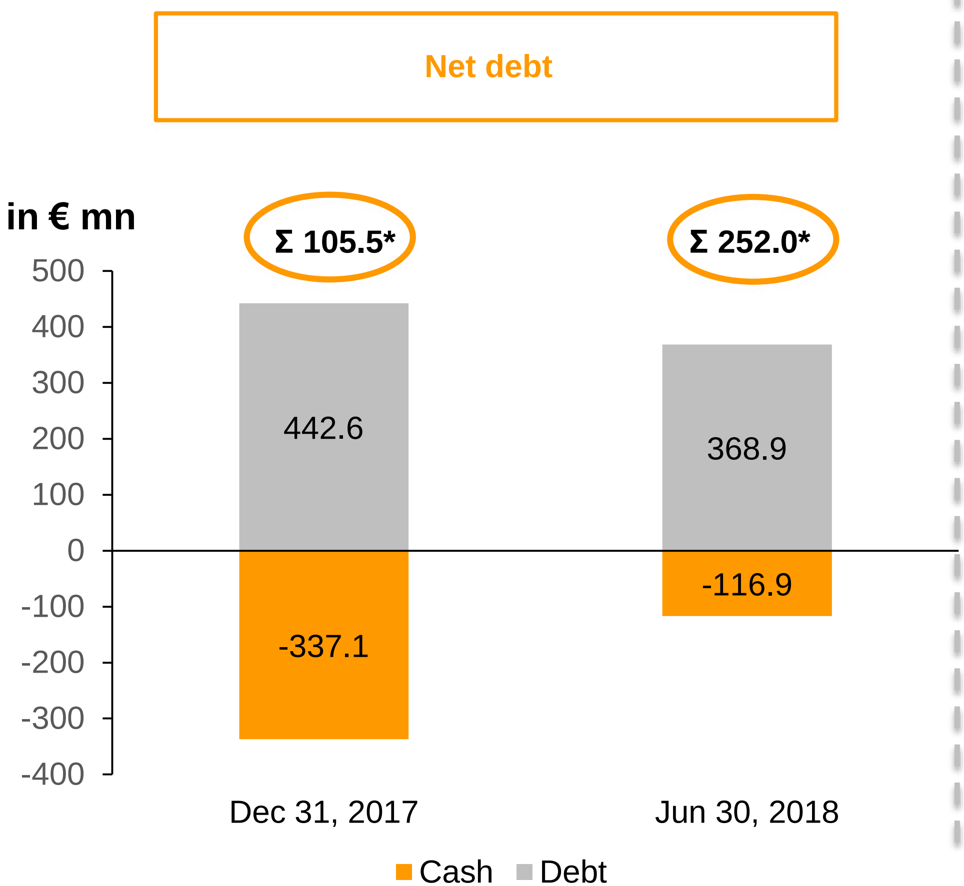
- NWC amounted to € 204.4 mn in absolute terms, up 43.1% on Q2 2017, NWC ratio at 14.8% (py: 11.9%)
- Strong sales increase plus pick-up in net working capital driven by higher inventories and slower rise in trade payables which increased by € 1.6 mn versus € 14.8 mn in Q2 2017
- Acquisitions related increase in receivables largely offset by payables
- Besides, negative regional mix effect with regard to receivables

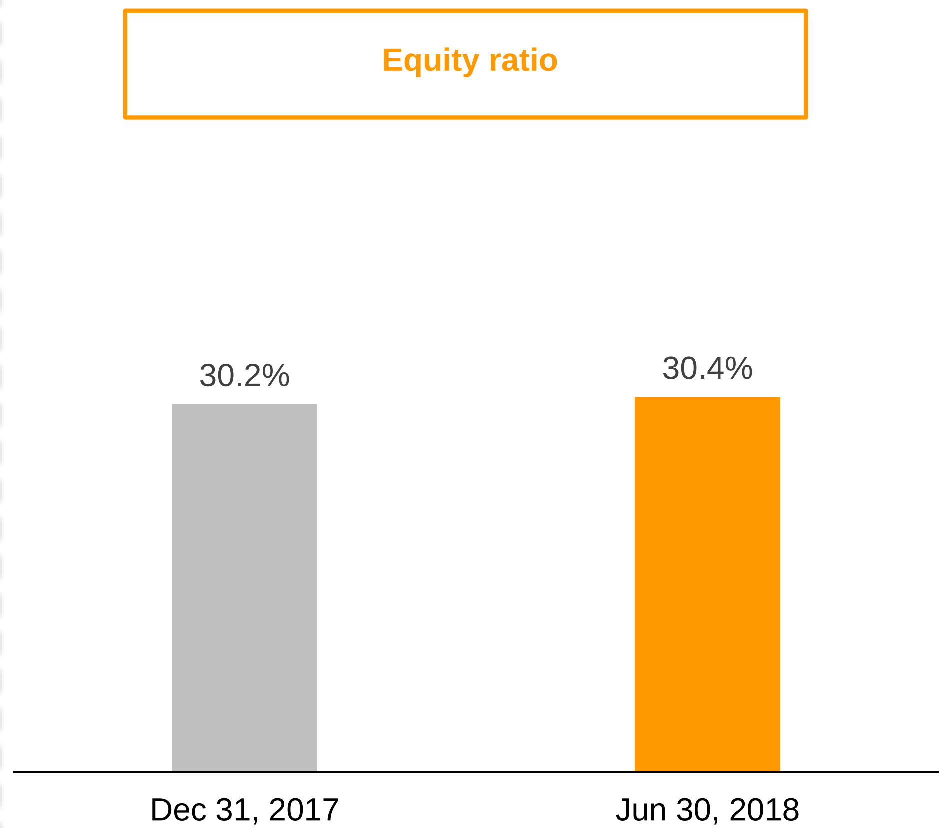
Operating free cash flow by quarter



Q2 OFCF (net cash flow from operating activities less investments in PPE and intangible assets, pre M&A) came in at € -16.6 mn in 2018 (py: € 7.5 mn) caused a.o. by the increase in net working capital. Improvement and seasonal positive patterns in HY2 2018.

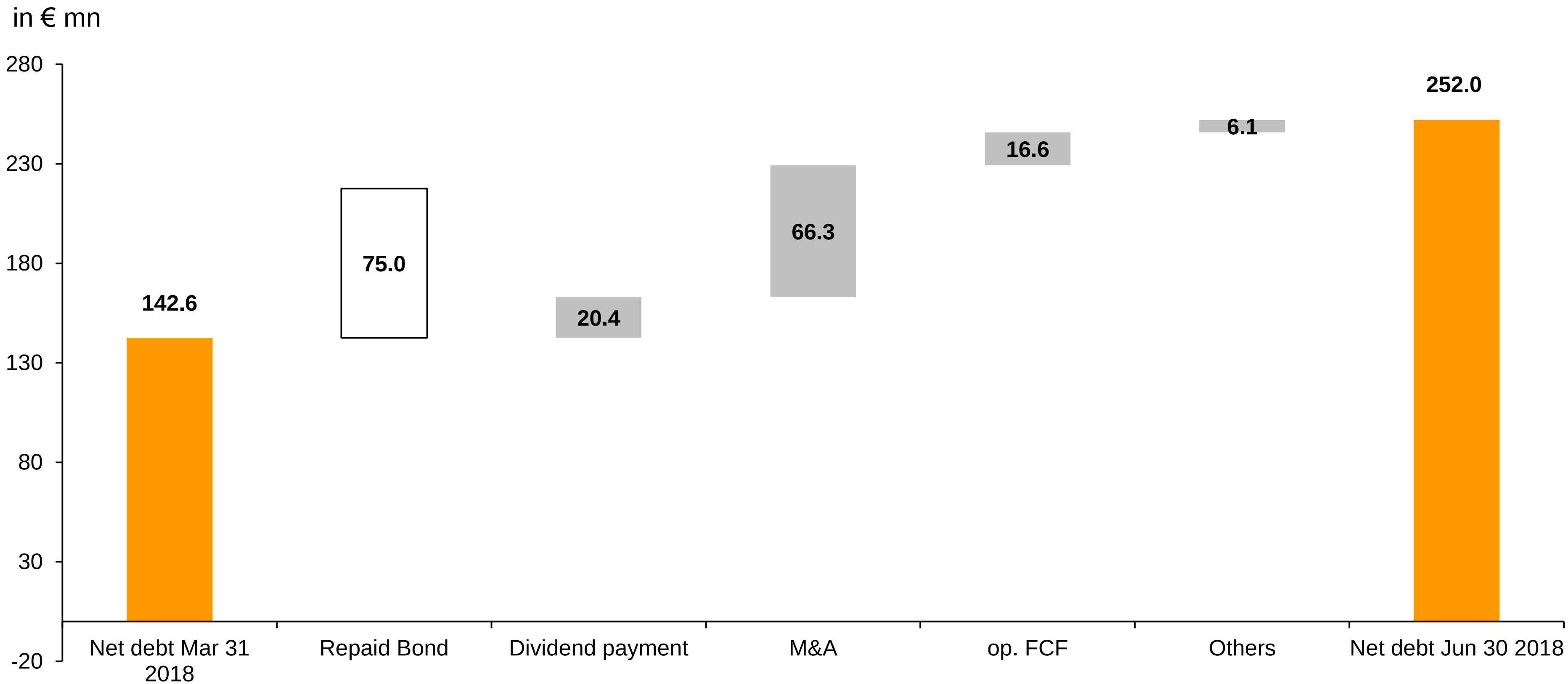
Net debt at € 252.0 mn - Equity ratio remains solid at 30.4%





* Net debt including cash and cash equivalents and other short-term investments sequentially increased to € 252.0 mn (Dec. 31,2017: € 105.5 mn) Cash and cash equivalents and other short-term investments amounted to € 116.9 mn (Dec. 31, 2017: € 337.1 mn). The equity ratio as of June 30, 2018 was 30.4%.

Reconciliation of net debt Q1 2018 to Q2 2018



Net debt up by € 109.4 mn driven by dividend payout, M&A spend (V.Orlandi and York Group) and negative operating free cash flow. Bond maturity April 26, 2018 offset by cash equivalents used for redemption.

Adjusted financial targets 2018 and mid-term planning 2020

	New FY 2018 outlook*	FY 2018*	Strategy 2020
Sales	Organic increase of 5 to 7% assuming stable FX rates and unchanged scope of consolidation + contribution from V.Orlandi and York takeovers (~ € 60 mn) + potential further M&A	Organic increase of 4 to 5% assuming stable FX rates and unchanged scope of consolidation + contribution from V.Orlandi and York takeovers (~ € 50 mn) + potential further M&A	Organic: € 1,250 mn + M&A: Coops, JVs, acquisitions Total: € 1,500 mn
Adj. EBIT margin	7.0% to 8.0%	8.0% to 8.5%	≥ 8%
Net working capital ratio	12%	12%	12%
CAPEX	€ 38 to 40 mn incl. high single-digit Euro mn amount related to new China plant	€ 38 to 40 mn incl. high single-digit Euro mn amount related to new China plant	€ 26 mn to € 28 mn p.a.

* 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

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