SMART STEEL

Preliminary key figures Q3 2018

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Agenda

- Refined Group targets full-year 2018
- Preliminary key financial figures Q3 2018
- Business segments: Sales trends and profitability
- Outlook

Business Summary: Preliminaries Q3 2018

- Q3 2018 sales growth of 22.9% reaching highest Q3 sales level ever of € 340.6 (py: 277.1) mn
- Organic sales growth increased to 15.0%
- Continued burden from increased operating cost related to realignment of the new US production network and high steel prices in North America; Successive profitability improvement in the Americas also in Q3
- Higher than expected sales contribution from the US; However at clearly below-Group average margin
- Q3 2018 adjusted EBIT at € 27.1 mn and adj. EBIT margin at 8.0% (7.5%) incl. extraordinary income of € 4.4 mn from settlement of US medical plan
- Clean adjusted EBIT margin of 6.7% (excl. € 4.4 mn in extraordinary income)

Business Summary: Full-year 2018 guidance refined (1)

Based upon preliminary Q3 2018 figures and expected further developments for the remainder of the year, SAFH refines its sales and earnings targets for the full business year 2018

- Based on dynamic organic growth in Q3 2018, also in the US, and continued strong demand for SAF-HOLLAND's products, the Group now expects organic sales growth to reach 9% to 10% in full-year 2018 (5% to 7% before).

- Significantly better-than-expected performance of the acquired companies, SAFH once again refines target for the sales contributions from the acquisitions. V. ORLANDI, York and Axscend are now expected to contribute EUR 65 million to EUR 70 million to Group sales in 2018 (EUR 60 mn before).

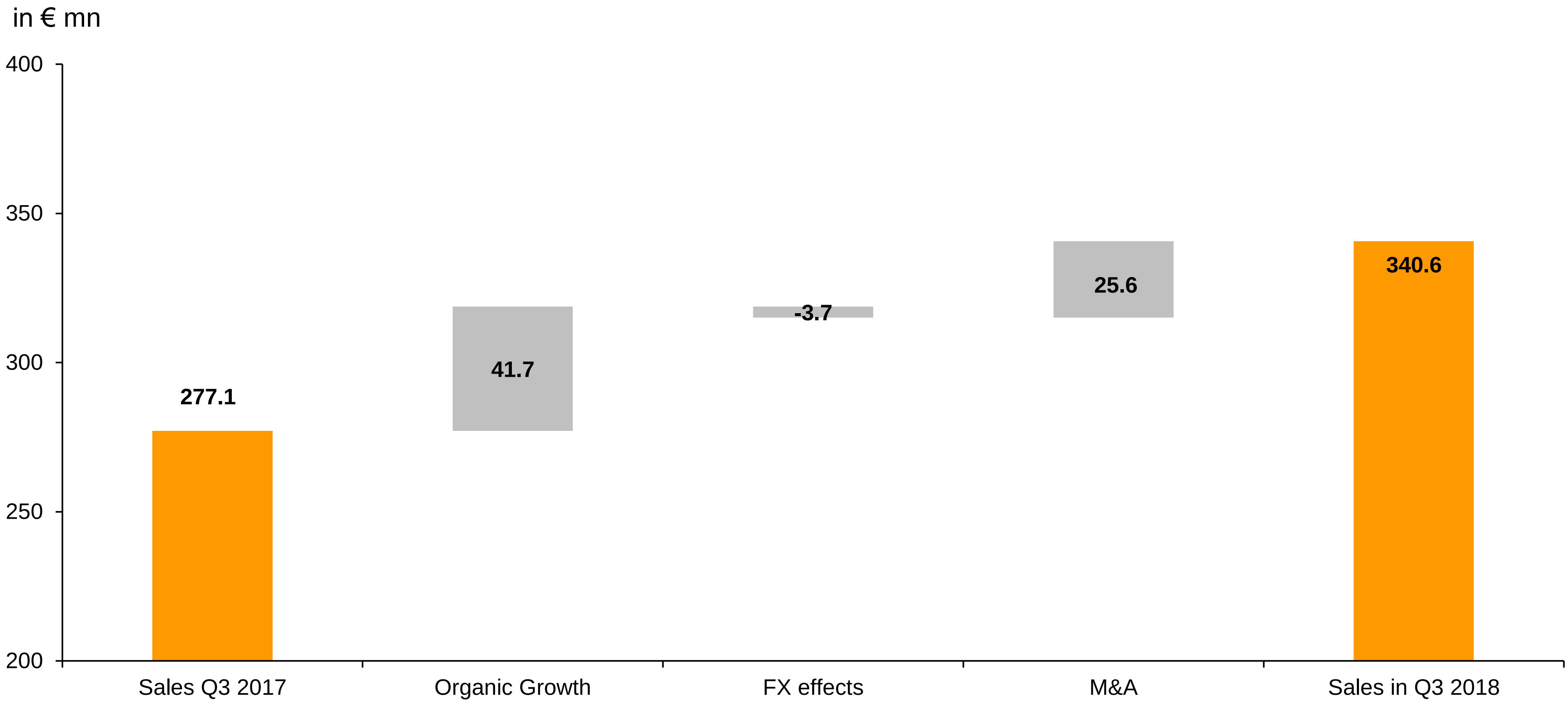
Business Summary: Full-year 2018 guidance refined (2)

- Stronger-than-expected sales development in the Americas region, which currently however contributes below-average margins to the Group's results

- Continued burdening effects from high steel prices in the US but also Europe

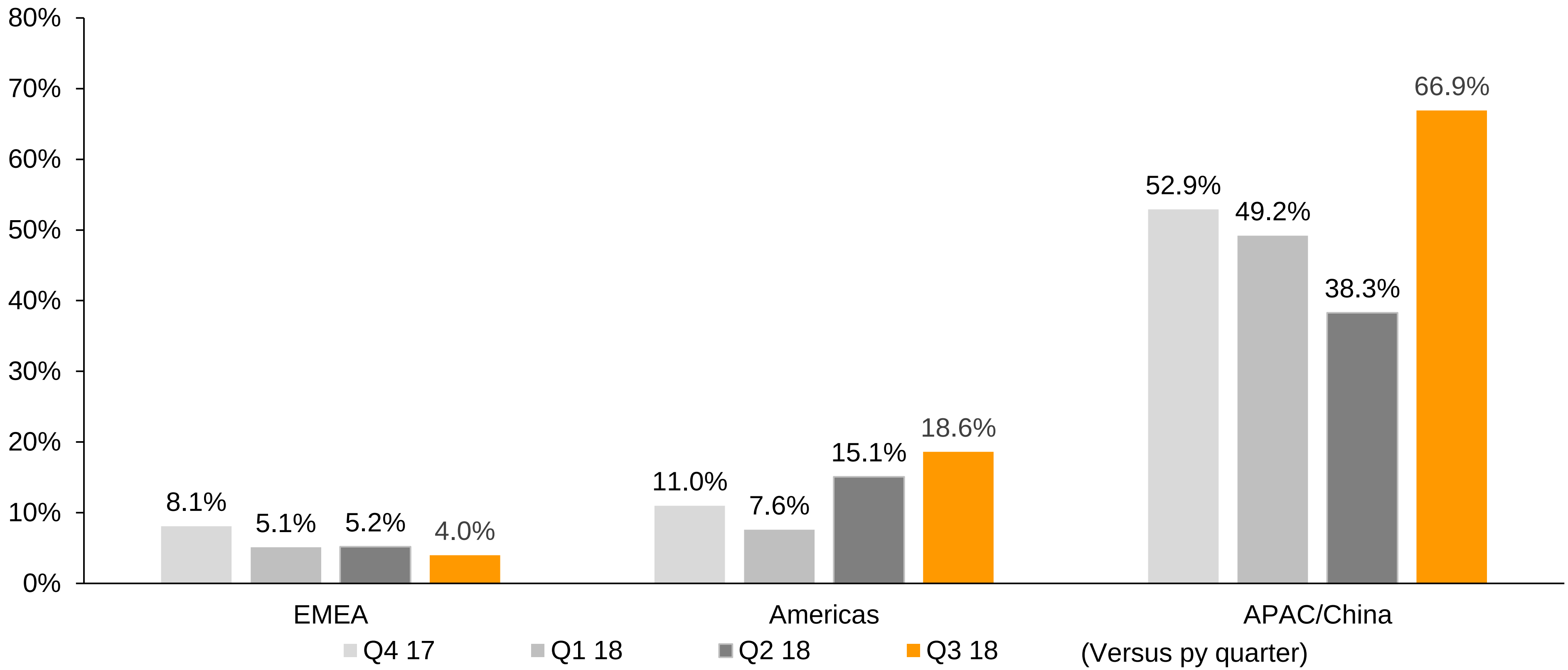
- SAF-HOLLAND sees the adjusted EBIT margin in full-year 2018 (incl. EUR 4.4 million in extraordinary income from settlement of US medical plan) rather tending towards the lower end of the 7.0% to 8.0% (before: 7.0 to 8.0 %) taking into consideration the usual seasonal effects in the final quarter of the year.

Development of sales from Q3 2017 to Q3 2018



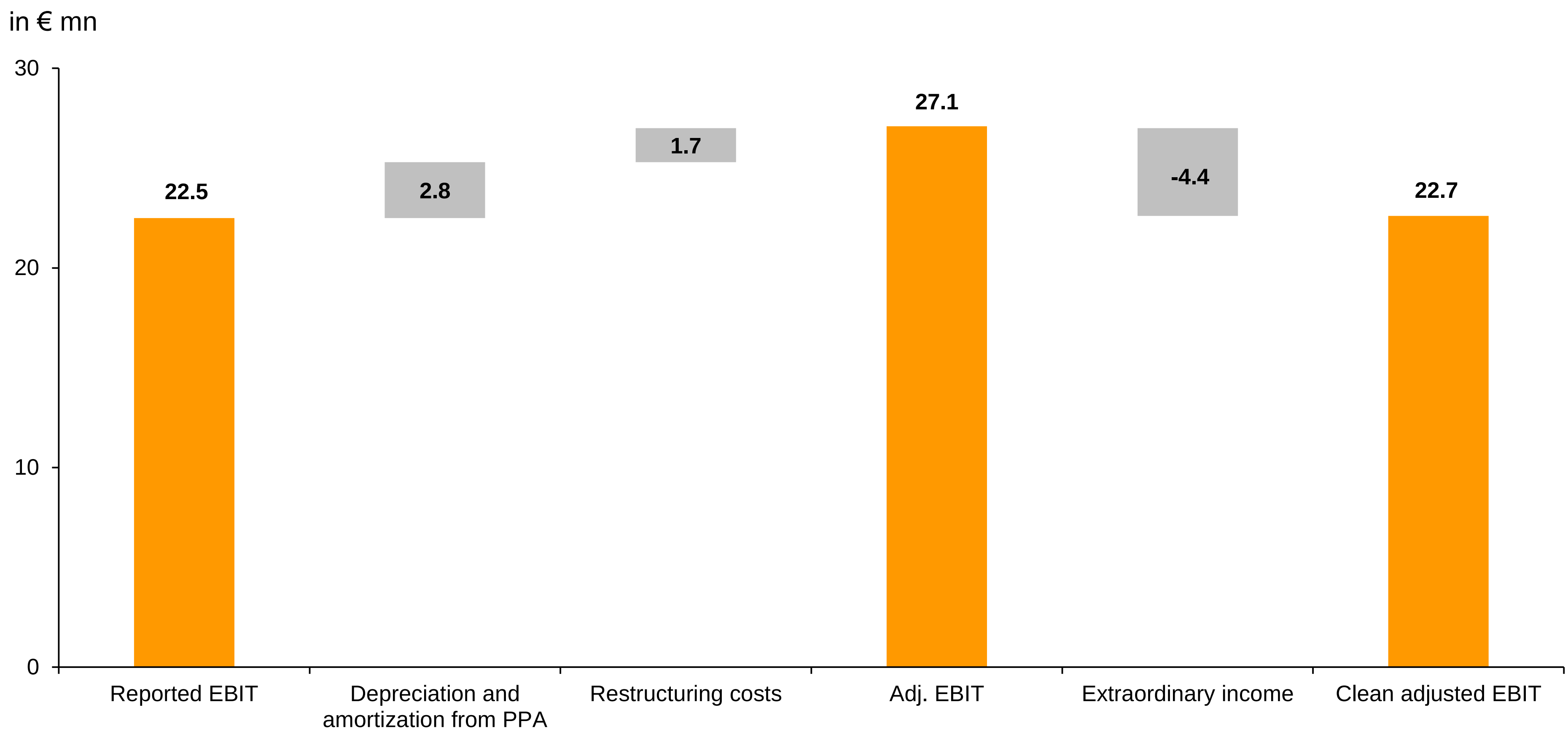
Reported top line in Q3 2018 increased by 22.9 % to € 340.6 (277.1) mn, incl. contributions from V.Orlandi, York and Axscend acquisitions; Dynamic organic growth of 15.0%; Still significant negative translational effects of € 3.7 mn.

Organic sales growth continued in all regions



Positive trend in organic sales growth continued in all reporting regions
Dynamic APAC/China region versus already high prior year comparables; US successfully managed strong unit sales growth despite ongoing realignment measures within the new US production network

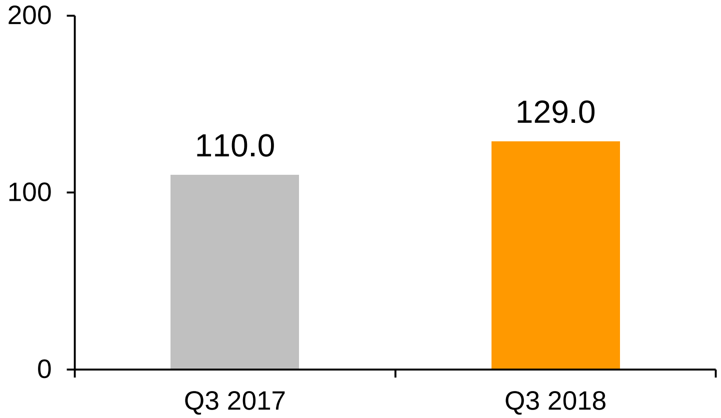
Reconciliation of EBIT reported to clean adjusted EBIT Q3 2018



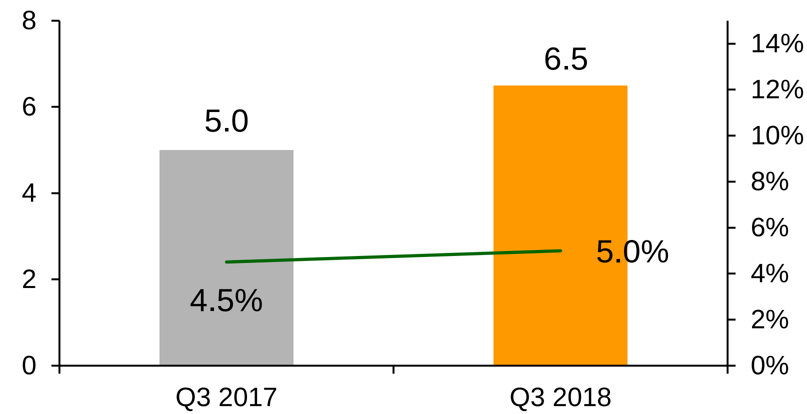
Excl. restructuring and transaction costs totaling € 1.7 mn and PPA of € 2.8 mn adjusted EBIT reached EUR 27.1 mn; Before extraordinary income from the settlement of a US medical plan of € 4.4 mn, the clean adjusted EBIT still increased by 8.6% and amounted to € 22.7 (py: 20.9) mn.

Segment Americas: Burden from realignment of plant network and high steel prices in strong growth environment; Successive improvement continues

Sales in € mn



Adj. EBIT in € mn and **margin** in %



Summary

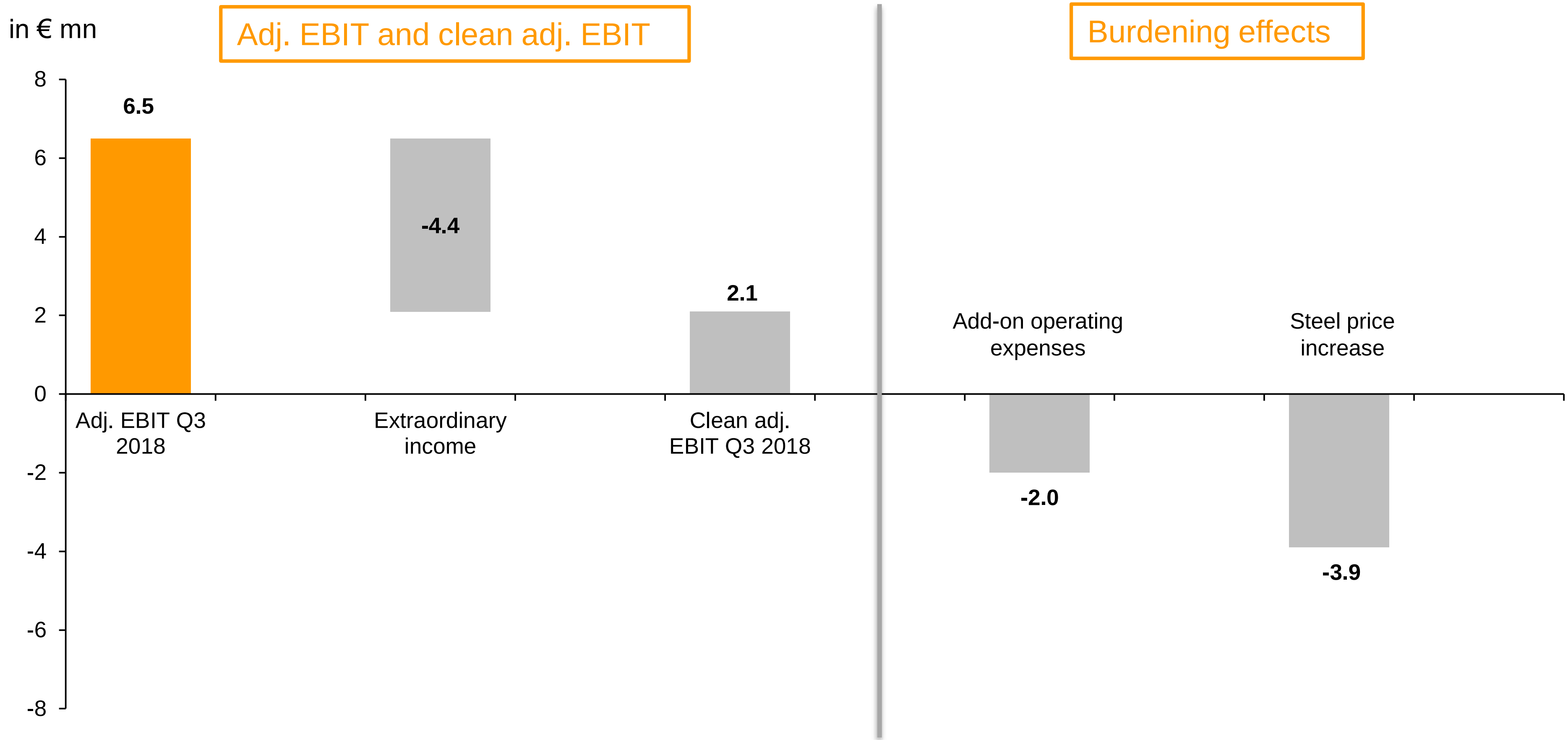
- Soaring customer demand and net order intake coincide with completely strained industry supply chain
- Despite ongoing realignment measures, well-above expectations organic sales growth of 18.6% (€ 130.5 mn)
- Negative exchange rate effects (-1.3%)
- Sales reported up 17.3% to reach € 129.0 (py: 110.0) mn, up € 6.0 mn versus Q2 2018

- Q3 2018 adj. EBIT at € 6.5 mn (py: € 5.0 mn) incl. contribution from US medical plan of €4.4 mn; immediate annual cost savings of € 0.4 mn
- Successive clean adj. EBIT margin improvement versus Q2 2018 to 1.6% (0.7%)
- Additional operating expenses of € 2.0 mn (Q2 €2.3 mn) were incurred, due to continued start-up inefficiencies and realignment of the new production network in the US
- Steel price burden of € 3.9 mn (Q2: € 4.3 mn) as quarterly average steel price index remained at a very high level

HRC index peaked in Q3 2018 – negative effects expected to gradually decline in the mid-term

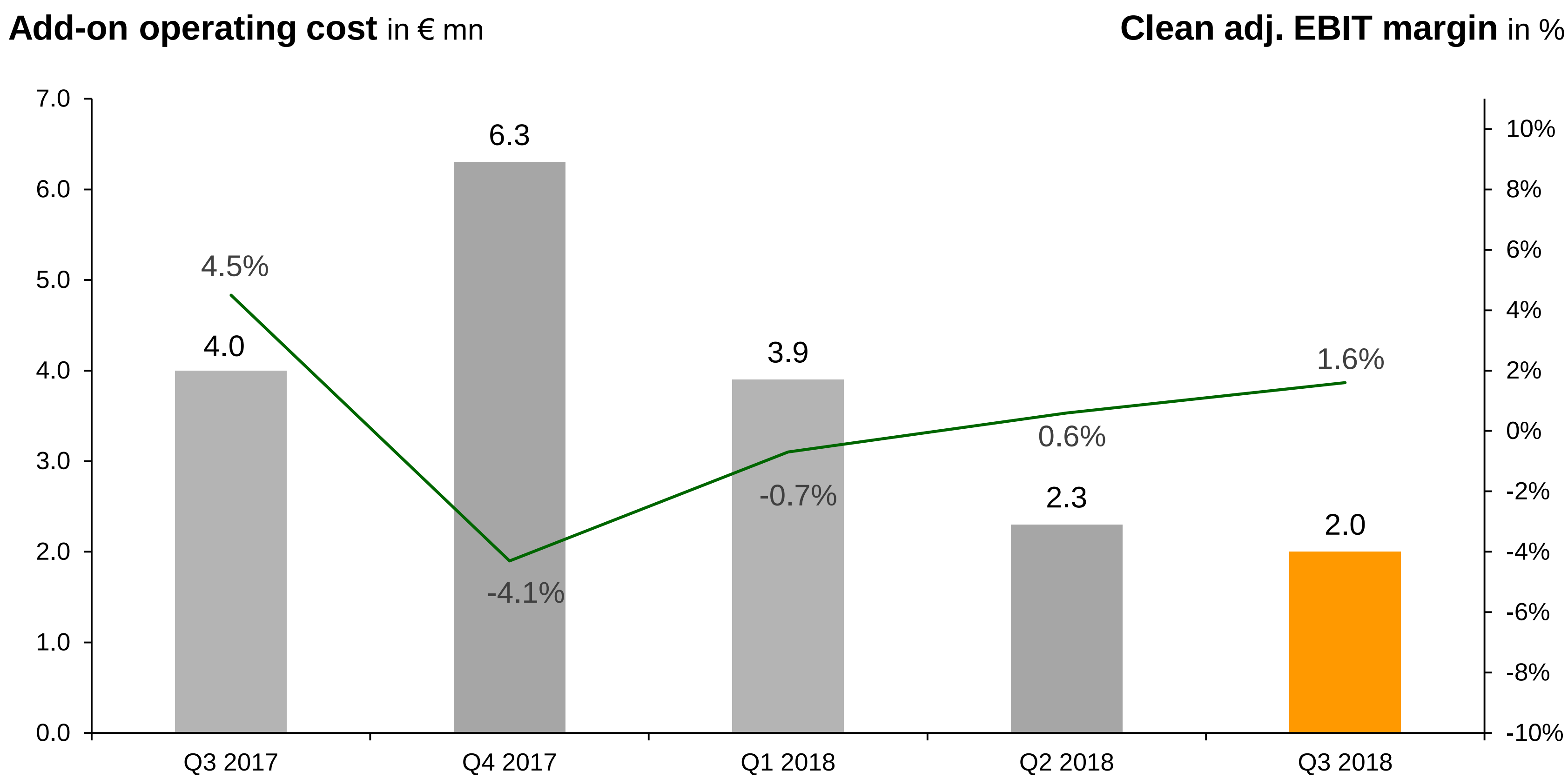
In view of the current trend in commodity prices, the company reckons the negative effects of the sharp rise in steel prices to have peaked and in the mid-term expects these effects to tend to decline, also as a result of largely passing on these effects in its own selling prices with a time lag

Americas Region: Adj. EBIT and burdening effects Q3 2018



Clean adj. EBIT margin (pre extraordinary income of € 4.4 mn) continued to improve quarter-over-quarter from 0.6% to 1.6% in Q3 2018; Add-on operating expenses declined to EUR 2.0 mn in Q3 2018 (Q2: EUR 2.3 mn, Q1: EUR 3.9 mn); Steel price burden still high at EUR 3.9 mn (Q2: 4.3 mn)

Segment Americas: Add-on operating cost and clean adjusted EBIT margin trend continue to improve successively



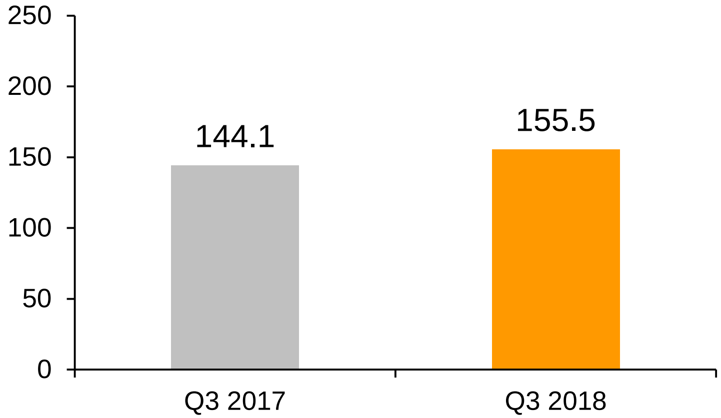
Cost situation derived from inefficiencies form realignment and ramp-up of new production network in the US, measures ongoing; Successive improvement since low-point in Q4 2017 and return to profitability in Q2 2018.

Management Action Plan (MAP)

- Task Force US implemented analyzing full-scale process line and streamlining potential
- Sourcing optimization measures
- Digital Advanced planning system to align sales and orders with production and supply chain processes
- Optimization of scheduling pocess and enhancing capacity utilization
- Employee training programs
- Installation of additional trailer axle manufacturing line
- Focus on the AM
- Focus on profitability: Price increases and intensified price pass-on process

Segment EMEA: Solid organic sales growth allows for operational leverage

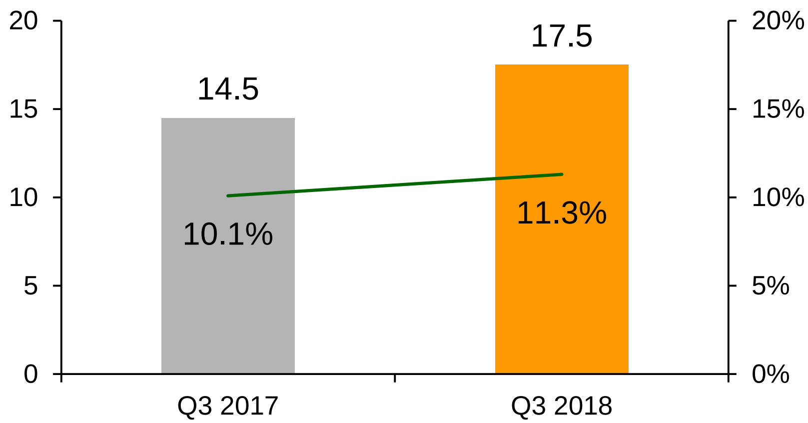
Sales in € mn



Summary

- Q3 2018 sales growth of 7.9 % to € 155.5 mn (py: € 144.1 mn)
- On an organic basis – adj. for forex and acquisition effects – sales were up +4.0% yoy
- Aftermarket (AM) growth of 6.3% on a high basis

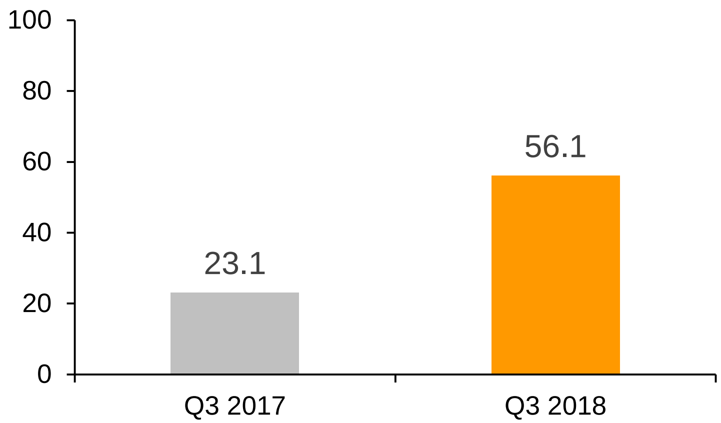
Adj. EBIT in € mn and **margin** in %



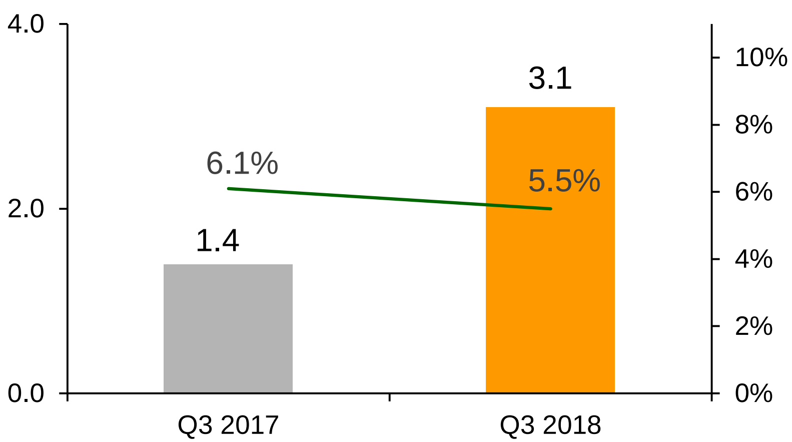
- Q3 2018 adj. EBIT rose 20.7% to € 17.5 mn (py: € 14.5 mn)
- Despite seasonal sales retraction versus Q2, adj. EBIT margin holds up at 11.3% (py: 10.1%) supported by positive mix effects and operational leverage

Segment APAC/China: Highest percentage organic sales growth within the Group colluding with York acquisition

Sales in € mn



Adj. EBIT in € mn and **margin** in %



Summary

- Acquired York Group consolidated as of May 2018 contributing close to € 20 mn in sales in Q3 2018
- Q3 2018 sales more than doubled from € 23.1 mn to € 56.1 mn
- On an organic basis sales were up 66.9%
- 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 € 3.1 (py: € 1.4 mn)
- As expected temporary margin dilution from including York in the scope of consolidation of the segment
- Adj. EBIT margin came in at 5.5% (py: 6.1%) despite still marginal share of aftermarket business in the region

Financial key figures Q3 2018

	Q3 2018	Q3 2017	Chg yoy
Pre-tax profit	€ 19.5 mn	€ 11.0 mn	+ 77.3%
Net income	€ 15.3 mn	€ 7.5 mn	+ 104%
Undiluted EPS	€ 0.34	€ 0.17	+ 100%

Pre-tax profit in Q3 2018 increased to € 19.5 mn (py: € 11.0 mn). Supported by a lower tax rate net income rose to € 15.3 mn (py: € 7.5 mn). Undiluted earnings per share reached € 0.34 (py: € 0.17).

Refined financial targets 2018 and mid-term planning 2020

	FY 2018 outlook refined*	FY 2018*	Strategy 2020
Sales	Organic increase of 9 to 10% assuming stable FX rates and unchanged scope of consolidation + contribution from V.Orlandi and York takeovers (~ € 65 to € 70 mn) + potential further M&A	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: € 1,250 mn + M&A: Coops, JVs, acquisitions Total: € 1,500 mn
Adj. EBIT margin	Rather tending to the lower end of the 7.0% to 8.0% range (incl. extraordinary income of € 4.4 mn)	7.0% to 8.0%	≥ 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. ~2.5% of sales

* 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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