

Q3 2018

QUARTERLY STATEMENT OF SAF-HOLLAND GROUP

as of September 30, 2018

KEY FIGURES

Result of operations

in EUR million

	Q1–Q3/2018	Q1–Q3/2017	Q3/2018	Q3/2017
Sales	980.9	864.7	340.6	277.1
Gross profit	155.4	158.7	50.8	46.5
Gross profit margin in %	15.8	18.3	14.9	16.8
Earnings before interests and taxes (EBIT)	59.3	57.2	22.5	15.5
EBIT margin in %	6.0	6.6	6.6	5.6
Adjusted EBIT	71.1	72.7	27.1	20.9
Adjusted EBIT margin in %	7.2	8.4	8.0	7.5
Result for the period	37.0	30.5	15.3	7.5
Adjusted result for the period	46.0	41.9	17.8	11.5
Basic earnings per share	0.82	0.69	0.34	0.17
Adjusted basic earnings per share	1.01	0.92	0.39	0.25

Result of operations

in EUR million

	9/30/2018	12/31/2017
Balance sheet total	999.4	998.1
Equity	314.5	301.0
Equity ratio in %	31.5	30.2
Cash and cash equivalents	95.5	278.8
Net debt	268.6	105.5
Net working capital	217.9	120.6
Net working capital/sales	16.0	11.0

Financial position

in EUR million

	Q1–Q3/2018	Q1–Q3/2017	Q3/2018	Q3/2017
Cash flow from operating activities before income tax paid	–12.7	38.2	4.2	23.0
Cash conversion rate in %	–17.9	52.5	15.5	110.0
Net cash flow from operating activities	–33.0	23.6	–2.2	18.0
Cash flow from investing activities	–26.1	–116.2	–15.0	–20.2
Purchase of property, plant and equipment and intangible assets	–25.3	–20.7	–10.0	–7.1
Free cash flow	–58.3	2.9	–12.2	10.9

Employees

	Q1–Q3/2018	Q1–Q3/2017
Employees (on average)	4,234	3,581
Sales per employee (EUR thousands)	231.7	241.5

Yield

in %

	Q1–Q3/2018	Q1–Q3/2017	Q3/2018	Q3/2017
Return on capital employed (ROCE)*	7.5	7.5	2.8	2.0

* ROCE = EBIT / (total assets – current liabilities)

Due to rounding, numbers presented throughout this report may not add up precisely to the totals shown and percentages may not precisely reflect the absolute figures. Such differences are not of a material nature.

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KEY EVENTS IN THE THIRD QUARTER OF 2018

SAF-HOLLAND ACQUIRES DIGITAL TRAILER

MANAGEMENT SPECIALIST AXSCEND GROUP LTD.

SAF-HOLLAND acquired 69.99 % of the shares of the digital trailer management specialist Axscend Group Ltd., Aylesham, United Kingdom, effective July 24, 2018. The purchase price was in the mid-single-digit-million euro range. An agreement was made at the same time granting SAF-HOLLAND an option to acquire the remaining shares in 2022.

With its Trailer Master Connect product, Axscend offers an intelligent interface for line connection technology, which can be used to upgrade or retrofit any semi-trailer to a smart trailer with extensive data-based capabilities. The technology also allows data transfer to mobile and stationary devices and analysis also in a decoupled state, enabling fleets to make the most of their resources. As a result of acquiring this telematics and connectivity specialist, SAF-HOLLAND has strengthened its know-how in the software and programming area while expanding its technology portfolio for digital trailer applications as part of its SMART STEEL strategy.

ECONOMY AND INDUSTRY ENVIRONMENT

GLOBAL ECONOMY CONTINUES SOLID GROWTH DESPITE RISING RISKS

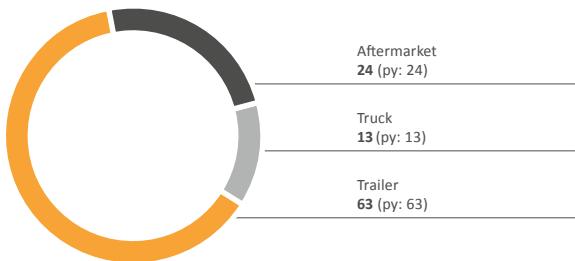
The global economy has continued its upward trend so far in 2018. The greatest stimulus came from the United States, where tax cuts at the beginning of the year along with the government's containment of regulatory requirements triggered a growth spurt. Gross domestic product in the United States increased 3.5 % in the third quarter of 2018. Compared to the second quarter, in which the US economy had even grown by more than 4%, the trade conflict with China had a restraining effect. Economic development in Europe was more moderate, as expected, but continued to grow solidly in the third quarter of 2018 with a projected GDP increase in the eurozone of just over 2 %. Development was varied in the emerging markets. While the emerging economies of China and India, which are the most important for SAF-HOLLAND, continued their economic upturn, countries such as Turkey and Argentina came under pressure due to a sharp depreciation in their local currencies.

DEMAND FOR TRUCKS AND TRAILERS BETTER THAN EXPECTED IN ALMOST ALL MARKETS

The development of the global commercial vehicle markets so far in 2018 has exceeded the expectations described in our 2017 Annual Report. This was particularly true with respect to the record high demand for trucks and trailers in North America. In Europe, markets also performed slightly better than was expected at the start of the year, but the extent of this outperformance was significantly lower than in North America. Sales in some of SAF-HOLLAND's key regional markets, such as Brazil and Australia, have also been stronger so far this year than originally expected.

Sales breakdown Q1 – Q3 2018

in %



TRUCK REGISTRATIONS IN EUROPE RISE APPROX. 5 %

According to the European Automobile Manufacturers Association (ACEA), new registrations of heavy trucks (over 16 tons), the vehicle class important for SAF-HOLLAND, increased 4.5 % in the European Union in the first nine months of 2018. As a result, the European truck market has once again surpassed the expectations of experts at the beginning of the year, who were estimating growth of only 2 %. The high volume markets of Germany, Italy, France and Spain benefited the most from the solid overall economic situation in Europe. This was in contrast to the level of new registrations in the UK, which fell nearly 8 % from the uncertainty surrounding the upcoming Brexit.

In Russia, new registrations of heavy and medium trucks increased by 7.3 % in the first nine months of 2018. Following a very strong first quarter, however, momentum weakened throughout the year, and in the third quarter of 2018, registrations fell year-on-year by 17.2 %.

SLIGHT INCREASE IN THE EUROPEAN TRAILER MARKET

The European trailer market has continued its multi-year upswing so far in 2018 with production rising again slightly, based on a very high level in the prior year. The main reason for this persistent growth was the continued robust overall economic development in Europe, which led to a rise in demand for transportation capacity. The replacement demand from fleet operators also increased. The performance of the European trailer market overall in the first nine months was better than originally expected. At the beginning of the year, market research institute CLEAR International Consulting (CLEAR) was still anticipating a decline in production of 4% in 2018.

RECORD ORDER INTAKE IN THE NORTH AMERICAN TRUCK MARKET

After a very strong first half of 2018, heavy-duty truck (Class 8) orders continued to pick up in the third quarter, reaching record highs in July and August. According to the market research institute ACT, order intake in the first nine months of 2018 doubled to almost 400,000 trucks. The main reason for the strong demand was the continued unexpected high growth in industrial production in the United States coupled with limited capacity at fleet operators. The shortage of truck drivers and the strict monitoring of operating hours (ELD – Electronic Logging Device) accompanied by rising transport volumes from the positive economic development this year led to capacity bottlenecks. Truck manufacturers were barely able to satisfy the extremely strong demand. According to ACT, the production of Class 8 trucks in the first nine months of 2018 grew by roughly 26% to around 239,000 trucks. The order backlog at the end of 2017 of 134,000 trucks increased accordingly to 297,000 trucks as of September 30, 2018.

TRAILER PRODUCTION IN NORTH AMERICA UNABLE TO KEEP PACE WITH ORDER BOOM

The strong economy and concerns about supply bottlenecks at trailer manufacturers in North America prompted many fleet operators to place larger orders for 2019 already in the months of July to September 2018. This caused a noticeable pick up in trailer orders in the third quarter of 2018 and amounted to a doubling in the orders compared to the same period in the prior year. According to the market research institute FTR Transport Intelligence (FTR), incoming orders rose by around 50% in the first nine months of 2018. Production was unable to keep pace with the new orders due to capacity bottlenecks at trailer manufacturers as well as throughout the entire supply chain. According to FTR, North American trailer manufacturers increased their production in the first three quarters of 2018 by just 8.0%.

BRAZILIAN TRUCK MARKET CONTINUES TO RECOVER

The Brazilian heavy truck market has grown significantly in 2018, despite only a modest recovery in the country's economy as a whole. According to the Manufacturers Association Anfavea (Associação Nacional dos Fabricantes de Veículos Automotores), production increased by 52.9% in the first nine months of 2018. This high increase in percentage terms, however, should be seen in the context of the weak comparisons following years of economic downturn.

SOLID DEMAND IN THE COMMERCIAL VEHICLE MARKETS IN THE APAC/CHINA REGION RELEVANT FOR SAF-HOLLAND

In the third quarter of 2018, the Chinese heavy truck market slowed with new registrations dropping roughly 20%. Nevertheless, according to the China Association of Automobile Manufacturers (CAAM), in the first nine months of 2018, 2.0% more heavy trucks were produced versus the same period last year. The premium segment for trailers, which is more important for SAF-HOLLAND, was able to escape market consolidation. Demand for premium applications in the Chinese trailer market, such as air suspensions and axle systems with integrated disc brake technology, continued to develop very positively.

The Indian market for heavy trucks has gained greater significance for SAF-HOLLAND following its acquisition of the Indian market leader for trailer axles, York Transport Equipment (Asia) Pte. Ltd. New registrations in the first nine months of 2018 increased by more than 40%.

In the regional market of Australia, which is also an important market for SAF-HOLLAND, around 25% more heavy and medium-duty trucks entered the market in the first nine months of 2018. Demand benefited in particular from the recovery in the commodity markets and the mining sector, boosting new purchases of heavy trucks and specialty vehicles.

SALES AND EARNINGS PERFORMANCE, NET ASSETS AND CASH FLOWS

SALES AND EARNINGS PERFORMANCE

ORGANIC SALES GROWTH ACCELERATES TO 15.0% IN THIRD QUARTER OF 2018

SAF-HOLLAND increased Group sales in the third quarter by 22.9% to EUR 340.6 million (previous year: EUR 277.1 million). On an organic basis, i.e., before exchange rate and acquisition effects, sales rose 15.0% to EUR 318.8 million, marking an acceleration in the Group's organic growth rate in the third quarter of 2018 (Q2 2018: 11.7%, Q1 2018: 8.8%). In addition, the newly acquired companies V.ORLANDI, York Transport Equipment (Asia) Pte. Ltd. and Axscend Ltd. contributed a total of EUR 25.6 million to Group sales in the third quarter. Negative exchange rate effects in the third quarter totaled EUR 3.7 million and were mainly due to the devaluation of some Asian currencies versus the euro.

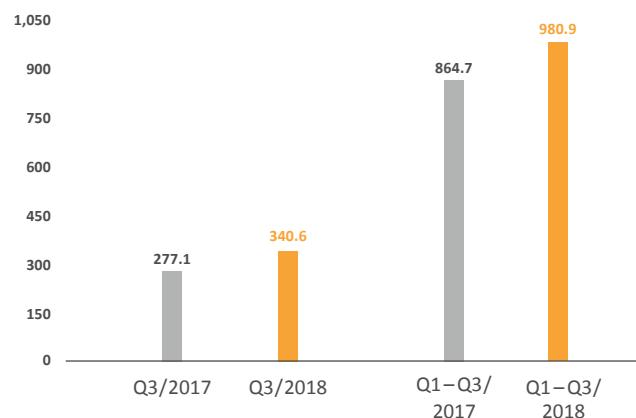
In the first nine months of 2018, sales increased by 13.4% to EUR 980.9 million (previous year: EUR 864.7 million). Adjusted for negative exchange rate effects of EUR 32.5 million and consolidation effects of EUR 46.7 million, Group organic sales increased by 11.8% in the first nine months of 2018.

Effect on Group sales

	Q3		Q1–Q3	
	in EUR million	Share of growth in %	in EUR million	Share of growth in %
Sales in 2017	277.1	—	864.7	—
Organic growth	41.7	15.0	102.0	11.8
Exchange rate effects	−3.7	−1.3	−32.5	−3.8
M&A	25.6	9.2	46.7	5.4
Sales in 2018	340.6	22.9	980.9	13.4

Sales Q3 2018

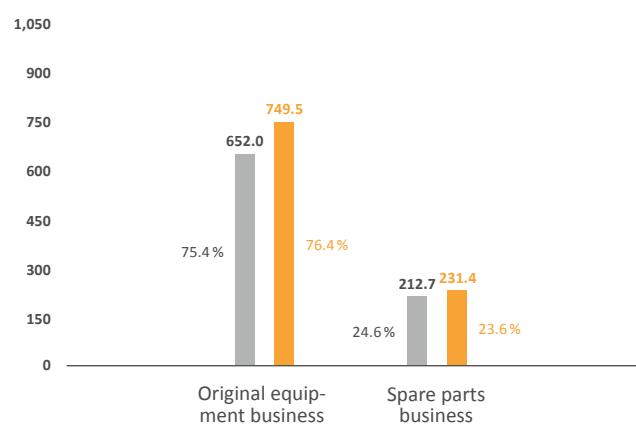
in EUR million



Sales by business area

in EUR million ■ Q1–Q3/2017 ■ Q1–Q3/2018

Stake in %



ORIGINAL EQUIPMENT BUSINESS GROWS 24.0% IN THE THIRD QUARTER OF 2018

Sales in the original equipment business increased noticeably across all regions in the third quarter of 2018, rising by 24.0% to EUR 258.4 million (previous year: EUR 208.3 million). In the first nine months, sales increased by 15.0% to EUR 749.5 million (previous year: EUR 652.0 million).

The APAC/China region more than doubled sales in the third quarter of 2018. Next to the effect of the inclusion of the York Group, the region benefited from steadily solid demand in the Chinese premium segment. In an environment of increasing bottlenecks in the supply chain, the Americas region also gen-

erated double-digit sales growth in the OE business in the third quarter of 2018. In the EMEA region, growth was slightly below the very high level of the previous quarter due to the seasonal shutdown in Europe in the months of July and August. Underlying demand remained at a sound level given the favorable macroeconomic environment in the region.

FURTHER REDUCTION IN SPARE PARTS ORDER OVERHANG IN NORTH AMERICA

Sales in the aftermarket business in the third quarter of 2018 increased by 19.5% to EUR 82.2 million (previous year: EUR 68.8 million). After a relatively moderate increase of 3.7% in the first half of the year, sales in the first nine months of 2018 increased 8.8% to EUR 231.4 million (previous year: EUR 212.7 million).

Strong momentum came from the Americas region in the third quarter of 2018, which saw double-digit sales growth in the aftermarket business. The region was able to further reduce its order backlog in the North American spare parts business that resulted from the continued dynamic market growth and the US plant consolidation. Sales in the APAC/China region increased sharply supported by the consolidation of the York Group with its established network of service stations in India. In absolute terms, however, the region's aftermarket business remained at a low level. In the EMEA region, the spare parts business continued to profit in the third quarter of 2018 from the steadily increasing number of SAF-HOLLAND systems installed in the market and the comparatively high age of vehicles in many fleets. As a result, sales in the region continued to grow moderately, despite strong comparisons from the prior year.

EARNINGS SIGNIFICANTLY IMPROVED IN Q3 2018 VERSUS PRIOR YEAR – TURNAROUND IN AMERICAS DESPITE ONGOING PRESSURE FROM STEEL PRICES AND CAPACITY BOTTLENECKS

Earnings in the third quarter of 2018 – ranging from the operating result to the result for the period – saw a strong double-digit year-on-year percentage increase based on the following factors, which mainly concern the Americas region:

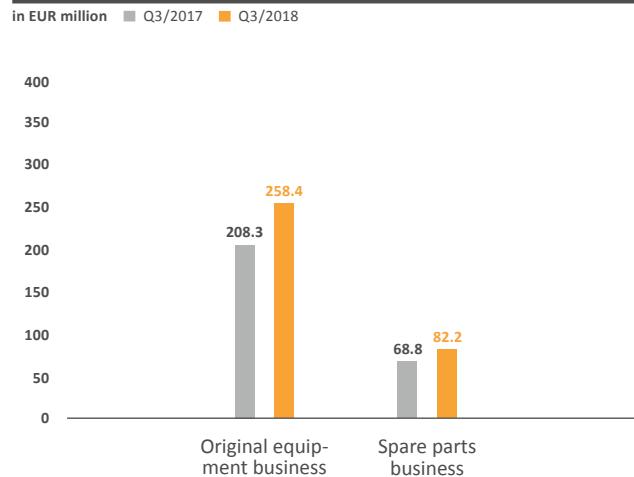
The result for the third quarter of 2018 again included additional operating expenses and start-up costs for the restructured production network in North America. In addition to start-up-related production inefficiencies, additional costs stemmed mainly from express freight costs and higher logistics costs as a result of the existing capacity bottlenecks. Additional operating expenses of EUR 2.0 million were incurred in the third quarter (previous year: EUR 4.0 million) after EUR 3.9 million and EUR 2.3 million, respectively, in the first and second quarters of 2018. This meant a further sequential reduction in additional operating expenses in the third quarter of 2018.

Restructuring costs in connection with the US plant consolidation, which were EUR 3.0 million in the same quarter of the prior year, fell to a mere EUR 0.1 million in the third quarter of 2018. Total restructuring and transaction costs amounted to EUR 1.7 million in the third quarter of 2018 (previous year: EUR 4.0 million) and mainly comprised transaction-related expenses of EUR 1.2 million in connection with the acquisitions completed in the current financial year.

High steel prices in North America also forced costs higher in the third quarter of 2018. Although SAF-HOLLAND can generally pass on the majority of price increases, these adjustments are made with a significant time delay of up to six months. The up-front material costs in the Americas region totaled EUR 3.9 million in the third quarter of 2018 (Q2 2018: EUR 4.3 million; Q1 2018: EUR 2.0 million).

Following the partial completion of the US plant consolidation, a local company agreement to reimburse medical benefits for retirees (medical plan) was terminated. Non-recurring, non-cash extraordinary income of EUR 4.4 million was realized from the settlement of the medical plan. In addition, this transaction will lead to annual cost savings of EUR 0.4 million going forward.

Sales by business area



PERSISTENTLY HIGH STEEL PRICES AND AN UNFAVORABLE SEGMENT MIX LEAD TO A LOWER GROSS MARGIN IN THE THIRD QUARTER OF 2018

Persistently very high steel prices, above all in the Americas region but also in EMEA, increased the cost of sales in the third quarter of 2018, leading to a total of EUR 3.9 million in additional material expenses in North America alone. As a result, the Group's gross profit had a disproportionately lower increase than sales and rose 9.2% to EUR 50.8 million (previous year: EUR 46.5 million), and the gross margin fell to 14.9% (previous year: 16.8%). The lower gross margin was also attributable to an unfavorable product and segment mix. At 24.1%

(previous year: 24.8%), the share of the Group's higher-margin spare parts business was slightly lower than in the previous year due to the high level of growth in original equipment in the third quarter of 2018. Currency effects had a negative impact of roughly 0.6 percentage points on the gross margin. Additional operating expenses of EUR 2.0 million related to the start-up of the new production network in North America were also incurred in the Americas region. Compared to the same quarter of the previous year, however, the resulting burden had already decreased by EUR 2.0 million.

In the first nine months of 2018, gross profit amounted to EUR 155.4 million (previous year: EUR 158.7 million). The additional operating expenses in the nine-month period totaled EUR 8.2 million (previous year: EUR 4.0 million), and the effects of the increased steel prices came to EUR 10.2 million. Restructuring costs recognized in the cost of sales, on the other hand, decreased to EUR 1.7 million (previous year: EUR 4.0 million), which was positive in comparison to the same period of the prior year. The effects described resulted in a decline in the gross margin to 15.8% in the first nine months of 2018 (previous year: 18.3%).

EXTRAORDINARY INCOME LOWERS OPERATING EXPENSES

Total operating expenses (selling expenses, administrative expenses and research and development costs) decreased to EUR 29.2 million in the third quarter of 2018 (previous year: EUR 31.9 million). This amount included the income from the partial settlement of the medical plan in the amount of EUR 4.4 million described above, which was recognized in administrative expenses. It is important to note that even when adjusting for this effect, the increase in operating expenses was a disproportionately low 5.3% compared to the increase in sales. The main reason for this positive trend was the successful implementation of cost saving measures Group-wide.

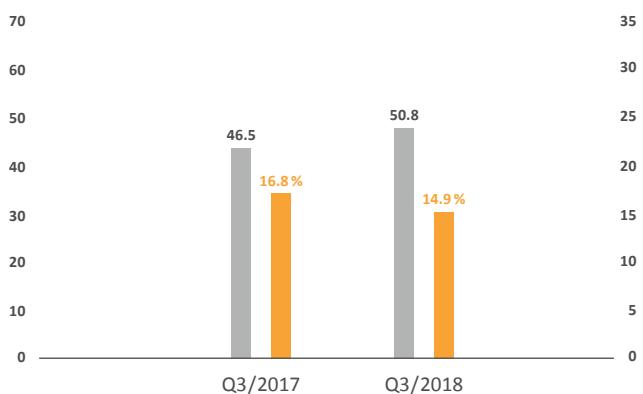
For research and development, the Group spent EUR 4.7 million (previous year: EUR 4.2 million) in the third quarter of 2018 and EUR 15.5 million in the first nine months of the financial year (previous year: EUR 15.5 million). In the nine-month period, development costs of EUR 2.4 million (previous year: EUR 3.4 million) were capitalized and offset by scheduled amortization of EUR 1.0 million (previous year: EUR 0.7 million). Including capitalized development costs, the Group spent EUR 17.9 million (previous year: EUR 18.9 million) on research and development (R&D). The significantly higher sales level caused a decline in the R&D ratio in the first nine months of 2018 to 1.8% (previous year: 2.2%).

ADJUSTED EBIT MARGIN OF 8.0% IN THE THIRD QUARTER OF 2018, AND 6.7% BEFORE EXTRAORDINARY INCOME

Earnings before interest and taxes (EBIT) in the third quarter of 2018 increased year-on-year by 45.2% to EUR 22.5 million (previous year: EUR 15.5 million). Excluding the extraordinary income of EUR 4.4 million described above, EBIT increased by

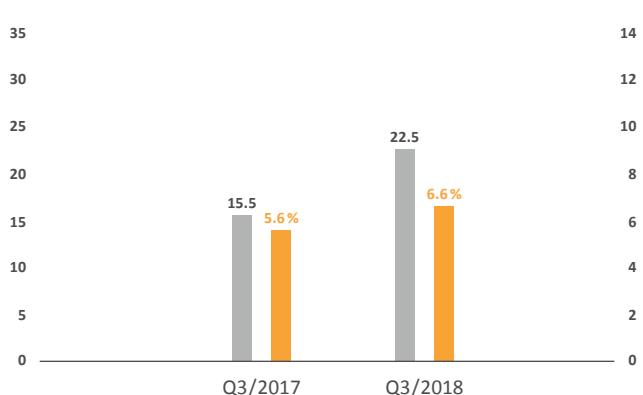
Gross profit and gross margin

■ Gross profit in EUR million ■ Gross margin in %



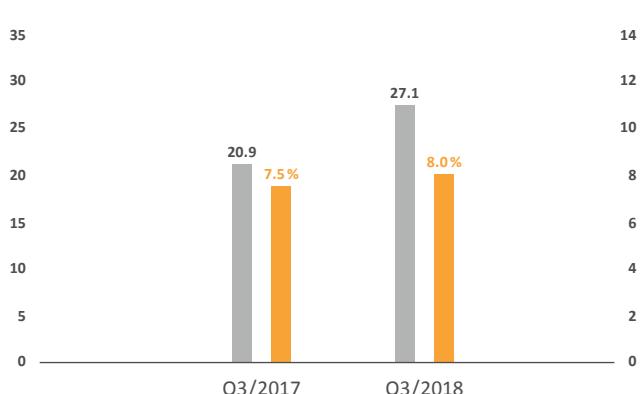
EBIT and EBIT margin

■ EBIT in EUR million ■ EBIT margin in %



Adjusted EBIT and adjusted EBIT margin

■ Adjusted EBIT in EUR million ■ Adjusted EBIT margin in %



16.8%, which was lower than the 22.9% rise in sales. The positive effect of significantly lower additional operating expenses compared to the previous year (EUR 2.0 million compared to EUR 4.0 million in Q3 2017) and restructuring costs (EUR 1.7 million compared to EUR 4.0 million in Q3 2017) was largely offset by the burden of higher steel prices (EUR 3.9 million).

Including non-recurring restructuring and transaction costs of EUR 1.7 million (previous year: EUR 4.0 million) and the effects of the purchase price allocation of EUR 2.8 million (previous year: EUR 1.3 million), adjusted EBIT in the third quarter of 2018 was EUR 27.1 million (previous year: EUR 20.9 million), or 29.7% higher than in the previous year. The adjusted EBIT margin reached 8.0% (previous year: 7.5%). The income from the partial settlement of a medical plan in the US was not adjusted according to the definition of adjusted EBIT. Due to its unique nature and the fact that it was not part of the Company's forecast, this effect is still not taken into account in the following assessment of earnings performance. Excluding non-recurring income, adjusted EBIT increased by 8.6% to EUR 22.7 million in the third quarter of 2018 (previous year: EUR 20.9 million). Based on this calculation, the adjusted EBIT margin was

6.7% (previous year: 7.5%), which meant that the target of a sequential improvement over the prior quarter (6.9%) was just missed excluding the income from the release of the provision for the partial terminated medical plan. As mentioned above, the reason for not meeting the target was the impact of higher steel prices and the slower-than-expected reduction in additional operating expenses in North America. As a result, the adjusted EBIT margin in the Americas region (excluding extraordinary income) increased 100 basis points to 1.6% in the third quarter of 2018.

In the first nine months of 2018, the Group achieved an adjusted EBIT of EUR 71.1 million (previous year: EUR 72.7 million) and an adjusted EBIT margin of 7.2% (previous year: 8.4%). Excluding extraordinary income, adjusted EBIT amounted to EUR 66.7 million (previous year: EUR 72.7 million), and the adjusted EBIT margin totaled 6.8% (previous year: 8.4%). The decline resulted from the burdens described, from higher steel prices amounting to EUR 10.2 million, and additional operating expenses of EUR 8.2 million (previous year: EUR 4.0 million). Due to their operational nature, both factors were not adjusted and therefore recognized as an expense in adjusted EBIT.

Reconciliation of operating result to adjusted EBIT and EBITDA

in EUR million

	Q1–Q3/2018	Q1–Q3/2017	Q3/2018	Q3/2017
Operating result	57.8	55.4	22.1	15.0
Share of net profit from investments accounted for using the equity method	1.5	1.8	0.4	0.6
EBIT	59.3	57.2	22.5	15.5
Depreciation/amortization of property, plant and equipment and intangible assets from PPA	5.8	4.0	2.4	1.3
PPA step-up from valuation of inventories from acquisitions	0.8	0.0	0.4	0.0
Restructuring and transaction costs	5.2	11.5	1.7	4.0
Adjusted EBIT	71.1	72.7	27.1	20.9
Depreciation/amortization (incl. depreciation/amortization from PPA)	21.5	18.3	7.9	6.0
EBITDA	80.8	75.4	30.4	21.5
Adjusted EBITDA	86.7	86.9	32.5	25.6

FINANCE RESULT IMPROVES SHARPLY IN THE THIRD QUARTER AFTER REDEMPTION OF HIGH-YIELD CORPORATE BOND

The repayment of the high-yield corporate bond in April 2018 reduced the Group's net interest expense on interest-bearing loans and bonds to EUR 2.1 million in the third quarter of 2018 versus the same quarter of the previous year (previous year: EUR 3.5 million). The finance result for the third quarter improved overall to EUR –3.1 million (previous year: EUR –4.5 million).

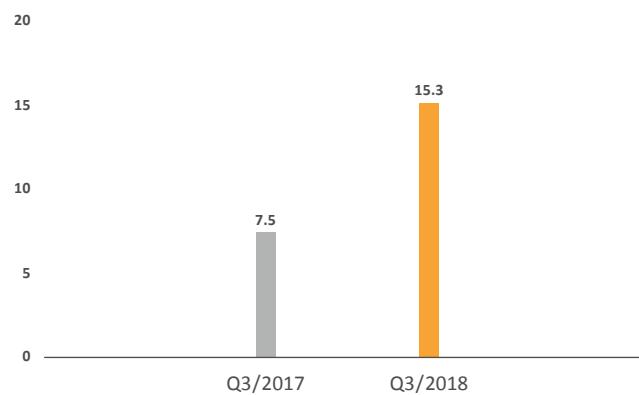
In the first nine months of 2018, the Group's finance result was EUR –9.3 million (previous year: EUR –12.7 million). In line with the development in the third quarter, this improvement resulted primarily from a reduction in net interest expenses that amounted to EUR –7.5 million in the first nine months of 2018 (previous year: EUR –10.2 million). Net finance income and expenses related to derivative financial instruments came to a total of EUR 0.1 million in the first nine months of 2018 (previous year: EUR –0.7 million).

2018 THIRD QUARTER RESULT FOR THE PERIOD SIGNIFICANTLY EXCEEDS PRIOR YEAR'S LEVEL

Due to the significant increase in earnings before interest and taxes and the improved finance result, the result before taxes increased in the third quarter of 2018 by 77.3 % to EUR 19.5 million (previous year: EUR 11.0 million). The tax rate for the third quarter of 2018, however, fell to 21.6 % (previous year: 32.0 %), as the Group benefited from the reduced corporate tax rate in the United States as a result of the earnings improvement in the Americas region. In addition, unrealized currency gains from intercompany business transactions led to a reduction in the Group tax expense. Taxes apply to these gains only when they are realized. The result for the period doubled accordingly to EUR 15.3 million in the third quarter of 2018 (previous year: EUR 7.5 million). Basic earnings per share reached EUR 0.34 (previous year: EUR 0.17) and diluted earnings per share totaled EUR 0.30 (previous year: EUR 0.15). The extraordinary income of EUR 4.4 million recorded

Result for the period

in EUR million



in the third quarter of 2018 should be kept in mind when evaluating the earnings figures and their growth rates.

The result before taxes in the first nine months of 2018 increased 12.4 % to EUR 50.0 million (previous year: EUR 44.5 million). The result for the period in the first nine months of 2018 was EUR 37.0 million (previous year: EUR 30.5 million). Basic earnings per share reached EUR 0.82 (previous year: EUR 0.69) and diluted earnings per share totaled EUR 0.71 (previous year: EUR 0.60).

Reconciliation of adjusted earnings figures

in EUR million

	Q1–Q3/2018	Q1–Q3/2017	Q3/2018	Q3/2017
Result for the period	37.0	30.5	15.3	7.5
Income taxes	13.0	14.0	4.2	3.5
Finance result	9.3	12.7	3.1	4.5
Depreciation/amortization from PPA	5.8	4.0	2.4	1.3
PPA step-up from valuation of inventories from acquisitions	0.8	0.0	0.4	0.0
Restructuring and integration costs	5.2	11.5	1.7	4.0
Adjusted EBIT	71.1	72.7	27.1	20.9
in % of sales	7.2	8.4	8.0	7.5
Adjusted result for the period	46.0¹	41.9²	17.8¹	11.5²
in % of sales	4.7	4.8	5.2	4.2
Number of shares ³	45,394,302	45,361,112	45,394,302	45,361,112
Adjusted basic earnings per share in EUR⁴	1.01	0.92	0.39	0.25
Adjusted diluted earnings per share in EUR⁵	0.87	0.80	0.34	0.22

¹ A uniform tax rate of 25.5 % was assumed in the calculation of the adjusted result for the period.

² A uniform tax rate of 30.2 % was assumed in the calculation of the adjusted result for the period.

³ Weighted average number of ordinary shares.

⁴ The calculation of adjusted basic earnings per share also includes the result attributable to non-controlling interests of EUR –0.3 million (previous year: EUR –0.8 million).

⁵ Calculation takes into account 8.3 million share equivalents (previous year: 8.2 million) and EUR 0.9 million (previous year: EUR 0.9 million) of earnings contribution from the convertible bonds issued in 2014 and non-controlling interests of EUR –0.3 million (previous year: EUR –0.8 million).

STRONG IMPROVEMENT IN THE ADJUSTED RESULT FOR THE PERIOD IN THE THIRD QUARTER OF 2018

The adjusted result for the period in the third quarter reached EUR 17.8 million (previous year: EUR 11.5 million), which is significantly higher than in the same quarter of the previous year. Restructuring and transaction costs and the effects of the purchase price allocation were adjusted for in calculating the adjusted result for the period. As in the calculation of the adjusted EBIT, on the other hand, the extraordinary income of EUR 4.4 million was not adjusted for. The disproportionate increase in the result for the period in the third quarter of 2018 compared to the development of the operating result stemmed from the better finance result and the aforementioned positive tax effects, including those from consolidation. In addition, the

result for the period in 2018 benefited from the reduction in the average weighted Group tax rate versus the prior year, which fell to 25.5% (previous year: 30.2%) as a result of the reduction in the corporate tax rate in the United States. Adjusted basic earnings per share in the third quarter were EUR 0.39 (previous year: EUR 0.25) and adjusted diluted earnings per share were EUR 0.34 (previous year: EUR 0.22).

In the first nine months of 2018, the adjusted result for the period increased to EUR 46.0 million (previous year: EUR 41.9 million). Adjusted basic earnings per share reached EUR 1.01 (previous year: EUR 0.92), while adjusted diluted earnings per share amounted to EUR 0.87 (previous year: EUR 0.80).

SEGMENT REPORTING

Regional Overview

in EUR million

	EMEA ¹		Americas		APAC/China ¹		Total ¹	
	Q1–Q3/2018	Q1–Q3/2017	Q1–Q3/2018	Q1–Q3/2017	Q1–Q3/2018	Q1–Q3/2017	Q1–Q3/2018	Q1–Q3/2017
Sales	500.6	463.8	353.9	335.3	126.4	65.6	980.9	864.7
Cost of sales	–400.9	–369.1	–315.9	–284.3	–108.7	–52.6	–825.5	–706.0
Gross profit	99.7	94.7	38.0	51.0	17.7	13.0	155.4	158.7
in % of sales	19.9%	20.4%	10.7%	15.2%	14.0%	20.0%	15.8%	18.3%
Sundry operating income and expenses ²	–42.6	–46.4	–31.5	–31.0	–10.1	–8.6	–84.2	–86.0
Adjusted EBIT	57.1	48.3	6.5³	20.0	7.6	4.4	71.1³	72.7
in % of sales	11.4%	10.4%	1.8%	6.0%	6.0%	6.7%	7.2%	8.4%

¹ Adjustment to Q3/2017 reported figures due to the change in segment reporting.

² Sundry operating income and expenses consist of selling and administrative expenses, research and development costs, other operating income and the share of net profit of investments accounted for using the equity method less restructuring and transaction costs of EUR 5.2 million (previous year: EUR 11.5 million) and depreciation/amortization from PPA of EUR 6.6 million (previous year: EUR 4.0 million).

³ Includes extraordinary income of EUR 4.4 million.

CONTINUED SALES AND EARNINGS GROWTH IN EMEA SEGMENT

The EMEA region increased sales by 8.0% to EUR 155.5 million in the third quarter of 2018 (previous year: EUR 144.0 million). Excluding negative exchange rate effects of EUR 0.1 million and the contribution of V.ORLANDI and Axscend Ltd., which were included in the scope of consolidation for the first time in the current 2018 financial year, totaling EUR 5.5 million, sales in the region grew by 4.1%. In the first nine months of 2018, sales increased by 7.9% (4.8% organically) to EUR 500.6 million (previous year: EUR 463.8 million).

The market environment for trucks and trailers in Europe has remained favorable so far in 2018. Contrary to the cautious expectations expressed at the start of the year, demand from fleet operators has continued to rise. SAF-HOLLAND has also benefited from new product launches in the OE business and

market share gains in key regional markets. The truck segment recorded particularly strong growth.

SAF-HOLLAND grew the strongest in the southern European countries of Spain, Italy and France. Business in Eastern Europe, especially in Poland and Russia, also grew solidly. The aftermarket business in the EMEA region continued to grow based on high comparisons of the prior year.

In the third quarter of 2018, the EMEA region increased its adjusted EBIT to EUR 17.5 million (previous year: EUR 14.6 million), improving the adjusted EBIT margin to 11.3% (previous year: 10.1%). As a result, the region was able to almost match the margin level of the previous quarter (11.5%), despite the weaker quarter due to the plant holidays. Ongoing process improvements and economies of scale as a result of the larger volume of business more than offset the negative effects of

steel prices, which also increased noticeably in Europe. The higher year-on-year margin was also a result of the inclusion of V.ORLANDI in the region's scope of consolidation, which was acquired in the second quarter of 2018. This profitability of this subsidiary was clearly above the Group average. In the first nine months of 2018, adjusted EBIT for the EMEA segment increased by 18.2% to EUR 57.1 million (previous year: EUR 48.3 million), and the adjusted EBIT margin reached 11.4% (previous year: 10.4%).

PROFITABILITY IMPROVEMENT IN AMERICAS REGION CONTINUES IN THE THIRD QUARTER

In the third quarter of 2018, the Americas segment achieved higher-than-planned sales growth of 17.3% to EUR 129.0 million (previous year: EUR 110.0 million). Negative exchange rate effects of EUR 1.4 million, mainly from the development of the euro against the US dollar, reduced sales in euro, the Group's reporting currency. Organically, sales increased by 18.6%. Despite remaining inefficiencies in the restructured production network and capacity bottlenecks caused by the tense situation throughout the whole industry supply chain, the organic growth rate in the Americas region versus the first and second quarters of 2018 (7.6% and 15.1%, respectively) continued to increase. In the nine-month period of 2018, negative translational exchange rate effects amounted to EUR 27.6 million, and sales in the region increased by 5.5% (13.8% organically).

Customer demand for truck and trailer components in North America remained at a very high level in the third quarter of 2018. The booming market, especially in truck production, led to capacity bottlenecks throughout the industry across the entire supply chain. Given these circumstances, SAF-HOLLAND deliberately chose to give the highest priority to the timely delivery of its customers and reassert its market share, thereby incurring additional expenses.

The Group was still able to reduce the additional operating expenses necessary during the ramp-up of the new production network in North America, particularly those for express freight and higher logistics costs, as well as production inefficiencies at the plants. At EUR 2.0 million, these additional expenses were once again lower than in the prior quarter (EUR 2.3 million). In the first quarter of 2018, additional expenses had amounted to EUR 3.9 million. The progress made year-to-date in better integrating the capacity planning and logistics processes have enabled us to meet our customers' unexpected demand for significantly higher volumes.

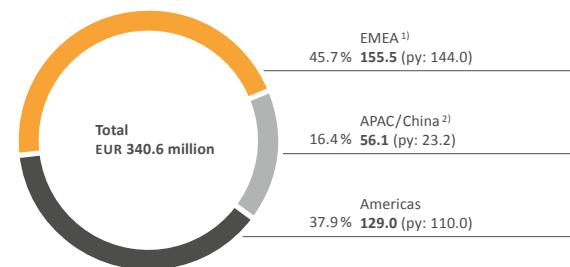
Continued high steel prices had a negative impact. Although prices started to weaken in the middle of the third quarter of 2018, they were still very high on a quarterly average. SAF-HOLLAND is usually able to pass on a large part of these price increases, however, this occurs with a time delay of up to six months. In the third quarter of 2018, the burden from these

up-front material costs in the Americas region totaled EUR 3.9 million (Q1–Q3 2018: EUR 10.2 million).

The Brazilian company KLL, which was acquired in 2016, saw a significant double-digit increase in sales in local currency in the third quarter of 2018. KLL benefited from the continuing recovery in the Brazilian market. However, due to significant negative exchange rate effects, sales when measured in the Group's reporting currency euro, were up only moderately.

Sales by region Q3 2018

in EUR million



¹⁾ Contains Europe, Middle East and Africa ²⁾ Including India

In the third quarter of 2018, adjusted EBIT in the Americas region continued to improve on a purely operational basis versus the prior quarter to EUR 2.1 million (Q2 2018: EUR 0.7 million). In addition, the partial settlement of a US medical plan resulted in extraordinary income of EUR 4.4 million, which will lead as of now to annual cost savings of EUR 0.4 million going forward. This effect supported the region in achieving an adjusted EBIT of EUR 6.5 million (previous year: EUR 5.0 million) and an improvement in the adjusted EBIT margin to 5.0% (previous year: 4.5%).

Excluding the extraordinary income of EUR 4.4 million already mentioned, the adjusted EBIT margin improved sequentially from 0.6% to 1.6% (previous year: 4.5%). Adjusted EBIT in the Americas in the first nine months of 2018, excluding extraordinary income, reached EUR 2.1 million (previous year: EUR 20.0 million), and the adjusted EBIT margin amounted to 0.6% (previous year: 6.0%).

FURTHER GROWTH ACCELERATION IN APAC/CHINA SEGMENT

The APAC/China region continued its strong growth in the third quarter of 2018 with an increase in sales of 142.4% (66.2% organically) to EUR 56.1 million (previous year: EUR 23.2 million). The York Group, which has been consolidated since May 1, 2018, contributed sales of EUR 20.1 million. Sales in the region in the first nine months of 2018 increased by 92.6% (51.0% organically)

to EUR 126.4 million (previous year: EUR 65.6 million), which increased the region's share of Group sales significantly year-on-year to a total of 12.9% (previous year: 7.6%).

The region's organic growth accelerated once again versus the first half of 2018, demonstrating that SAF-HOLLAND, with its focus on the Chinese premium segment, was able to entirely escape the weaker general market trend in China in the third quarter. The introduction of statutory load limits for commercial vehicles and stricter safety regulations for the transportation of dangerous goods and automotive transporters continued to require fleet operators to invest heavily in new vehicles. SAF-HOLLAND with its weight-saving components and range of air suspension and axle systems with high-performance disc brake technology is well positioned for this demand. The Group's subsidiary in Xiamen, which contains the trailer components business in China, was able to achieve high sales growth. Further progress was made in the third quarter of 2018 on the construction of the new production center at the Yangzhou location in China, which will provide SAF-HOLLAND additional capacity for the high demand expected from the Chinese premium segment in the years ahead. The new plant is scheduled to begin production in the first half of 2019.

SAF-HOLLAND also increased sales and earnings in the important Australian transportation market, where demand, driven by rising raw material prices, has risen considerably.

Adjusted EBIT in the APAC/China region doubled to EUR 3.1 million in the third quarter of 2018 (previous year: EUR 1.4 million), resulting in an adjusted EBIT margin of 5.5% (previous year: 6.1%). The lower year-on-year margin was due to a less favorable product mix and rising costs associated with the construction of the new production center in China. The York Group was already able to visibly improve its margin in the third quarter of 2018 as part of the ongoing integration measures but was still below the Group average. In the first nine months of 2018, the APAC/China region increased its adjusted EBIT to EUR 7.6 million (previous year: EUR 4.4 million), resulting in an adjusted EBIT margin of 6.0% (previous year: 6.7%).

NET ASSETS

TOTAL ASSETS ALMOST UNCHANGED VERSUS 2017 YEAR-END LEVEL

As of September 30, 2018, total assets amounted to EUR 999.4 million which were virtually unchanged compared to their level at the end of 2017 (EUR 998.1 million). The balance sheet item that had the greatest change was cash and cash equivalents (cash and cash equivalents and other short-

term investments), which declined by a total of EUR 237.2 million to EUR 95.5 million (December 31, 2017: EUR 337.1 million). This decline was the result of the repayment of a corporate bond (EUR 75.0 million), the purchase price payments for acquisitions (EUR 58.2 million), a dividend payment (EUR 20.4 million) and an increase in net working capital (EUR 97.3 million). The majority of these outflows was recorded in the first half of 2018. During the third quarter of 2018, cash and cash equivalents decreased by EUR 17.1 million.

ACQUISITIONS LEAD TO RISE IN NON-CURRENT ASSETS

The acquisitions of V. ORLANDI and York in the first half of 2018, and to a lesser extent the acquisition of Axscent in the third quarter of 2018, contributed significantly to the increase in non-current assets to EUR 471.7 million (December 31, 2017: EUR 377.8 million). This increase mainly resulted from goodwill (EUR +28.4 million), other intangible assets (EUR +40.0 million) and property, plant and equipment (EUR +16.6 million).

STRONG SALES GROWTH RESULTS IN HIGHER NET WORKING CAPITAL

Strong sales growth and the consolidation of the acquired companies led to an increase in net working capital of EUR 97.3 million to EUR 217.9 million in the first nine months of 2018. The increase in inventories of EUR 60.2 million to EUR 194.0 million contained therein was also attributable to the deliberately higher level of inventories in North America in order to ensure punctual deliveries to customers in the tense market environment. The increase in trade receivables of EUR 71.3 million to EUR 207.0 million also resulted from the regional sales mix after SAF-HOLLAND achieved significantly disproportionate sales growth in the emerging markets. In these countries, payment periods are usually longer than in Europe and North America.

INVENTORIES AND RECEIVABLES DECLINE SLIGHTLY IN THE THIRD QUARTER OF 2018

Despite the renewed acceleration in organic sales growth, inventories at the end of September 2018 were EUR 0.4 million below their level as of June 30, 2018. At EUR 207.0 million, trade receivables were virtually unchanged compared to their level as of June 30, 2018. Because trade payables fell at the same time by EUR 15.9 million to EUR 159.5 million in the third quarter of 2018, net working capital increased by EUR 13.5 million in the third quarter.

Overview of net assets

in EUR million

	9/30/2018	6/30/2018	12/31/2017
Total assets	999.4	1,008.4	998.1
Equity	314.5	307.0	301.0
Equity ratio in %	31.5	30.4	30.2
Net debt ¹	268.6	252.0	105.5
Net working capital	217.9	204.4	120.6
Net working capital in % of sales	16.0	14.5	11.0

¹ Taking into account cash and cash equivalents and other short-term investments of EUR 99.8 million as of September 30, 2018 (December 31, 2017: EUR 337.1 million).

EQUITY RATIO IMPROVES TO 31.5%

Equity amounted to EUR 314.5 million as of September 30, 2018, which was EUR 13.5 million higher than at the end of 2017. The equity ratio improved to 31.5% (December 31, 2017: 30.2%) with equity rising from the result for the period in the first nine months of 2018 of EUR 37.0 million. Most of this rise was offset by the distribution of a dividend for the 2017 financial year amounting to EUR 20.4 million and negative currency differences of EUR 5.5 million from the translation of the financial statements of foreign operations.

NET DEBT EQUALS EUR 268.6 MILLION

As a result of the decline in cash and cash equivalents described above, net debt increased to EUR 268.6 million as of September 30, 2018 (December 31, 2017: EUR 105.5 million). The majority of the increase was recorded in the first half of 2018. In the third quarter of 2018, net debt increased by

EUR 16.6 million compared to its level on June 30, 2018, mainly due to the payment of the purchase price for Axscend and from the increase in net working capital already mentioned.

FINANCIAL POSITION: CASH FLOWS

SEQUENTIAL IMPROVEMENT IN CASH FLOW FROM OPERATING ACTIVITIES BEFORE INCOME TAXES PAID IN THE THIRD QUARTER, BUT BELOW PRIOR YEAR'S LEVEL

Cash flow from operating activities before income taxes paid reached EUR 4.2 million in the third quarter of 2018. This represented an improvement of EUR 8.9 million over the previous quarter (EUR -4.7 million) but remained well below the previous year's level of EUR 23.0 million. The decline in cash flow from operating activities before income taxes paid resulted from the sales-driven increase in net working capital described above in the section "Net Assets", which had led to a cash outflow of EUR 26.1 million in the third quarter of 2018 (previous year: cash inflow of EUR 0.2 million). This was in contrast to the third quarter 2018 development in the cash flow before changes in net working capital, which had improved to EUR 30.4 million (previous year: EUR 22.8 million) due to the better earnings situation.

In the nine-month period, the change in net working capital resulted in a cash outflow of EUR 97.3 million (previous year: EUR 39.8 million) and led to cash flow from operating activities before income taxes paid in the period of EUR -12.7 million (previous year: EUR 38.2 million).

Overview of financial position

in EUR million

	Q1–Q3/2018	Q1–Q3/2017	Q3/2018	Q3/2017
Cash flow from operating activities before income taxes paid	-12.7	38.2	4.2	23.0
Cash conversion rate in % ¹	-17.9	52.5	15.5	110.0
Net cash flow from operating activities	-33.0	23.6	-2.2	18.0
Net cash flow from investing activities	-26.1	-116.2	-15.0	-20.2
Investments in property, plant and equipment and intangible assets	-25.3	-20.7	-10.0	-7.1
in % of sales	2.6	2.4	2.9	2.6
Net cash flow from financing activities	-122.7	-31.1	-3.4	-0.5
Free cash flow ²	-58.3	2.9	-12.2	10.9

¹ Cash flow from operating activities before income taxes paid divided by adjusted EBIT.

² Net cash flow from operating activities less investments in property, plant and equipment and intangible assets.

HIGHER INVESTMENT IN LINE WITH EXPECTATIONS

Payments for investments in property, plant and equipment and intangible assets increased as planned to EUR 10.0 million in the third quarter of 2018 (previous year: EUR 7.1 million) and to EUR 25.3 million in the nine-month period (previous year: EUR 20.7 million). A focus of investment in 2018 has been the construction of the new production center in China, which has a total investment budget in the high single-digit millions. Payments for the acquisitions of V.ORLANDI, York and Axscend totaled EUR 58.2 million in the first nine months of 2018, which were partially financed by a cash inflow of EUR 57.0 million from the sale of other short-term investments. In the previous year, the purchase of other current financial assets within the scope of treasury management led to a cash outflow of EUR 96.3 million. Accordingly, the net cash flow from investing activities amounted to EUR –26.1 million in the first nine months of 2018 (previous year: EUR –116.2 million).

CASH FLOW FROM FINANCING ACTIVITIES Affected BY CORPORATE BOND MATURITY AND DIVIDEND PAYMENT

In addition to a dividend payment of EUR 20.4 million (previous year: EUR 20.0 million), cash flow from financing activities mainly consisted of the repayment of a corporate bond in the amount of EUR 75.0 million with a coupon of 7.0% at the end of April 2018. Total net cash flow from financing activities in the first nine months of 2018 equaled EUR –122.7 million (previous year: EUR –31.1 million).

GROWTH-DRIVEN RISE IN NET WORKING CAPITAL LEADS TO NEGATIVE FREE CASH FLOW IN THE THIRD QUARTER OF 2018

Free cash flow (net cash flow from operating activities less investments in property, plant and equipment and intangible assets before acquisitions and dividend payments) declined to EUR –12.2 million in the third quarter of 2018 (previous year: EUR 10.9 million). In the first nine months of 2018, this figure amounted to EUR –58.3 million (previous year: EUR 2.9 million). The year-to-date negative free cash flow in 2018 was mainly the result of the better-than-planned strong sales growth of 22.9%, which resulted in a corresponding build-up of net working capital. Whereas receivables increased by EUR 5.5 million in the third quarter of 2018 due to growth, inventories increased only a moderate EUR 2.7 million. Trade payables, in contrast, rose EUR 17.1 million in the third quarter, among others, to take advantage of more favorable payment terms.

SAF-HOLLAND expects to achieve a significant improvement in free cash flow by the end of the 2018 financial year versus the level reported on September 30, 2018 as a result of seasonal effects in the fourth quarter (Q4 2017: EUR +26.8 million), among others.

EVENTS AFTER THE BALANCE SHEET DATE

On October 2, 2018, a new syndicated loan was signed with an enlarged syndicate of banks, replacing the existing funding and providing the Group with long-term funding at favorable interest rates until October 2025. The newly concluded loan agreement includes a revolving credit line of EUR 200 million that can be drawn on in various currencies. If necessary, there is an option to extend the credit line by an additional EUR 100 million. This refinancing has increased the available credit line to EUR 200 million (December 31, 2017: approx. EUR 158 million).

On November 6, 2018, SAF-HOLLAND signed an agreement to acquire the remaining 20% interest in Corpco Beijing Technology and Development Co., Ltd., still owned by the founding family. With this acquisition, SAF-HOLLAND GmbH holds 100% of the shares in Corpco Beijing Technology and Development Co., Ltd., which generated sales in the single-digit-million euro range during the past fiscal year and is active primarily in bus and truck air suspension systems.

ALTERNATIVE PERFORMANCE MEASURES

In addition to the key figures defined or specified in the applicable IFRS financial reporting framework, SAF-HOLLAND also provides key financial ratios derived from or based on the prepared financial statements. These are known as Alternative Performance Measures (APM).

SAF-HOLLAND considers these key financial ratios to be important supplemental information for investors and other readers of the financial reports and press releases. The key financial ratios should therefore be seen as a supplement to rather than a replacement of the information prepared in accordance with IFRS.

With regard to the requirements of the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures (APM), SAF-HOLLAND provides an overview of the Alternative Performance Measures used, their definition and calculation on the SAF-HOLLAND website at <https://corporate.safholland.com/en/apm>.

OUTLOOK

ECONOMIC AND SECTOR ENVIRONMENT

GLOBAL ECONOMY REMAINS ROBUST; UNRESOLVED TRADE CONFLICT INCREASES RISKS

Leading economic research institutes expect the global economy to continue to expand both this year and next. Nevertheless, the growing trade conflict between the United States and China in recent months has increased concerns about a potential loss of momentum in the global economy. As a result, the International Monetary Fund (IMF) in October brought down its global growth forecast slightly to 3.7% for each of 2018 and 2019 (previously 3.9% for each year). The IMF lowered its expectations particularly for a few of the export-dependent emerging and developing countries, reducing its GDP growth forecast for China to 6.2% for 2019 (previously 6.4%) while maintaining its forecast for 2018 at 6.6%. The IMF is also more cautious in its outlook for the industrialized countries and now expects the eurozone to grow by 2.0% in 2018 versus the 2.2% increase it was forecasting in July. The IMF expects the Germany economy to grow 1.9% p.a. both this year and next after reducing its 2018 and 2019 forecasts by 0.3 and 0.2 percentage points, respectively. The IMF experts confirmed their 2.9% forecast for the United States in 2018 but lowered their estimates for 2019 to 2.5% (previously 2.7%).

INDUSTRY ENVIRONMENT: GLOBAL COMMERCIAL VEHICLE MARKETS CONTINUE UPWARD TREND

The outlook in the current year is still favorable for the commercial vehicle markets relevant for SAF-HOLLAND and is expected to remain so throughout at least the first half of 2019. Based on the record new orders and order backlogs for trucks and trailers in North America, there are already expectations that production will be very solid in the coming year. In Europe, which is the most important region for SAF-HOLLAND in terms of sales, growth is expected to remain moderate in 2018. In China, where SAF-HOLLAND's primary focus is the premium segment rather than the overall market, the tighter regulatory requirements are expected to continue to fuel ongoing investment by the fleet operators.

RENEWED INCREASE IN THE EUROPEAN TRAILER MARKET IN 2018

The market research institute CLEAR raised its forecast for the Western European trailer market in May 2018 in light of the continued economic upswing in Europe. After forecasts at the start of 2018 were projecting a consolidation in the market and a decline in Western European trailer production of up to 5%, experts now forecast a rise in production of up to 1%. Following a forecasted slight minus in 2019 CLEAR's medium-term forecast even foresees a new yearly record in registrations and production coming up in the time span until 2021. CLEAR expects Eastern European trailer production to increase slightly by just under 3% in 2018 resulting in a level of pan-European trailer production growth of 1.3% in 2018.

SLIGHT RISE IN FORECASTS FOR EUROPEAN TRUCK MARKET

The forecasts for the European truck market in 2018 were recently revised higher. For the heavy truck segment, which is the relevant segment for SAF-HOLLAND, industry observers are now assuming production increases in the low to mid-single-digit percentage range. In early 2018, most experts had still expected an increase of up to just 1%.

SURGE IN ORDERS IN THE NORTH AMERICAN TRUCK MARKET; CAPACITY UTILIZATION SECURED WELL INTO 2019

The strong growth of the US economy and the even stronger rise in freight volumes and rates so far this year have led to high demand for additional transport capacity in North America. At the same time, the Electronic Logging Device (ELD) standard introduced by the Federal Motor Carrier Safety Administration (FMCSA) on April 1, 2018, created additional bottlenecks for fleet operators. The ELD requires truck drivers to document their breaks, which essentially leads to lower operating hours in daily practice.

Fleet operators responded to these bottlenecks with a surge in orders for new equipment, which are difficult to fill given the truck manufacturers' limited capacity. As a result of these constraints, in July, ACT lowered its production forecast for Class 8 trucks in 2018 to around 316,000 units. Although this level represents a year-on-year rise of more than 20%, this compares to a doubling in incoming orders to around 400,000 trucks already by the end of September 2018. ACT therefore assumes that the order backlog will not be worked off until 2019 and expects the market to grow by a further 5.7% in 2019 to roughly 335,000 trucks manufactured next year.

SOLID GROWTH IN THE NORTH AMERICAN TRAILER MARKET

Similar to the circumstances with Class 8 trucks, capacity constraints are also expected to noticeably limit growth in the North American trailer market in 2018. FTR has moderately raised its forecasts several times this year and now expects to see 8.7% more trailers rolling out of production in 2018 versus the prior year, which was already a strong year. At the beginning of 2018, FTR was still expecting the trailer market to stagnate or even decline slightly. For 2019, FTR now expects trailer production to stabilize again at a high absolute level of around 335,000 units.

RECOVERY OF THE BRAZILIAN TRUCK MARKET CONTINUES

Industry experts expect heavy truck production in Brazil to grow just under 40% in 2018, based on their forecasts for a moderate economic recovery. This would represent a continuation in the Brazilian truck market's recovery that began last year but still is around a third lower than before the last downturn in 2013. Demand for trailers though has been lagging the upbeat trend in the truck segment tellingly.

MODERATE DECLINE IN TRUCK AND TRAILER DEMAND IN CHINA; PREMIUM SEGMENT STILL ON THE UPSWING

After years of high growth rates, 2018 saw the beginning of a consolidation in the truck and trailer demand in China, which many market observers had anticipated. The slowdown, however, proved to be relatively moderate, and this year, the production of heavy trucks is expected to decline in the mid- to high single-digit percentage range.

The introduction of the second phase of the GB 1589 standard in July 2018 and the GB 7258 standard as of January 1, 2019 will greatly shape the demand for trailers in China in 2018 and beyond. The newly introduced load limits and safety regulations significantly impact the segment of automobile and dangerous goods transporters in particular. These types of transporters require high investments by fleet operators in trailers with more sophisticated equipment, such as air suspension systems and disc brake technology – SAF-HOLLAND's area of expertise. Accordingly, market observers are forecasting solid growth rates for the premium segment in 2018 as well as in the years that follow.

SOLID GROWTH IN THE INDIAN TRAILER MARKET

For the Indian trailer market, which has become increasingly important for SAF-HOLLAND since the acquisition of York Transport Equipment, CLEAR expects production to increase by 12.8% in 2018, which represents a continuation in the market's long-standing uptrend. For 2019, too, market observers expect demand for new trailers in the Indian market to pick up by approx. 10%.

COMPANY OUTLOOK

OUTLOOK FOR ORGANIC SALES GROWTH IN 2018 RAISED TO 9% TO 10%

With the publication of the preliminary figures for the third quarter of 2018 on October 19, 2018, SAF-HOLLAND refined its sales and earnings forecast for the current 2018 financial year. Based on higher-than-expected organic growth in the third quarter of 2018 and continued strong demand for SAF-HOLLAND's products, the Group is now forecasting the previously expected 5 to 7% organic sales growth in full-year 2018 to be stronger than expected and reach 9% to 10%.

EXPECTATIONS FOR SALES CONTRIBUTIONS FROM ACQUISITIONS INCREASE AGAIN

Based on the performance of the acquired companies, which has been visibly better than originally planned, SAF-HOLLAND is once again refining its target for the sales contributions from the acquisitions to Group sales. V. ORLANDI, York and Axscend are now expected to contribute EUR 65 million to EUR 70 million to Group sales in the 2018 financial year. The Group had already raised its expectations in July 2018 from its original forecast of approximately EUR 50 million to EUR 60 million.

ADJUSTED EBIT MARGIN (INCLUDING EXTRAORDINARY INCOME) FOR FULL-YEAR 2018 IS EXPECTED TO TEND TOWARDS THE LOWER END OF THE 7.0% TO 8.0% RANGE

Based on the result for the third quarter of 2018, the stronger-than-expected sales development in the Americas region, which currently however contributes below-average margins to the Group's results, as well as the high steel prices, SAF-HOLLAND sees the adjusted EBIT margin in full-year 2018 (including EUR 4.4 million in extraordinary income) rather tending towards the lower end of the 7.0% to 8.0% range taking into consideration the usual seasonal effects in the final quarter of the year.

RESULT FOR THE PERIOD AND EARNINGS PER SHARE BENEFIT FROM A BETTER FINANCE RESULT AND US TAX REFORM

As stated in the 2017 Annual Report, SAF-HOLLAND expects the development of the Group's result for the period and earnings per share in the full year 2018 to come in disproportionately better than that of the adjusted EBIT.

The bond issued in 2012 with a nominal volume of EUR 75.0 million and a coupon of 7.0% matured at the end of April 2018. For the remaining eight months of the 2018 financial year, the bond's repayment will provide noticeable relief of around EUR 3.5 million to the Group's net interest income. In addition, the overall corporate income tax rate in the US, which has fallen from around 35% to around 23%, will tend to have a positive impact, depending on the further earnings trend in the US.

MEDIUM-TERM TARGET OF STRATEGY 2020 REMAINS AN ADJUSTED GROUP EBIT MARGIN OF AT LEAST 8.0%

SAF-HOLLAND's medium-term planning is based on the expectation that the global economy will continue to grow slightly above 3% per annum and the economic situation in the current core markets Europe, North America and China will continue to develop stable or positively. The Company also expects to be able to increase sales per vehicle and expand its market share based on the structural growth in innovative solutions, such as in the fields of lightweight construction, disc brake technology and automated driving.

With regard to the medium-term goals of Strategy 2020, SAF-HOLLAND continues to assume that it will achieve an adjusted Group EBIT margin of at least 8.0% in the years ahead. The Company is currently optimizing the process chains and integrating capacity planning and logistics processes in the North American region in order to continue to gradually improve its earnings performance. In view of the current trend in commodity prices, the Company believes the negative effects of the sharp rise in steel prices have peaked and expects these effects to tend to decrease in the medium term also as a result of passing on a large part of these increases in its own selling prices. At the Group level, management expects that, among others, price adjustments and material cost savings related to attaining specific purchasing volumes will impact profitability positively.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousands

	Notes	Q1–Q3/2018	Q1–Q3/2017	Q3/2018	Q3/2017
Sales	(5)	980,853	864,706	340,545	277,073
Cost of sales		–825,471	–706,045	–289,750	–230,577
Gross profit		155,382	158,661	50,795	46,496
Other operating income		1,186	801	462	338
Selling expenses		–44,291	–47,293	–14,153	–15,341
Administrative expenses		–39,011	–41,296	–10,310	–12,348
Research and development costs		–15,469	–15,462	–4,700	–4,173
Operating result	(5)	57,797	55,411	22,094	14,972
Share of net profit of investments accounted for using the equity method		1,502	1,756	428	554
Earnings before interest and taxes		59,299	57,167	22,522	15,526
Finance income	(6)	923	1,299	181	89
Finance expenses	(6)	–10,232	–13,973	–3,239	–4,580
Finance result	(6)	–9,309	–12,674	–3,058	–4,491
Result before tax		49,990	44,493	19,464	11,035
Income tax	(7)	–12,963	–13,968	–4,210	–3,532
Result for the period		37,027	30,525	15,254	7,503
Attributable to:					
Equity holders of the parent		37,336	31,351	15,355	7,641
Non-controlling interests		–309	–826	–101	–138
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans			102	–	–
Income tax effects on items recognized in other comprehensive income			–25	–	1
Exchange differences on translation of foreign operations	(10)	–5,540	–21,393	–9,037	–5,051
Other comprehensive income		–5,540	–21,316	–9,037	–5,050
Comprehensive income for the period		31,487	9,209	6,217	2,453
Attributable to					
Equity holders of the parent		32,065	10,430	6,402	2,616
Non-controlling interests		–578	–1,221	–185	–163
Basic earnings per share in EUR		0.82	0.69	0.34	0.17
Diluted earnings per share in EUR		0.71	0.60	0.30	0.15

CONSOLIDATED BALANCE SHEET

in EUR thousands	Notes	09/30/2018	12/31/2017 ¹
Assets			
Non-current assets		471,700	377,849
Goodwill		82,581	54,134
Other intangible assets		180,335	140,336
Property, plant and equipment		154,374	137,766
Investments accounted for using the equity method		18,144	16,234
Financial assets		1,041	858
Other non-current assets		3,699	3,180
Deferred tax assets		31,526	25,341
Current assets		527,651	620,259
Inventories		193,953	133,745
Trade receivables		206,974	135,662
Income tax assets		2,459	1,865
Other current assets		23,116	11,824
Financial assets		1,304	82
Other short-term investments	(8)	4,364	58,306
Cash and cash equivalents	(9)	95,481	278,775
Balance sheet total		999,351	998,108
Equity and liabilities			
Total equity	(10)	314,527	300,975
Equity attributable to equity holders of the parent		303,458	298,842
Subscribed share capital		454	454
Share premium		269,044	269,044
Legal reserve		45	45
Other reserve		720	720
Retained earnings		77,870	67,983
Accumulated other comprehensive income		-44,675	-39,404
Shares of non-controlling interests		11,069	2,133
Non-current liabilities		478,791	461,880
Pensions and other similar benefits		31,789	34,134
Other provisions		6,837	9,333
Interest bearing loans and bonds	(11)	364,905	361,284
Finance lease liabilities		27	23
Other financial liabilities	(12)	20,236	15,910
Other liabilities		576	595
Deferred tax liabilities		54,421	40,601
Current liabilities		206,033	235,253
Other provisions		8,244	8,205
Interest bearing loans and bonds	(11)	3,509	81,321
Finance lease liabilities		190	32
Trade payables		159,517	114,219
Income tax liabilities		8,646	8,966
Other financial liabilities	(12)	561	655
Other liabilities		25,366	21,855
Balance sheet total		999,351	998,108

¹ Under the adoption methods we chose for IFRS 9 prior years are not restated to conform to the new policies. See Section 2.1. Changes in Accounting and Measurement standards.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousands

Q1–Q3/2018

	Attributable to equity holders of the parent							Shares of non-controlling interests	Total equity (Note 10)
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount		
As of 01/01/2018 (as before reported)	454	269,044	45	720	67,983	-39,404	298,842	2,133	300,975
Effects from the adoption of IFRS 9	–	–	–	–	-471	–	-471	–	-471
As of 01/01/2018	454	269,044	45	720	67,512	-39,404	298,371	2,133	300,504
Result for the period	–	–	–	–	37,336	–	37,336	–309	37,027
Other comprehensive income	–	–	–	–	–	-5,271	-5,271	-269	-5,540
Comprehensive income for the period	–	–	–	–	37,336	-5,271	32,065	-578	31,487
Dividend	–	–	–	–	-20,427	–	-20,427	–	-20,427
Put option for acquisition of remaining shares of V.Orlandi S.p.A.	–	–	–	–	–	-6,551	–6,551	–	-6,551
Addition of non-controlling interests from business combinations	–	–	–	–	–	–	–	9,514	9,514
As of 09/30/2018	454	269,044	45	720	77,870	-44,675	303,458	11,069	314,527

Q1–Q3/2017

	Attributable to equity holders of the parent							Shares of non-controlling interests	Total equity (Note 10)
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount		
As of 01/01/2017 (as before reported)	454	268,644	45	720	45,055	-14,519	300,399	5,178	305,577
Effect of the retroactive correction due to IAS 8.42	–	–	–	–	–	–	–	-684	-684
As of 01/01/2017	454	268,644	45	720	45,055	-14,519	300,399	4,494	304,893
Result for the period	–	–	–	–	31,351	–	31,351	-826	30,525
Other comprehensive income	–	–	–	–	–	-20,921	-20,921	-395	-21,316
Comprehensive income for the period	–	–	–	–	31,351	-20,921	10,430	-1,221	9,209
Dividend	–	–	–	–	-19,959	–	-19,959	–	-19,959
As of 09/30/2017	454	268,644	45	720	56,447	-35,440	290,870	3,273	294,143

CONSOLIDATED CASH FLOW STATEMENT

in EUR thousands

	Notes	Q1–Q3/2018	Q1–Q3/2017
Cash flow from operating activities			
Result before tax		49,990	44,493
– Finance income	(6)	–923	–1,299
+ Finance expenses	(6)	10,232	13,973
+/- Share of net profit of investments accounted for using the equity method		–1,502	–1,756
+ Amortization/depreciation of intangible assets and property, plant and equipment		21,421	18,255
+ Allowance of current assets		1,159	2,886
+/- Loss/Gain on disposal of property, plant and equipment		–38	150
+ Dividends from investments accounted for using the equity method		20	1,269
Cash flow before change of net working capital		80,359	77,971
+/- Change in other provisions and pensions		–2,690	753
+/- Change in inventories		–43,372	–18,175
+/- Change in trade receivables and other assets		–69,427 ¹	–52,290
+/- Change in trade payables and other liabilities		22,430	29,902
Change of net working capital		–93,059	–39,810
Cash flow from operating activities before income tax paid		–12,700	38,161
– Income tax paid		–20,348	–14,607
Net cash flow from operating activities		–33,048	23,554
Cash flow from investing activities			
– Purchase of other short term investments		–1,410	–96,337
+ Proceeds from sale of other short term investments		57,006	–
– Purchase of property, plant and equipment		–20,919	–15,961
– Purchase of intangible assets		–4,343	–4,713
+ Proceeds from sales of property, plant and equipment		1,495	476
– Payments for acquisition of subsidiaries net of cash	(4)	–58,186	–
+ Interest received		265	318
Net cash flow from investing activities		–26,092	–116,217
Cash flow from financing activities			
– Payment for bond redemption		–75,000	–
– Dividend payments to shareholders of SAF-HOLLAND S.A.		–20,427	–19,959
– Redemption of foreign currency derivatives		–193	–449
– Payments for finance lease		150	–1,501
– Interest paid		–9,576	–8,940
– Repayments of current and non-current financial liabilities	(11)	–15,069	–
+/- Change in drawings on the credit line and other financing activities	(11)	–2,631	–258
Net cash flow from financing activities		–122,746	–31,107
Net increase / decrease in cash and cash equivalents		–181,886	–123,770
+/- Effect of changes in exchange rates on cash and cash equivalents		–1,408	–3,614
Cash and cash equivalents at the beginning of the period	(9)	278,775	344,568
Cash and cash equivalents at the end of the period	(9)	95,481	217,184

¹ As of September 30, 2018, trade receivables in the amount of EUR 32,4 million (previous year: EUR 23,6 million) were sold in the context of a factoring contract.

Assuming the legal validity of the receivable, no further rights of recourse exist against SAF-HOLLAND from the sold receivables.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

January 1 to September 30, 2018

1. CORPORATE INFORMATION

SAF-HOLLAND S.A. (the “Company”) was incorporated on December 21, 2005 as a “Société Anonyme” according to Luxembourg law. The Company’s registered office is located in Luxembourg. The Company’s shares are listed in the Prime Standard of the Frankfurt Stock Exchange. The shares have been included in the SDAX since 2010.

2. SIGNIFICANT ACCOUNTING AND VALUATION POLICIES

The consolidated financial statements for SAF-HOLLAND S.A. and its subsidiaries (the “Group”) were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and applicable as of the reporting date.

The interim consolidated financial statements for the third quarter of 2018 were prepared in accordance with IAS 34 “Interim Financial Reporting.” Generally, the same accounting and valuation principles and consolidation methods were applied as those applied to the consolidated financial statements for the 2017 financial year unless explicit reference is made to changes. The interim consolidated financial statements should therefore be read in conjunction with the consolidated financial statements as of December 31, 2017. Except for the changes discussed in the section “Changes to Accounting and Measurement Standards,” the same accounting principles were applied as those applied to the consolidated financial statements for the 2017 financial year.

In preparing the interim consolidated financial statements, management is required to make assumptions and estimates that affect the reported amounts of assets, liabilities, income, expenses and contingent liabilities as of the reporting date. In certain cases, actual amounts may differ from these assumptions and estimates.

Income and expenses that occur irregularly during the financial year are accrued or deferred when it is appropriate to recognize these expenses at the end of the financial year.

The most important functional currencies for the Company’s foreign operations are the US dollar (USD) and the Canadian dollar (CAD). The exchange rates of these currencies as of the

balance sheet date were USD/EUR=1.16933 (previous year: 1.1766) and CAD/EUR=1.52534 (previous year: 1.46671). The weighted average exchange rates for these two currencies were USD/EUR=1.19393 (previous year: 1.11088) and CAD/EUR=1.53678 (previous year: 1.45199).

The interim consolidated financial statements and the interim group management report have not been audited by an auditor.

2.1 CHANGES TO ACCOUNTING AND MEASUREMENT STANDARDS

The applied accounting and measurement policies are basically the same as those applied in the prior year, with the following exception:

IFRS 9 “FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT”

The Group has applied IFRS 9 “Financial Instruments” as of January 1, 2018. The main impact of the new standard was on the classification and measurement of financial assets, the impairment of financial assets and hedge accounting.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

As a result of the application of IFRS 9, the Group has classified its financial assets as measured at either amortized cost or fair value through profit or loss, depending on its business model for managing those financial assets and the assets’ contractual cash flow characteristics. The previous classifications of “at fair value through profit or loss,” “loans and receivables” and “financial assets at amortized costs” were discontinued as of January 1, 2018. In accordance with the transitional provisions of IFRS 9, the Group has not restated prior periods but has classified the financial assets held as of January 1, 2018, retrospectively according to the business model and based on the facts and circumstances under which the assets were held at that date. The classification of the Group’s financial liabilities remained unchanged.

The following summarizes the classification and measurement changes for the Group's financial assets and financial liabilities upon the initial application of IFRS 9:

	Original measurement category and carrying amount under IAS 39				New measurement category and carrying amount under IFRS 9		
	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortized cost	Remeasurements upon application of IFRS 9	Fair value through profit and loss	Amortized cost	Retained earnings on January 1, 2018
Assets							
Cash and cash equivalents	—	278,775	—	—	—	278,775	—
Trade receivables	—	135,662	—	—471	—	135,191	—471
Other financial assets	—	940	—	—	—	940	—
Other short-term investments	—	58,306	—	—	—	58,306	—
Total assets	—	473,683	—	—471	—	473,212	—471
Liabilities							
Trade payables	—	—	114,219	—	—	114,219	—
Interest bearing loans and borrowings	—	—	442,605	—	—	442,605	—
Other financial liabilities	15,910	—	—	—	15,910	—	—
Derivatives without a hedging relationship	655	—	—	—	655	—	—
Total liabilities	16,565	—	556,824	—	16,565	556,824	—

IMPAIRMENT OF FINANCIAL ASSETS

On January 1, 2018, the Group changed the impairment of its financial assets from the incurred loss model under IAS 39 to the expected credit loss concept under IFRS 9. Until December 31, 2017, the Group estimated the incurred losses arising from the failure or inability of customers to make payments when due. These estimates were assessed on an individual basis, taking into account the aging of customers' balances, specific credit circumstances and the Group's historical default experience. Under the new approach, it is no longer necessary for a loss event to occur before an impairment loss is recognized. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets.

The following table compares the closing balances of impairment allowances as at December 31, 2017 with the opening balances of impairment allowances as at January 1, 2018 upon the initial application of IFRS 9 for trade receivables measured at amortized cost:

TEUR	Allowance as of December 31, 2017	Allowance as of January 1, 2018
Cash and cash equivalents	—	—
Trade receivables	6,204	6,675
Other financial assets	—	—
Other short-term investments	—	—

Impairment allowances on overdue trade receivables and other financial assets measured at amortized costs remained the same after the change from the incurred loss model under IAS 39 to the expected credit loss concept under IFRS 9. This change to the expected credit loss concept, however, resulted in an adjustment of EUR –0.5 million for trade receivables that are measured at amortized cost and not impaired. This adjustment was recognized in retained earnings on January 1, 2018.

HEDGE ACCOUNTING

The Group uses foreign exchange derivatives and interest rate swaps to hedge underlying cash flows against currency and interest rate fluctuations. The IAS 39 accounting rules for hedge accounting have not been applied because certain requirements have not yet been met. Hedge accounting at the SAF-HOLLAND Group has not changed following the first-time adoption of IFRS 9.

IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

IFRS 15 establishes a comprehensive framework for determining whether in what amount and at what time revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenues", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs".

SAF-HOLLAND has been applying the new IFRS 15 revenue recognition standard to its customer contracts since January 1, 2018. As already described in the 2017 notes to the consolidated financial statements, we assume that the application of IFRS 15 will have no impact on the consolidated financial statements.

3. SEASONAL EFFECTS

Seasonal effects during the year can result in variations in sales and the resulting earnings. For information on the earnings development, please refer to the explanations contained in the interim group management report.

4. SCOPE OF CONSOLIDATION

The changes to the scope of consolidation compared to the consolidated financial statements as of December 31, 2017 are as follows:

CORPORATE ACQUISITIONS

Acquisition of V.ORLANDI S.p.A.

On April 9, 2018, SAF-HOLLAND GmbH acquired a 70% stake in the Italian manufacturer of coupling systems for trucks, trailers, semi-trailers and agricultural vehicles V.ORLANDI S.p.A., headquartered in Flero. As part of the acquisition, the parties agreed to a put/call option for the sale/purchase of the remaining 30% interest. The put option may be exercised during the period from January 1, 2019 to January 31, 2026. The exercise period of the call option starts after the end of the exer-

cise period of the put option and is six months. The other liability resulting from the put option is accounted for in accordance with IAS 9. Due to the fact that SAF-HOLLAND GmbH has the majority of voting rights, it has obtained control of V.ORLANDI S.p.A. as of the acquisition date.

The first-time consolidation of V.ORLANDI S.p.A. will be carried out in accordance with IFRS 3 using the purchase method.

The preliminary purchase price of approximately EUR 39.1 million was paid in cash.

The following table shows the preliminary purchase price allocation and the amounts of the main groups of acquired assets and assumed liabilities at the time of acquisition:

in EUR thousands	Fair value as of acquisition date
Brand	3,126
Other intangible assets	16,349
Property, plant and equipment	6,951
Inventories	6,208
Trade receivables	7,093
Other financial assets	1,852
Other assets	670
Cash and cash equivalents	1,360
	43,609
Deferred tax liabilities	5,128
Interest bearing loans and borrowings	3,461
Trade payables	5,335
Other liabilities	713
Pension Liabilities	1,085
Other Provisions	95
Income Tax Liability	586
	16,402
Total of identified net assets	27,207
Shares with non-controlling interests	-8,162
Goodwill from the acquisition	20,065
Consideration transferred	39,111

The gross amount of trade receivables amounted to EUR 7,172 thousand at the time of acquisition.

The preliminary goodwill of EUR 20,065 thousand includes non-separable intangible assets, such as sales synergies that mainly result from the expansion of the portfolio, as well as cost synergies, particularly in the area of purchasing.

The non-controlling interests in the acquired company are measured at the fair value of the relevant share in the identifiable net assets of the acquired company and amounted to EUR 8,162 thousand at the time of acquisition.

The cash outflow as a result of the acquisition is as follows:

in EUR thousands	
Cash outflow	39,111
Cash acquired	1,360
Actual cash outflow	37,751

V.Orlandi S.p.A. was assigned to the EMEA region.

The value of the put option for the remaining 30% of the shares in V.Orlandi S.p.A is dependent on future earnings figures and amounted to EUR 6,551 thousand at the time of acquisition.

Acquisition of York Transport Equipment (Asia) Pte Ltd

On April 30, 2018, SAF-HOLLAND GmbH acquired all shares in the manufacturer of axle and suspension systems York Transport Equipment (Asia) Pte. Ltd., headquartered in Singapore. York Transport Equipment (Asia) Pte. Ltd and its subsidiaries ("York Group") are one of the leading suppliers of trailer axle and suspension systems in India and distribute a full range of truck and trailer components throughout the entire APAC region.

Due to the fact that SAF-HOLLAND GmbH has the majority of voting rights, it has obtained control of York Transport Equipment (Asia) Pte Ltd. as of the acquisition date.

The preliminary purchase price of approximately EUR 35.6 million was paid in cash.

The following table shows the preliminary purchase price allocation and the amounts of the main groups of acquired assets and assumed liabilities at the time of acquisition:

	in EUR thousands	Fair value as of acquisition date
Brand		2,572
Other intangible assets		14,686
Property, plant and equipment		5,340
Inventories		13,289
Trade receivables		12,127
Other assets		1,813
Cash and cash equivalents		20,075
		69,902
Deferred tax liabilities		6,296
Interest bearing loans and borrowings		15,982
Trade payables		15,248
Other liabilities		2,675
Pension Liabilities		85
Income Tax Liability		614
		40,900
Total of identified net assets		29,002
Goodwill from the acquisition		6,581
Consideration transferred		35,583

The gross amount of trade receivables amounted to EUR 12,330 thousand at the time of acquisition.

The preliminary goodwill of EUR 6,581 thousand is mainly attributable to synergies, such as sales synergies that are primarily a result of the expansion of the portfolio and cost synergies in the areas of research and development, purchasing, general administration and production.

The cash outflow as a result of the acquisition is as follows:

in EUR thousands	
Cash outflow	35,583
Cash acquired	20,075
Actual cash outflow	15,508

The majority of the York Group was allocated to the APAC/China region.

Purchase of Axscend Gorup Ltd.

With effect from July 24, 2018, SAF-HOLLAND GmbH has acquired 69.99% of the shares in the English telematics and connectivity specialist Axscend Group Ltd. based in Aylesham, U.K. The Axscend Group Ltd. with its subsidiary -Axscend Ltd.- is active in the area of hardware and software development and focuses on the digitization of trailer management with its product Trailer Master Connect.

As part of the takeover, the parties were granted a call/put option for the acquisition/sale of the remaining 30.01%, which can be exercised for the first time in the year 2022. Due to the voting right majority, SAF-HOLLAND GmbH has obtained control over Axscend Ltd. at the time of acquisition. The first-time consolidation of Axscend was carried out pursuant to IFRS 3 using the acquisition method. The call/put option is accounted in accordance to IFRS 9.

The preliminary purchase price was approximately EUR 5.0 million and was paid in cash.

The following table shows the preliminary purchase price allocation and the amounts of the main groups of acquired assets and assumed liabilities at the time of acquisition:

in EUR thousands	Fair value as of acquisition date
Brand	781
Other intangible assets	4,745
Property, plant and equipment	19
Inventories	213
Trade receivables	263
Other assets	65
Cash and cash equivalents	76
	6,162
Deferred tax liabilities	1,015
Trade payables	95
Other liabilities	546
	1,656
Total of identified net assets	4,506
Shares with non-controlling interests	-1,352
Goodwill from the acquisition	1,850
Consideration transferred	5,004

The gross amount of trade receivables at the time of acquisition was EUR 263 thousand.

Preliminary goodwill of EUR 1,850 thousand includes intangible assets that cannot be separated such as employee expertise and expected synergies from strengthening our position in the field of digitization.

The cash outflow resulting from the acquisition is as follows:

in EUR thousands	
Cash outflow	5,004
Cash acquired	76
Actual cash outflow	4,928

FURTHER CHANGES TO THE SCOPE OF CONSOLIDATION

The newly founded company OOO V. Orlandi Rus, headquartered in Naberezhnye Chelny, Russia, commenced operations in August 2018.

5. SEGMENT REPORTING

A new segmentation in corporate management and reporting was introduced on May 1, 2018 in the course of the York acquisition in order to better achieve the goals defined in the corporate strategy. India, which was previously part of the EMEA/India region, has been assigned to the APAC/China region as of the changeover date. As of May 1, 2018, corporate management and group reporting have been conducted through the "EMEA", "Americas" and "APAC/China" segments. The three regions cover both original equipment and spare parts business.

The management assesses the performance of the regional segments based on the adjusted EBIT. The reconciliation from the Group's operating result to the adjusted EBIT is as follows:

in EUR thousands	Q1–Q3/2018	Q1–Q3/2017
Operating result	57,797	55,411
Share of net profit of investments accounted for using the equity method	1,502	1,756
EBIT	59,299	57,167
Additional depreciation and amortization from PPA	5,849	3,994
Step-up inventory PPA	766	32
Restructuring and transaction costs	5,232	11,491
Adjusted EBIT	71,146	72,684

Information on segment sales and results for the period from January 1 to September 30, 2018:

	in EUR thousands			
	Q1–Q3/2018			
	Regions			
	Americas ¹	EMEA ²	APAC/China ³	Consolidated
Sales	353,875	500,555	126,423	980,853
Adjusted EBIT	6,487	57,051	7,608	71,146
Adjusted EBIT margin	1.8%	11.4%	6.0%	7.2%

¹ Includes Canada, the USA as well as Central and South America.

² Includes Europe, Middle East and Africa.

³ Includes Asia/Pacific, China and India.

	in EUR thousands			
	Q1–Q3/2017			
	Regions ¹			
	Americas ²	EMEA ³	APAC/China ⁴	Consolidated
Sales	335,279	463,831	65,596	864,706
Adjusted EBIT	19,962	48,321	4,401	72,684
Adjusted EBIT margin	6.0%	10.4%	6.8%	8.4%

¹ Adjustment to Q3/2017 reported figures due to the change in segment reporting.

² Includes Canada, the USA as well as Central and South America.

³ Includes Europe, Middle East and Africa.

⁴ Includes Asia/Pacific, China and India.

Please refer to the relevant explanations in the interim group management report for information on the earnings development of the segments.

6. FINANCE RESULT

Finance income and expenses consist of the following:

	in EUR thousands	
	Q1–Q3/2018	Q1–Q3/2017
Unrealized foreign exchange gains on foreign currency loans and dividends	–	249
Realized foreign exchange gains on foreign currency loans and dividends	151	154
Finance income due to derivatives	482	529
Interest income	267	218
Other	23	149
Total	923	1,299

in EUR thousands	Q1–Q3/2018	Q1–Q3/2017
Interest expenses due to interest bearing loans and bonds	–7,784 ¹	–10,432 ¹
Finance expenses due to derivatives	–408	–1,231
Finance expenses due to pensions and other similar benefits	–669	–802
Unrealized foreign exchange losses on foreign currency loans and dividends	–132	–
Amortization of transaction costs	–210	–539
Other	–1,029	–969
Total	–10,232	–13,973

¹ Includes the non-cash interest expense of kEUR 495 (previous year: kEUR 489) for the convertible bond.

7. INCOME TAXES

The Group's effective income tax rate has improved by 5 percentage points year-over-year and amounted to 25.93% as of the reporting date (previous year: 31.40%). The lower effective income tax rate was a result of lower losses for which no income from the capitalization of deferred tax assets had been recognized for reasons of prudence. Moreover there is a effect of a lower corporate tax rate in the US.

The decline in the Group's tax rate to 25.5% (previous year: 30.2%) is due in particular to the lower corporate tax rate in the US as a result of the US tax reform that came into effect at the beginning of the year.

8. OTHER CURRENT INVESTMENTS

Other current investments results from short-term treasury management in the amount of EUR 4.4 million (previous year: EUR 58.3 million).

9. CASH AND CASH EQUIVALENTS

in EUR thousands	09/30/2018	12/31/2017
Cash on hand, cash at banks and checks	95,481	278,737
Short-term deposits	–	38
Total	95,481	278,775

The decline in cash and cash equivalents is due to the repayment of a bond with a volume of EUR 75.0 million and the net payments for the acquisition of V.Orlandi S.p.A., York Transport Equipment (Asia) Pte Ltd. and Axscend Group Ltd. amounting to EUR 58.2 million. For further information regarding the development of cash and cash equivalents, please refer to the cash flow statement.

10. EQUITY

The Company's subscribed share capital was unchanged compared to December 31, 2017 and as of September 30, 2018 amounted to EUR 453,943.02 (previous year: 453,611.12). Subscribed share capital is fully paid-in and consists of 45,394,302 ordinary shares (previous year: 45,361,112) with a nominal value of EUR 0.01 per share.

The Company's reserves, namely the share premium, legal and other reserves, were also unchanged compared to December 31, 2017.

The changes in accumulated other comprehensive income as of the balance sheet date is as follows:

	in EUR thousands					
	Before tax amount		Tax (income) / expense		Net of tax amount	
	Q1–Q3/2018	Q1–Q3/2017	Q1–Q3/2018	Q1–Q3/2017	Q1–Q3/2018	Q1–Q3/2017
Revaluation defined benefit plan	–	102	–	–25	–	77
Exchange differences on translation of foreign operations	–5,540	–21,393	–	–	–5,540	–21,393
Total	–5,540	–21,291	–	–25	–5,540	–21,316

At the Annual General Meeting on April 26, 2018, it was resolved to distribute a dividend from the result for the period of the past financial year in the amount of EUR 0.45 per share to the shareholders. The distribution amount totaled EUR 20,427 thousand.

In the previous year, a dividend of EUR 0.44 per share was paid. The payout totaled EUR 19,959 thousand.

11. PENSIONS AND OTHER SIMILAR BENEFITS

The decrease in the provision for pensions and other similar benefits resulted from the partial settlement of a medical plan for retired employees in the United States. The income from the settlement of this plan amounted to EUR 4.4 million as at the reporting date.

12. INTEREST-BEARING LOANS AND BONDS

Interest-bearing loans and bonds consisted of the following:

	in EUR thousands					
	Non-current		Current		Total	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Interest bearing bank loans	12,940	12,369	–	–	12,940	12,369
Convertible bond	98,496	97,990	–	–	98,496	97,990
Bond	–	–	–	75,000	–	75,000
Promissory note loan	200,000	200,000	–	–	200,000	200,000
Financing costs	–758	–1,138	–346	–498	–1,104	–1,636
Accrued interests	–	–	2,165	4,268	2,165	4,268
Other loans	54,227	52,063	1,690	2,551	55,917	54,614
Total	364,905	361,284	3,509	81,321	368,414	442,605

On April 26, the bond with a nominal volume of EUR 75.0 million issued in 2012 became due and was redeemed from existing cash.

The following table shows the calculation of total liquidity as the sum of available undrawn credit lines measured at the period-end exchange rate plus available cash and cash equivalents and short-term, freely available financial assets:

in EUR thousands	09/30/2018				
	Amount drawn valued as at the period-end exchange rate	Agreed credit lines valued as at the period-end exchange rate	Cash and cash equivalents	Other short-term investments	Total liquidity
Facility A	6,024	120,000	—	—	113,976
Facility B	—	28,861	—	—	28,861
Other Facilities	6,916	7,161 ¹	95,481	4,364	100,090
Total	12,940	156,022	95,481	4,364	242,927

¹ Includes the bilateral credit line for the activities of the Group in China.

in EUR thousands	12/31/2017				
	Amount drawn valued as at the period-end exchange rate	Agreed credit lines valued as at the period-end exchange rate	Cash and cash equivalents	Other short-term investments	Total liquidity
Facility A	5,380	120,000	—	—	114,620
Facility B	—	29,219	—	—	29,219
Other Facilities	6,989	7,053 ¹	278,775	58,306	337,145
Total	12,369	156,272	278,775	58,306	480,984

¹ Includes the bilateral credit line for the activities of the Group in China.

The calculation of total liquidity takes into account other current investments. Other current investments are highly liquid and should be considered in economic terms as cash equivalents. In accordance with accounting policies, however, these are recorded separately from cash and cash equivalents.

13. FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

The fair values and carrying amounts of financial assets and liabilities as of the balance sheet date were as follows:

in EUR thousands					12/31/2017
	Category in accordance with IFRS 9	Fair value	Carrying amount	Fair value	Carrying amount
Assets					
Cash and cash equivalents	FAAC	95,481	95,481	278,775	278,775
Trade receivables	FAAC	206,974	206,974	135,662	135,662
Other financial assets					
Other financial assets	FAAC	2,345	2,345	940	940
Other short-term investments	FAAC	4,364	4,364	58,306	58,306
Liabilities					
Trade payables	FLAC	159,517	159,517	114,219	114,219
Interest bearing loans and bonds	FLAC	385,375	368,414	487,118	442,605
Finance lease liabilities	n.a.	217	217	55	55
Other financial liabilities					
Other financial liabilities	FLtPL	20,236	20,236	15,910	15,910
Derivatives without a hedging relationship	FLHfT	561	561	655	655
Of which aggregated by category in accordance with IFRS 9					
Financial Assets measured at amortized cost	FAAC	309,164	309,164	473,683	473,683
Financial liabilities measured at amortized cost	FLAC	544,892	527,931	601,337	556,824
Financial liabilities held for trading	FLHfT	561	561	655	655
Financial Liabilities at fair Value through profit and loss	FLtPL	20,236	20,236	15,910	15,910

The following table shows the allocation of financial assets and liabilities measured at fair value to the three fair value hierarchy levels:

in EUR thousands	09/30/2018			
	Level 1	Level 2	Level 3	Total
Convertible bond	—	114,238	—	114,238
Promissory note loan	—	199,739	—	199,739
Interest bearing loans and borrowings	—	71,398	—	71,398
Put options for the remaining shares in KLL Equipamentos para Transporte Ltda.	—	—	20,236	20,236
Derivative financial liabilities	—	561	—	561

in EUR thousands	12/31/2017			
	Level 1	Level 2	Level 3	Total
Bonds	76,272	—	—	76,272
Convertible bond	—	138,925	—	138,925
Promissory note loan	—	199,748	—	199,748
Interest bearing loans and borrowings	—	72,173	—	72,173
Put option for the remaining shares in KLL Equipamentos para Transporte Ltda.	—	—	15,910	15,910
Derivative financial liabilities	—	655	—	655

Derivative financial liabilities as of September 30, 2018 consisted mainly of forward exchange transactions and serve to hedge the risk position from currency fluctuations in the US dollar, Russian ruble, South African rand and Turkish lira.

14. RELATED PARTY DISCLOSURES

The following tables show the composition of the Management Board, which is the managing body of the SAF-HOLLAND Group's operating business and consists of selected managers of the Group, as well as the composition of the Board of Directors of SAF-HOLLAND S.A. as of the balance sheet date:

Management Board

Detlef Borghardt	Chief Executive Officer (CEO), President Region APAC/China
Dr. Matthias Heiden	Chief Financial Officer (CFO) (since 03/01/2017)
Arne Jörn	Chief Operating Officer (COO) (until 02/28/2018)
Steffen Schewerda	President Region Americas
Alexander Geis	President Region EMEA
Guoxin Mao	President China

Board of Directors

Martina Merz	Chairman of the Board of Directors
Dr. Martin Kleinschmitt	Deputy Chairman of the Board of Directors
Detlef Borghardt	Member of the Board of Directors
Jack Gisinger	Member of the Board of Directors
Anja Kleyboldt	Member of the Board of Directors
Carsten Reinhardt	Member of the Board of Directors

Transactions with related parties and companies in which members of the Company's management hold key management positions:

in EUR thousands

	Sales to related party		Purchases from related party	
	Q1–Q3/2018	Q1–Q3/2017	Q1–Q3/2018	Q1–Q3/2017
Joint Ventures	930	513	–	–
Associates	–	–	26,099	21,057
Total	930	513	26,099	21,057

in EUR thousands

	Amounts owed by related party		Amounts owed to related party	
	09/30/2018	12/31/2017	09/30/2018	12/31/2017
Joint Ventures	377	426	–	1
Associates	–	–	1,949	1,278
Total	377	426	1,949	1,279

15. EVENTS AFTER THE BALANCE SHEET DATE

New Financing

On October 2, 2018, a new syndicated loan was signed with a greater syndicate of banks, replacing the existing funding and providing the Group with long-term funding at favorable interest rates until October 2025. The newly concluded loan agreement includes a revolving credit line of EUR 200 million that can be drawn on in various currencies. If necessary, there is an option to extend the credit line by an additional EUR 100 million. This refinancing has increased the available credit line to EUR 200 million (December 31, 2017: approx. EUR 158 million).

Purchase of remaining 20 % interest in Corpco Beijing Technology and Development Co., Ltd.

On November 6, 2018, SAF-HOLLAND signed an agreement to acquire the remaining 20 % interest in Corpco Beijing Technology and Development Co., Ltd., still owned by the founding family. With this acquisition, SAF-HOLLAND GmbH holds 100 % of the shares in Corpco Beijing Technology and Development Co., Ltd., which generated sales in the single-digit-million euro range during the past fiscal year and is active primarily in bus and truck air suspension systems.

Beyond this, no other significant events occurred after the interim reporting date.

Luxembourg, November 8, 2018



Martina Merz

Chair of the
Board of Directors

Detlef Borghardt

Chief Executive Officer of
SAF-HOLLAND GmbH

FINANCIAL CALENDAR AND CONTACT INFORMATION

FINANCIAL CALENDAR

November 8, 2018

Report on Q3 2018 results

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