Q1 2019

QUARTERLY STATEMENT OF SAF-HOLLAND GROUP

as of March 31, 2019

KEY FIGURES

Results of operations

kEUR

	Q1 / 2019	Q1 / 2018
Sales	345,968	294,870
Cost of sales	60,252	50,569
Gross profit margin in %	17.4	17.2
EBIT	18,936	17,171
EBIT margin in %	5.5	5.8
Adjusted EBIT	24,775	20,257
Adjusted EBIT margin in %	7.2	6.9
Result for the period	11,438	9,780
Adjusted result for the period	16,374	12,201
Undiluted earnings per share	0.25	0.22
Adjusted undiluted earnings per share	0.36	0.27

Net Assets

kEUR

	03 / 31 / 2019	12 / 31 / 2018
Balance sheet total	1,062,023	977,416
Equity	352,715	332,550
Equity ratio in %	33.2	34.0
Cash and cash equivalents	135,307	155,009
Net debt	232,735	213,386
Net working capital	198,163	172,468
Net working capital/sales	14.3	13.5

Financial position

kEUR

	Q1 / 2019	Q1 / 2018
Cash flow from operating activities before income tax paid	13,869	–12,258
Cash conversion rate in %	56.0	–60.6
Net cash flow from operating activities	8,559	–22,471
Cash flow from investing activities	–27,599	48,241
Purchase of property, plant and equipment and intangible assets	–14,416	–6,992
Free cash flow	–5,857	–29,463

Employees

	Q1 / 2019	Q1 / 2018
Employees (on average)	4,377	3,767
Sales per employee (kEUR)	79.0	78.3

Yield

in %

	Q1 / 2019	Q1 / 2018
Return on capital employed (ROCE)*	9.1	9.0

* ROCE = EBIT (annualized) / (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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ADDITIONAL INFORMATIONS

KEY EVENTS IN THE FIRST QUARTER OF 2019

NEW SEGMENTATION IN CORPORATE MANAGEMENT

On January 1, 2019, a new segment structure was introduced to corporate management and reporting in order to better reflect the growing importance of individual regions. The APAC / China region is now divided into the regions "APAC" and "China." As of January 1, 2019, corporate management and Group reporting have been conducted through the "EMEA," "Americas," "APAC" and "China" segments. The four regions cover both original equipment and spare parts business.

ACQUISITION OF MAJORITY STAKE IN TRAILER TIRE PRESSURE MANAGEMENT SPECIALIST PRESSUREGUARD™

In January 2019, SAF-HOLLAND acquired a 51 per cent stake in the manufacturer of tire pressure management systems PressureGuard. A call option for the remaining outstanding shares in the company was agreed between SAF-HOLLAND and the previous owner, Servitech Industries, Inc. SAF-HOLLAND can exercise this option later. The purchase price for the acquired stake was in the low single-digit million euro range.

SAF-HOLLAND sees great potential in PressureGuard's proven tire pressure management technology to provide an even more comprehensive axle and suspension solution to its fleet customers in North America. By employing this solution, SAF-HOLLAND is not only expanding its systems expertise but also increasing its added value. This one-stop sourcing approach provides fleet managers with a single point of contact and ensures a fully engineered system design that can address any compatibility issues up front. This approach also simplifies the warranty and after-sale support needed by today's fleets.

ACQUISITION OF THE STARA GROUP

Effective February 1, 2019, SAF-HOLLAND acquired all shares in the Finnish Stara Group. SAF-HOLLAND took over the business operations of the two family-owned companies AB Stara Parts Oy, Finland, and Trailax Aktiebolag, Sweden. The purchase price was in the low double-digit million euro range.

The Stara Group was previously the distribution partner of the SAF-HOLLAND Group in Finland and Sweden, focusing primarily on axle and suspension systems for trailers. In addition, the Group has an excellent aftermarket network in the region with three branches.

Through this acquisition, SAF-HOLLAND will be able to strengthen its brand awareness in Northern Europe. With Group-owned sales and service companies having a broader and more intensive coverage of the Finnish and Swedish markets, the Group also intends to further expand its market position.

CHANGE IN THE COMPANY'S TOP MANAGEMENT: SAF-HOLLAND APPOINTS ALEXANDER GEIS AS NEW CEO

On February 25, 2019, SAF-HOLLAND S.A. and Detlef Borghardt mutually agreed to terminate his mandates at the SAF-HOLLAND Group effective February 26, 2019.

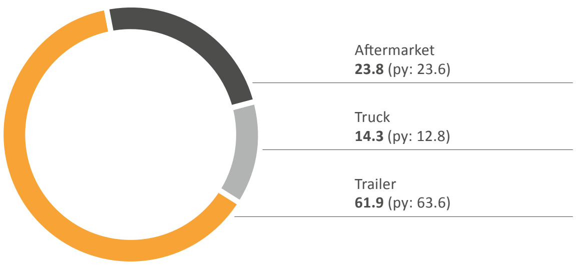
Alexander Geis, who was already responsible for the EMEA region and Global Procurement on the Group Management Board, was appointed as the new Chief Executive Officer effective February 26, 2019.

SECTOR DEVELOPMENT

The production of trailers in Europe, China and North America, the production of trucks in North America, as well as the global aftermarket, are all important factors when assessing the sector environment of the SAF-HOLLAND Group.

Sales breakdown Q1 / 2019

in %



The truck business of SAF-HOLLAND breaks down as follows: North America (10 per cent of Group sales) and EMEA (4 per cent of Group sales). The China region still focuses exclusively on trailer products.

DIFFERENTIATED DEVELOPMENTS IN THE COMMERCIAL VEHICLE MARKETS

The global truck and trailer markets developed quite differently in the first quarter of 2019. While the production of trailers in North America continued to grow, fewer units were manufactured in Europe and China. At the same time, order intake for trailers and trucks in North America declined compared to a very strong first quarter in 2018. The orders on hand are currently lower than the record levels realized at the end of 2018. Overall, our expectations for the sector environment described in the 2018 Annual Report have been confirmed so far in 2019.

STRONG DEMAND FOR CLASS 8 TRUCKS IN NORTH AMERICA

The market research firm ACT Research estimates that the order backlog in the first quarter of 2019 increased by more than 23 per cent compared to the first quarter of 2018, but is meanwhile below the record level reached in October 2018. Despite this, there is hardly any spare production capacity available. Truck production, according to ACT, increased year-on-year by 20 per cent in the first three months of 2019.

NORTH AMERICAN TRAILER MARKET SEES ROBUST PRODUCTION GROWTH

The North American trailer market posted positive performance in the first three months of the year. According to the estimates of FTR Transport Intelligence (FTR), trailer production grew around 13 per cent to 93,000 units. Whereas incoming orders for US trailers declined by around 49 per cent in the first quarter, order backlog increased to over 215,000 units (+23 per cent) and was only slightly below the record level achieved in December 2018.

UPTREND IN BRAZILIAN TRUCK MARKET CONTINUES

The further improvement in the economic environment also enabled the Brazilian heavy truck market to continue its very positive development in the first quarter of 2019. According to the Brazilian automobile association Anfavea (Associação Nacional dos Fabricantes de Veículos Automotores), production in the first three months of 2019 increased to around 13,000 units, or by 20 per cent, compared to the high level already achieved in 2018.

DECLINING EUROPEAN TRAILER PRODUCTION

After the historic highs in 2018 and lower economic growth at the beginning of the year, the production of trailers in the first quarter of 2019 decreased by about 15 percent compared to the same quarter of the previous year to around 75,000 units.

TRUCK REGISTRATIONS AND PRODUCTION IN EUROPE GROWS

According to the European Automobile Manufacturers Association (ACEA), new registrations of heavy trucks in the European Union rose by a surprising 6 per cent in the first quarter of 2019. Strong demand in Germany and France were the key factors compensating for declines in new registrations in Italy and some Eastern European countries. Despite latent concerns about Brexit, the British market also grew by 17 per cent. This increase, however, should be seen in the context of the low comparative basis in the previous year. According to LMC Automotive, around 3 per cent more heavy trucks were produced in the first three months of 2019 than a year ago.

TRAILER MARKET IN CHINA IN DECLINE

The growing trade conflict between China and the USA in recent months has increased the uncertainty surrounding further economic development in China. As a result, trailer production in the first quarter of 2019 also saw a decline of around 10 per cent compared to the very strong prior-year figure. The premium segment relevant for SAF-HOLLAND's business development (disc brake technology and air suspensions as a result of stricter legal requirements) was unable to evade the development of the market and posted a decline in demand.

LEGISLATION AND POLITICAL UNCERTAINTY INFLUENCE THE MARKET IN INDIA

Restrictions on the maximum payload for trailers and caution on the part of the customers ahead of the April/May elections resulted in a decline in trailer production of around 30 per cent in the first three months of 2019. According to CLEAR, a reduction of up to 6 per cent in trailer production is expected for the year 2019.

SALES AND EARNINGS PERFORMANCE, NET ASSETS AND CASH FLOWS

SALES AND EARNINGS PERFORMANCE

GROUP SALES AT A RECORD LEVEL

Group sales in the first quarter of 2019 reached EUR 346.0 million, which was 17.3 per cent higher than the level of EUR 294.9 million generated in the first quarter of the prior year. Organic sales growth, which mainly stemmed from the Americas region, accounted for EUR 19.1 million. Positive currency effects, resulting primarily from the appreciation of the US dollar against the euro, amounted to EUR 7.8 million (previous year: EUR –17.7 million).

The companies acquired between April 2018 and March 2019 contributed EUR 24.2 million to sales in the first quarter of 2019.

PERCENTAGE SHARE OF SALES FROM THE ORIGINAL EQUIPMENT AND SPARE PARTS BUSINESSES STABLE

Sales from the original equipment business in the January to March 2019 reporting period improved by 17.0 per cent, or EUR 38.3 million, to a total of EUR 263.8 million. The Americas region was a main contributor to this growth as was the APAC region as a result of acquisitions. The percentage of sales declined slightly from 76.5 per cent to 76.2 per cent.

kEUR	Q1 / 2019	Q1 / 2018	Change absolute	Change in %
Original equipment business	263,776	225,470	38,306	17.0 %
Spare parts business	82,192	69,400	12,792	18.4 %
Group sales	**345,968**	**294,870**	**51,098**	**17.3 %**
Original equipment business in % of Group sales	76.2 %	76.5 %		
Spare parts business in % of Group sales	23.8 %	23.5 %		

Sales in the spare parts business increased by EUR 12.8 million, or 18.4 per cent, to EUR 82.2 million. The Americas region contributed substantially to this performance with sales of the spare parts business rising slightly as a percentage of total sales from 23.5 per cent to 23.8 per cent.

SLIGHT IMPROVEMENT IN COST OF SALES RATIO

The cost of sales increased by 17.0 per cent in the reporting period from EUR 244.3 million to EUR 285.7 million as a result of sales growth. The cost of sales ratio improved slightly from 82.9 per cent to 82.6 per cent. This development was positively influenced by the passing on of last year's steel price increases. Product mix effects and impairments on inventories had a negative impact.

SELLING AND ADMINISTRATIVE EXPENSE RATIO INCREASE

In the first three months of the 2019 financial year, selling and general administrative expenses increased by EUR 7.8 million, or 27.3 per cent, to EUR 36.6 million compared to the prior year. The corresponding cost ratio rose from 9.7 per cent to 10.6 per cent. This increase was the result of the acquisitions completed in the past 12 months, temporary cost pressure from duplicate structures in the course of the integration of the other Chinese locations into the Greenfield project, as well as higher expenses for IT and digitization.

RESEARCH AND DEVELOPMENT COSTS SLIGHTLY EXCEED PRIOR YEAR'S LEVEL

Research and development costs in the first three months of 2019 amounted to EUR 5.6 million and were slightly higher than the previous year's level of EUR 5.4 million. In addition, EUR 0.9 million in development costs (previous year: EUR 0.9 million) were capitalized. The R&D ratio (including capitalized development costs) amounted to 1.9 per cent of sales (previous year: 2.1 per cent). Development activities are focused on designing new products and adapting existing solutions to specific customer and regional market requirements. The theme "SMART STEEL", which refers to the combination of mechanical products with sensors and electronics, is increasingly gaining importance.

YEAR-ON-YEAR IMPROVEMENT IN ADJUSTED EBIT MARGIN TO 7.2 PER CENT

Group earnings before interest and taxes (EBIT) improved year-on-year by 10.3 per cent in the first quarter of 2019 from EUR 17.2 million to EUR 18.9 million. Most of this improvement was due to the significant rise in earnings achieved in the Americas region.

Group

kEUR

	Q1/2019	Q1/2018	Change absolute	Change in %
Sales	**345,968**	**294,870**	**51,098**	**17.3 %**
EBIT	**18,936**	**17,171**	**1,765**	**10.3 %**
in % of sales	5.5 %	5.8 %		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	2,338	1,231	1,107	89.9 %
Step-up inventory from PPA	–	–	–	
Valuation effects from call and put options	–	–	–	
Restructuring and transaction costs	3,501	1,855	1,646	88.7 %
Adjusted EBIT	**24,775**	**20,257**	**4,518**	**22.3 %**
in % of sales	7.2 %	6.9 %		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	7,137	4,853	2,284	47.1 %
in % of sales	2.1 %	1.6 %		
Adjusted EBITDA	**31,912**	**25,110**	**6,802**	**27.1 %**
in % of sales	9.2 %	8.5 %		

Adjusted EBIT in the first quarter of 2019 amounted to EUR 24.8 million, surpassing the prior year's figure of EUR 20.3 million by 22.3 per cent. The adjusted EBIT figure includes restructuring and transaction costs of EUR 3.5 million (previous year: EUR 1.9 million), as well as purchase price allocation effects (depreciation from PPA) of EUR 2.3 million (previous year: EUR 1.2 million). The adjusted EBIT margin for the first quarter of 2019 equalled 7.2 per cent (previous year: 6.9 per cent).

SIGNIFICANT IMPROVEMENT IN FINANCE RESULT

The net finance result improvement significantly to EUR –2.4 million in the first quarter of 2019 (previous year: EUR –3.9 million). This improvement was mainly due to a sharply lower level of average financial debt as a result of the repayment of a bond with a volume of EUR 75.0 million and an interest coupon of 7 per cent in the prior year.

INCOME TAXES

The increase in the Group tax rate from 26.4 per cent to 30.8 per cent is due to unrecognized deferred tax assets at foreign Group companies. These deferred tax assets were not recognized due to the conservative expectation of their earnings development.

RESULT FOR THE PERIOD

The result for the period before minority interests improved by 16.9 per cent, or EUR 1.7 million, to EUR 11.4 million in the first quarter of 2019.

Based on a total of roughly 45.4 million ordinary shares issued, basic earnings per share for the first quarter of 2019 amounted to EUR 0.25 (previous year: EUR 0.22), and diluted earnings per share amounted to EUR 0.22 (previous year: EUR 0.19).

Group: Reconciliation of adjusted earnings figures

kEUR

	Q1 / 2019	Q1 / 2018	Change absolute	Change in %
Sales	**345,968**	**294,870**	**51,098**	**17.3 %**
EBIT	**18,936**	**17,171**	**1,765**	**10.3 %**
in % of sales	5.5 %	5.8 %		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	2,338	1,231	1,107	89.9 %
Step-up inventory from PPA	–	–	–	
Valuation effects from call and put options	–	–	–	
Restructuring and transaction costs	3,501	1,855	1,646	88.7 %
Adjusted EBIT	**24,775**	**20,257**	**4,518**	**22.3 %**
Finance result	–2,406	–3,880	1,474	–38.0 %
Adjusted earnings before taxes	**22,369**	**16,377**	**5,992**	**36.6 %**
Income taxes	–5,995	–4,176	–1,819	43.6 %
Group tax rate	26.8 %	25.5 %		
Adjusted result for the period	**16,374**	**12,201**	**4,173**	**34.2 %**
Number of shares	45,39	45,39	–	0.0 %
Adjusted basic earnings per share in EUR	0.36	0.27	0.09	34.2 %
Adjusted diluted earnings per share in EUR	0.31	0.24	0.07	33.1 %

Adjusted for restructuring and transaction costs as well as purchase price allocation effects and assuming a uniform tax rate of 26.8 per cent (previous year: 25.5 per cent), the result for the period before minority interests amounted to EUR 16.4 million (previous year: EUR 12.4 million).

Based on the approximately 45.4 million ordinary shares issued, adjusted basic earnings per share amounted to EUR 0.36 (previous year: EUR 0.27) and adjusted diluted earnings per share amounted to EUR 0.31 (previous year: EUR 0.24).

SEGMENT REPORTING

EMEA REGION: SALES SLIGHTLY ABOVE PREVIOUS YEAR

EMEA region: Reconciliation of adjusted earnings figures

kEUR	Q1 / 2019	Q1 / 2018	Change absolute	Change in %
Sales	**176,115**	**167,132**	**8,983**	**5.4 %**
EBIT	**14,649**	**17,722**	**– 3,073**	**– 17.3 %**
in % of sales	8.3 %	10.6 %		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	1,074	0,592	0,482	81.4 %
Step-up inventory from PPA	–	–	–	
Valuation effects from call and put options	–	–	–	
Restructuring and transaction costs	1,342	0,887	0,455	51.3 %
Adjusted EBIT	**17,065**	**19,201**	**– 2,136**	**– 11.1 %**
in % of sales	9.7 %	11.5 %		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	3,285	2,181	1,104	50.6 %
in % of sales	1.9 %	1.3 %		
Adjusted EBITDA	**20,350**	**21,382**	**–1,032**	**– 4.8 %**
in % of sales	11.5 %	12.8 %		

The EMEA region increased its sales in the first quarter of 2019 by 5.4 per cent to EUR 176.1 million (previous year: EUR 167.1 million). This includes a sales contribution in the amount of EUR 8.4 million from companies which have been acquired between April 2018 and March 2019. The strongest growth was generated in France, Poland and Russia. Organically, sales increased 1.1 per cent to EUR 168.9 million.

In the first quarter of 2019, the EMEA region achieved an adjusted EBIT of EUR 17.1 million (previous year: EUR 19.2 million) and an adjusted EBIT margin of 9.7 per cent (previous year: 11.5 per cent). It should be noted that the adjusted EBIT in the first quarter of 2018 included a positive consolidation effect (elimination of inter company results following a warehouse fire at the Russian subsidiary in February 2018). In the first quarter of 2019, product mix and material price effects, among others, had a negative impact.

AMERICAS REGION: FIRST SIGNS OF IMPROVEMENT

Americas region: Reconciliation of adjusted earnings figures

kEUR	Q1 / 2019	Q1 / 2018	Change absolute	Change in %
Sales	**131,317**	**101,895**	**29,422**	**28.9 %**
EBIT	**6,159**	**– 2,225**	**8,384**	
in % of sales	4.7 %	–2.2 %		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	0,629	0,625	0,004	0.6 %
Step-up inventory from PPA	–	–	–	
Valuation effects from call and put options	–	–	–	
Restructuring and transaction costs	–	0,927	–0,927	
Adjusted EBIT	**6,788**	**– 0,673**	**7,461**	
in % of sales	5.2 %	–0.7 %		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	2,814	2,268	0,546	24.1 %
in % of sales	2.1 %	**2.2 %**		
Adjusted EBITDA	**9,602**	**1,595**	**8,007**	**502.0 %**
in % of sales	7.3 %	1.6 %		

Sales in the Americas region increased by 28.9 per cent in the first quarter of 2019 to EUR 131.3 million (previous year: EUR 101.9 million). Sales adjusted for positive currency effects improved 20.1 per cent to EUR 122.4 million. In the US – the largest OE market for trucks and trailer in North America – SAF-HOLLAND grew much faster than the market and gained market shares accordingly.

The market environment continued to be driven by strong customer demand for truck and trailer components, which led to persistent capacity bottlenecks throughout the industry and along the entire supply chain.

At EUR 6.8 million, adjusted EBIT was significantly higher than the previous year's figure of EUR –0.7 million and the adjusted EBIT margin amounted to 5.2 per cent (previous year: –0.7 per cent). A key contributor to this increase was the reduction in add-on operating expenses from EUR 3.9 million in the first quarter of 2018 to EUR 0.6 million in the first quarter of 2019. Volume, product mix and economies-of-scale effects and the contractually agreed passing on of the prior year's steel price increases also had a positive impact on results.

The overall situation in the North American plant network has improved in the first quarter of 2019. On March 1, 2019, SAF-HOLLAND launched the project FORWARD to systematically realize the significant optimization potential identified and drive forward the turnaround. The focus is on the optimization of the production and supply chains, the product portfolio, the aftermarket business and the purchase of materials.

APAC REGION: ACQUISITION OF YORK LEADS TO SIGNIFICANT INCREASE IN SALES

APAC region: Reconciliation of adjusted earnings figures

kEUR	Q1/2019	Q1/2018	Change absolute	Change in %
Sales	**26,234**	**9,837**	**16,397**	**166.7 %**
EBIT	**0,816**	**1,340**	**– 0,524**	**– 39.1 %**
in % of sales	3.1 %	13.6 %		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	0,620	–	0,620	
Step-up inventory from PPA	–	–	–	
Valuation effects from call and put options	–	–	–	
Restructuring and transaction costs	0,501	–	0,501	
Adjusted EBIT	**1,937**	**1,340**	**0,597**	**44.6 %**
in % of sales	7.4 %	13.6 %		
Other depreciation and amortization (excluding PPA)	0,424	0,147	0,277	188.4 %
in % of sales	1.6 %	1.5 %		
Adjusted EBITDA	**2,361**	**1,487**	**0,874**	**58.8 %**
in % of sales	9.0 %	15.1 %		

In the first quarter of 2019, the APAC region grew its sales by EUR 16.4 million to a total of EUR 26.2 million. This amount includes a sales contribution of EUR 15.6 million from the companies V.ORLANDI Australia Pty. Ltd. and York Group, which were included for the full year for the first time. After adjusting for minor currency effects, sales increased by 8.0 per cent to a total of EUR 10.6 million.

Following the acquisitions in the previous year, adjusted EBIT improved by 44.6 per cent to EUR 1.9 million in the reporting period. The adjusted EBIT margin, however, declined from 13.6 per cent to 7.4 per cent, primarily as a result of the dilutive effect of the York acquisition.

CHINA REGION: SALES DECLINE AND TEMPORARY DUPLICATE STRUCTURES BURDEN EARNINGS

China region: Reconciliation of adjusted earnings figures

kEUR	Q1/2019	Q1/2018	Change absolute	Change in %
Sales	**12,302**	**16,006**	**–3,704**	**–23.1%**
EBIT	**–2,688**	**0,334**	**–3,022**	
in % of sales	–21.9%	2.1%		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	0,015	0,014	0,001	7.1%
Step-up inventory from PPA	–	–	–	
Valuation effects from call and put options	–	–	–	
Restructuring and transaction costs	1,658	0,041	1,617	
Adjusted EBIT	**–1,015**	**0,389**	**–1,404**	
in % of sales	–8.3%	2.4%		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	0,614	0,257	0,357	138.9%
in % of sales	5.0%	1.6%		
Adjusted EBITDA	**–0,401**	**0,646**	**–1,047**	
in % of sales	–3.3%	4.0%		

The China region generated sales of EUR 12.3 million in the first quarter of 2019 (previous year: EUR 16.0 million). This sales decline resulted primarily from the declining export business following the trade dispute between China and the US.

Insufficient capacity utilization at the Xiamen plant, as well as temporary cost pressure from duplicate structures in the course of the started integration of the other Chinese locations into the Greenfield project weighed on earnings. As a result, the adjusted EBIT amounted to EUR –1.0 million (previous year: EUR 0.4 million).

To ensure that it positions itself successfully for further growth opportunities in the Chinese market, SAF-HOLLAND has sent an experienced team of experts to China which supports the local management in starting up the new plant in Yangzhou, integrating the other Chinese locations into the Greenfield project, as well as winning local customers and concluding long-term contracts.

NET ASSETS

TOTAL ASSETS INCREASE BY 8.7 PER CENT

At the end of the first quarter of 2019, total assets increased by 8.7 per cent to EUR 1,062.0 million compared to their level at the end of the 2018 financial year of EUR 977.4 million.

kEUR	03/31/2019	12/31/2018	Change absolute	Change in %
Non-current assets	**506,626**	**472,284**	**34,342**	**7.3%**
of which intangible assets	271,674	265,765	5,909	2.2%
of which property, plant and equipment	188,619	163,263	25,356	15.5%
of which other (financial) assets	46,333	43,256	3,077	7.1%
Current assets	**555,397**	**505,132**	**50,265**	**10.0%**
of which inventories	195,896	179,368	16,528	9.2%
of which trade receivables	186,889	138,875	48,014	34.6%
of which liquid assets	135,307	155,009	–19,702	–12.7%
of which other (financial) assets	37,305	31,880	5,425	17.0%
Total assets	**1,062,023**	**977,416**	**84,607**	**8.7%**

Responsible for the increase in property, plant and equipment are the new accounting for leases, the establishment of the Chinese Greenfield plant and, rationalisation and expansion investments in the US.

The disproportionately low rise in inventories of EUR 16.5 million, or 9.2 per cent, is due to disciplined working capital management. Trade receivables rose versus the year end of 2018 disproportionately compared to sales growth. This is due to the higher sales volume, as well as to exchange rate and seasonal effects.

The decline in cash and cash equivalents of EUR 19.7 million in the first quarter of 2019 corresponds to the change in net debt of EUR 19.3 million. This change was primarily a result of the payment of the purchase prices for Stara Group and PressureGuard.

EQUITY RATIO EQUALS 33.2 PER CENT

Equity in comparison to December 31, 2018, increased by EUR 20.2 million to EUR 352.7 million. The main drivers of this increase were the Group result for the period in the first quarter of 2019 amounting to a total of EUR 11.4 million and positive exchange differences recognized directly in equity on the translation of foreign operations. The rise in total assets of EUR 84.6 million, or 8.7 per cent, to EUR 1,062.0 million caused a decline in the equity ratio from 34.0 per cent as of December 31, 2018 to 33.2 per cent as of March 31, 2019.

kEUR	03/31/2019	12/31/2018	Change absolute	Change in %
Equity	**352,715**	**332,550**	**20,165**	**6.1 %**
Non-current liabilities	**486,427**	**469,912**	**11,301**	**2.4 %**
of which interest-bearing loans and bonds	364,776	364,459	0,317	0.1 %
of which other non-current liabilities	121,651	105,453	10,984	10.4 %
Current liabilities	**222,881**	**174,954**	53,141	30.4 %
of which interest-bearing loans and bonds	3,266	3,936	−0,670	−17.0 %
of which trade payables	168,445	129,115	39,330	30.5 %
of which other current liabilities	51,170	41,903	14,481	34.6 %
Total equity and liabilities	**1,062,023**	**977,416**	**84,607**	**8.7 %**

Within non-current liabilities, finance lease liabilities increased following the introduction of the new IFRS 16 lease standard. The rise in trade payables of 30.5 per cent to EUR 168.4 million is balance-sheet-date driven. Current liabilities are also affected by the new IFRS 16 lease standard.

NET WORKING CAPITAL RATIO SLIGHTLY ABOVE TARGET

kEUR	Q1/2019	Q1/2018	Change absolute	Change in %
Inventories	195,896	151,789	44,107	29.1 %
Trade receivables	186,889	177,658	9,231	5.2 %
Income tax receivables	6,325	2,409	3,916	162.6 %
Other current assets	28,529	25,121	3,408	13.6 %
Financial assets	2,451	0,069	2,382	–
Other provisions (non-current)	−8,024	−10,538	2,514	−23.9 %
Other provisions (current)	−11,344	−8,011	−3,333	41.6 %
Trade payables	−168,445	−145,148	−23,297	16.1 %
Other liabilities	−28,459	−27,596	−0,863	3.1 %
Income tax liabilities	−5,655	−4,202	−1,453	34.6 %
Net working capital	**198,163**	**161,551**	**36,612**	**22.7 %**
Net working capital ratio	**14.3 %**	13.5 %		

The net working capital ratio increased from 13.5 per cent to 14.3 per cent, thereby exceeding the target of 13 per cent. This was due to an increase resulted from an increase in inventories and trade receivables, which could be offset only partially by higher trade payables.

CASH FLOWS

SIGNIFICANTLY BETTER OPERATING FREE CASH FLOW

At EUR 8.6 million, cash flow from operating activities in the first three months of 2019 was significantly above the previous year's level of EUR –22.5 million. This improvement despite a renewed increase in sales, is attributable, above all, to the significantly lower increase in the net working capital.

kEUR	Q1 / 2019	Q1 / 2018
Cash flow from operating activities	8,559	–22,471
Cash flow from investing activities (property, plant and equipment/intangible assets)	–14,416	–6,992
Operating free cash flow	**–5,857**	**–29,463**
Cash flow from investing activities (subsidiaries, financial assets)	–12,427	–3,259
Total free cash flow	**–18,284**	**–32,722**
Other	–1,065	–4,319
Change in net financial liabilities	**–19,349**	**–37,041**

Cash flow from investing activities in property, plant and equipment and intangible assets amounted to EUR 14.4 million, which was EUR 7.4 million or 106.2 per cent above the prior year's level. This rise was primarily attributable to the Chinese Greenfield plant and rationalisation and expansion investments in the US.

Operating free cash flow improved substantially, rising from EUR –29.5 million in the first quarter of 2018 to EUR –5.9 million in the reporting quarter. Total free cash flow in the amount of EUR –18.3 million was impacted by the cash outflow for the acquisitions of Stara Group and PressureGuard.

SLIGHT RISE IN NET FINANCIAL DEBT

The change in net financial debt resulted in net financial debt for the SAF-HOLLAND Group of EUR 232.7 million (December 31, 2018: EUR 213.4 million) as of the March 31, 2019 reporting date. The SAF-HOLLAND Group had liquid assets of EUR 135.3 million as of March 31, 2019 (December 31, 2018: EUR 155.0 million).

OPPORTUNITIES AND RISK REPORT

In assessing the opportunities and risks for the SAF-HOLLAND Group, there were no significant changes compared to the opportunity and risk-related statements in the 2018 Annual Report (pages 63 to 72).

OUTLOOK

SECTOR ENVIRONMENT: SOLID COMMERCIAL VEHICLE MARKETS WITH REGIONAL DIFFERENCES

The 2019 outlook remains favourable in the commercial vehicle markets relevant for SAF-HOLLAND. Based on record new orders and backlogs for Class 8 trucks and trailers in North America, a relatively high level of production can be expected. In the China region, primarily the premium segment for trailers is of importance. In this segment, the more stringent regulatory requirements for vehicle safety and load limits are expected to lead to continued investment by fleet operators. The situation is somewhat different in the important core market of Europe. After several years of growth, production figures for trailers can be expected to decline in 2019.

EUROPEAN TRUCK MARKET STABLE – ONLY OF MINOR IMPORTANCE FOR SAF-HOLLAND

According to the estimates of LMC Automotive, the Western European truck market is expected to record growth of 1 per cent in 2019. It is important to note that the European truck market is only of minor importance for SAF-HOLLAND. In the years that follow, the market is expected to continue its multiyear uptrend and grow at around 2 per cent per year. For the region of Eastern Europe, LMC Automotive expects growth of around 6 per cent, which will mainly be driven by a further market recovery in Russia and Belarus.

EUROPEAN TRAILER MARKET: WEAKNESS ONLY TEMPORARY

After sustained growth in the period from 2013 to 2018, the market research institute CLEAR expects trailer demand to decline in 2019. The market researchers justify their assessment by pointing out that the demand for trailers over the past several years has received an added boost from catch-up effects. CLEAR is currently forecasting a decline in demand in Western Europe of 11 per cent. In considering this forecast, it is important to take into account the very high comparative basis of the prior year as more than 9 per cent more trailers were manufactured than on average over the prior 3 years. In its medium-term forecast, CLEAR expects a record level of production and registrations in Europe for the period until 2021 after a temporary slowdown in 2019.

NORTH AMERICAN TRUCK MARKET ANTICIPATING ANOTHER RECORD YEAR

The sustained robust growth of the US economy and the resulting higher-than-average increase in freight volumes and rates led to vigorous demand for additional transport capacity in North America in 2018. At the same time, the electronic logging device (ELD) introduced by the Federal Motor Carriers Safety Administration (FMCSA) on April 1, 2018, created more bottlenecks for fleet operators. The ELD requires that truck drivers document their break times, which in daily practice leads to shorter operating times. Fleet operators reacted to these bottlenecks with a flood of orders for new equipment. Due to the limited production capacity of the truck manufacturers, however, it will not be possible to complete these orders until 2019. As a result, ACT Research expects North American Class 8 truck production in 2019 to increase by nearly 4 per cent compared to 2018 to approximately 337,000 units. Higher growth is expected above all in the US (+5 per cent) and Canada (+3 per cent), while Mexico is projected to decline by 9 per cent.

PROSPECTS ARE BRIGHTENING FOR THE NORTH AMERICAN TRAILER MARKET

The prospects for the North American trailer market in 2019 are more positive than at the beginning of the year. ACT Research, for example, expects roughly 3 per cent more trailers to roll off the assembly lines in 2019 than in the prior year, which was already a strong year. ACT Research had initially expected a decline of about 2 per cent. In addition, SAF-HOLLAND also stands to benefit from the growing use of disc brakes on trailers.

FURTHER GROWTH FOR TRUCKS AND TRAILERS IN BRAZIL

Based on the anticipation of a moderate economic recovery and political reforms in Brazil, LMC Automotive expects heavy truck production to grow 20 per cent in 2019. As a result, the Brazilian truck market would continue the recovery that began in 2017, even though truck production will remain significantly below the level before the last downturn in 2013. After vigorous growth in 2018 of more than 60 per cent, CLEAR expects trailer demand to be more restrained and is projecting a rise in trailer production in 2019 of around 5 per cent.

CHINESE PREMIUM SEGMENT FOR TRAILERS CAN NOT COMPLETELY AVOID NEGATIVE MARKET DEVELOPMENT

After recording some high growth rates in the last several years, the consolidation of truck demand in China continued in 2019 as expected by many market watchers. The projected decline in heavy truck production in 2019 is 6 per cent, whereby it is important to note that the Chinese truck market is only of relatively little importance for SAF-HOLLAND so far.

Due to the uncertainties about the future economic development in China, market observers expect a decrease in the production of trailers of 15 per cent for 2019. It is expected that the premium segment relevant for SAF-HOLLAND – despite the newly introduced load limits and safety regulations for trailers – cannot completely escape the negative market development.

For Australia, an important regional market for SAF-HOLLAND, LMC Automotive expects registrations of heavy and medium-duty trucks to drop by 16 per cent in 2019. After a nearly 7 per cent increase in trailer production in 2018, CLEAR anticipates a decline of 6 per cent in 2019.

CLEAR and LMC Automotive are also forecasting a slight decline in most of the other truck and trailer markets in the APAC region. India is expected to see a reduction in the production of trailers by up to 6 per cent and trucks by 12 per cent in 2019.

COMPANY OUTLOOK

Based on the expected macroeconomic and sector environments and weighing the potential risks and opportunities for the 2019 financial year, the Group Management Board of SAF-HOLLAND continues to expect sales growth at the Group level of 4 to 5 per cent.

From today's perspective, SAF-HOLLAND continues to expect an adjusted EBIT margin around the midpoint of the range of 7 to 8 per cent for the full year 2019 (previous year: 6.9 per cent).

EVENTS AFTER THE BALANCE SHEET DATE

SAF-HOLLAND AND SCHWARZMÜLLER GROUP CONCLUDE 5-YEAR CONTRACT FOR TRAILER AXLES

In mid-April 2019, SAF-HOLLAND announced the conclusion of a contract with the Austrian company Wilhelm Schwarzmüller GmbH for the delivery of trailer axles with a contract value in the low three-digit million range. The contract period is 5 years, which is longer than usual. During this time, SAF-HOLLAND will supply more than 75 per cent of the total volume put out for tender by the Schwarzmüller Group.

SAF-HOLLAND RECEIVES THE LARGEST SINGLE ORDER IN ITS HISTORY FROM KÖGEL TRAILER GMBH

At the end of April 2019, SAF-HOLLAND reported it had won another major contract for trailer axles and landing gears that was recently put out to tender. SAF-HOLLAND and the Humbaur Group's Kögel Trailer GmbH, one of the leading trailer manufacturers in Europe, have concluded a multi-year contract for the delivery of trailer axles and landing gears with a prospective contract value in the low three-digit million range.

No other events occurred after the balance sheet date that were of relevance to the report on subsequent events.

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.

SELECTED FINANCIAL DATA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kEUR

	Q1 / 2019	Q1 / 2018
Sales	345,968	294,870
Cost of sales	–285,716	–244,301
Gross profit	**60,252**	**50,569**
Other income	365	223
Other expenses	–	–
Selling expenses	–18,217	–14,078
Administrative expenses	–18,360	–14,665
Research and development costs	–5,590	–5,407
Operating result	**18,450**	**16,642**
Share of net profit of investments accounted for using the equity method	486	529
Earnings before interest and taxes	**18,936**	**17,171**
Finance income	359	161
Finance expenses	–2,765	–4,041
Finance result	**–2,406**	**–3,880**
Result before tax	**16,530**	**13,291**
Income tax	–5,092	–3,511
Result for the period	**11,438**	**9,780**
Attributable to:		
Equity holders of the parent	11,307	10,021
Non-controlling interests	131	–241
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	–	–
Income tax effects on items recognized in other comprehensive income	–	–
Items that may be reclassifed subsequently to profit or loss		
Exchange differences on translation of foreign operations	8,430	–6,508
Other comprehensive income	**8,430**	**–6,508**
Comprehensive income for the period	**19,868**	**3,272**
Attributable to		
Equity holders of the parent	19,298	3,554
Non-controlling interests	570	–282
Basic earnings per share in EUR	**0.25**	**0.22**
Diluted earnings per share in EUR	**0.22**	**0.19**

CONSOLIDATED BALANCE SHEET

kEUR	03/31/2019	12/31/2018	03/31/2018
Assets			
Non-current assets	**506,626**	**472,284**	**373,146**
Goodwill	89,549	84,480	53,574
Other intangible assets	182,125	181,285	137,670
Property, plant and equipment	188,619	163,263	137,596
Investments accounted for using the equity method	17,564	16,833	16,305
Financial assets	1,304	1,309	834
Other non-current assets	2,901	2,686	3,243
Deferred tax assets	24,564	22,428	23,924
Current assets	**555,397**	**505,132**	**659,203**
Inventories	195,896	179,368	151,789
Trade receivables	186,889	138,875	177,658
Income tax assets	6,325	5,226	2,409
Other current assets	28,529	25,149	25,121
Financial assets	2,451	1,505	69
Cash and cash equivalents	135,307	155,009	302,157
Balance sheet total	**1,062,023**	**977,416**	**1,032,349**
Equity and liabilities			
Total equity	**352,715**	**332,550**	**303,776**
Equity attributable to equity holders of the parent	**340,476**	**321,480**	**301,925**
Subscribed share capital	454	454	454
Share premium	269,044	269,044	269,044
Legal reserve	45	45	45
Other reserve	720	720	720
Retained earnings	97,288	86,282	77,533
Accumulated other comprehensive income	–27,075	–35,065	–45,871
Shares of non-controlling interests	**12,239**	**11,070**	**1,851**
Non-current liabilities	**486,427**	**469,912**	**459,644**
Pensions and other similar benefits	30,983	30,507	33,952
Other provisions	8,024	7,604	10,538
Interest bearing loans and bonds	364,776	364,459	361,452
Finance lease liabilities	13,190	38	27
Other financial liabilities	16,555	16,271	15,600
Other liabilities	840	626	587
Deferred tax liabilities	52,059	50,407	37,488
Current liabilities	**222,881**	**174,954**	**268,929**
Other provisions	11,344	9,992	8,011
Interest bearing loans and bonds	3,266	3,936	83,270
Finance lease liabilities	4,998	191	58
Trade payables	168,445	129,115	145,148
Income tax liabilities	5,655	4,007	4,202
Other financial liabilities	714	776	644
Other liabilities	28,459	26,937	27,596
Balance sheet total	**1,062,023**	**977,416**	**1,032,349**

CONSOLIDATED CASH FLOW STATEMENT

kEUR	Q1/2019	Q1/2018
Cash flow from operating activities		
Result before tax	**16,530**	**13,291**
– Finance income	–359	–161
+ Finance expenses	2,765	4,041
+/– Share of net profit of investments accounted for using the equity method	–486	–529
+ Amortization/depreciation of intangible assets and property, plant and equipment	9,475	6,084
+ Allowance of current assets	1,238	166
+/– Loss/Gain on disposal of property, plant and equipment	34	15
+ Dividends from investments accounted for using the equity method	20	19
Cash flow before change of net working capital	**29,217**	**22,926**
+/– Change in other provisions and pensions	1,780	1,389
+/– Change in inventories	–8,846	–19,954
+/– Change in trade receivables and other assets	–46,874[1]	–54,518[1]
+/– Change in trade payables and other liabilities	38,592	37,899
Change of net working capital	**–15,348**	**–35,184**
Cash flow from operating activities before income tax paid	**13,869**	**–12,258**
– Income tax paid	–5,310	–10,213
Net cash flow from operating activities	**8,559**	**–22,471**
Cash flow from investing activities		
– Purchase of other short term investments	–976	–
+ Proceeds from sale of other short tem investments	–	58,334
– Purchase of property, plant and equipment	–13,304	–5,990
– Purchase of intangible assets	–1,112	–1,002
+ Proceeds from sales of property, plant and equipment	164	42
– Payments for acquisition of subsidiaries net of cash	–12,427	–
– Prepayments for acquisition of subsidiaries net of cash	–	–3,259
+ Interest received	56	116
Net cash flow from investing activities	**–27,599**	**48,241**
Cash flow from financing activities		
– Payments for finance lease	–2,010	30
– Interest paid	–1,292	–1,117
+/– Change in drawings on the credit line and other financing activities	85	–288
Net cash flow from financing activities	**–3,217**	**–1,375**
Net increase / decrease in cash and cash equivalents	**–22,257**	**24,395**
+/– Effect of changes in exchange rates on cash and cash equivalents	2,555	–1,013
Cash and cash equivalents at the beginning of the period	**155,009**	**278,775**
Cash and cash equivalents at the end of the period	**135,307**	**302,157**

[1] As of March 31, 2019 trade receivables in the amount of EUR 42.9 million (previous year: EUR 30.5 million) were sold in the context of a factoring contract. Assuming the legal validity of the receivables, no further rights of recourse exist against SAF-HOLLAND from the sold receivables.

REGIONAL OVERVIEW

in EUR million

	EMEA		Americas		APAC		China		Total	
	Q1 / 2019	Q1 / 2018	Q1 / 2019	Q1 / 2018	Q1 / 2019	Q1 / 2018	Q1 / 2019	Q1 / 2018	Q1 / 2019	Q1 / 2018
Sales	176,115	167,132	131,317	101,895	26,234	9,837	12,302	16,006	345,968	294,870
Cost of sales	−140,961	−132,145	−111,443	−90,830	−21,601	−7,351	−11,711	−13,975	−285,716	−244,301
Gross profit	**35,154**	**34,987**	**19,874**	**11,065**	**4,633**	**2,486**	**591**	**2,031**	**60,252**	**50,569**
in % of sales	20.0	20.9	15.1	10.9	17.7	25.3	4.8	12.7	17.4	17.2
Sundry operating income and expenses[1]	−18,089	−15,786	−13,086	−11,738	−2,696	−1,146	−1,606	−1,642	−35,477	−30,312
Adjusted EBIT	**17,065**	**19,201**	**6,788**	**−673**	**1,937**	**1,340**	**−1,015**	**389**	**24,775**	**20,257**
in % of sales	9.7	11.5	5.2	−0.7	7.4	13.6	−8.3	2.4	7.2	6.9
Adjusted EBITA	**20,350**	**21,382**	**9,602**	**1,595**	**2,361**	**1,487**	**−0,401**	**0,646**	**31,912**	**25,110**
in % of sales	11.5	12.8	7.3	1.6	9.0	15.1	−3.3	4.0	9.2	8.5

[1] Sundry operating income and expenses consists of selling expenses, general and administrative expenses, research and development costs, other operating income and net profit of investments accounted for by using the euqity method, less restructuring and transaction costs in the amount of EUR 3.5 million (previous year: 1.9 million) and less depreciation and amortization from PPA in the amount of EUR 2.3 million (previous year: 1.2 million).

FINANCIAL CALENDAR

August 8, 2019
Half-year report of SAF-HOLLAND Group
as of June 30, 2019

November 7, 2019
Quarterly Statement of SAF-HOLLAND Group
as of September 30, 2019

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This report is also available in German.

The German version shall prevail.

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