

SAF-HOLLAND SE

Quarterly Statement

Q3 2021



KEY FIGURES

Results of operations

in EUR thousands

	Q1-Q3/2021	Q1-Q3/2020
Sales	924,762	708,698
Adjusted gross profit	167,563	127,508
Adjusted gross profit margin in %	18.1	18.0
Adjusted EBITDA	99,013	65,203
Adjusted EBITDA margin in %	10.7	9.2
Adjusted EBIT	71,276	38,536
Adjusted EBIT margin in %	7.7	5.4
Adjusted result for the period	47,410	21,553
Adjusted undiluted earnings per share in EUR	1.04	0.47

Net assets

in EUR thousands

	09/30/2021	12/31/2020
Balance sheet total	1,022,885	920,486
Equity	353,738	300,463
Equity ratio in %	34.6	32.6
Net working capital	181,855	114,599
Net working capital in % of sales (LTM)	15.5	11.9

DEFINITIONS:

Net working capital ratio = Ratio of inventories and trade receivables less trade payables to sales of last twelve months.

Operating free cash flow = Net cash flow from operating activities less net cash flow from investing activities (purchase of PP&E and intangible assets less proceeds from sales of PP&E).

ROCE = Adjusted EBIT / (total equity + financial liabilities (excl. refinancing costs, incl. lease liabilities) + pension and other similar benefits - cash and cash equivalents).

Financial position

in EUR thousands

	Q1-Q3/2021	Q1-Q3/2020
Net cash flow from operating activities	21,262	79,787
Net cash flow from investing activities (property, plant and equipment/ intangible assets)	-11,987	-15,426
Operating free cash flow	9,275	64,361
Total free cash flow	9,275	43,168
Cash and cash equivalents	159,476	185,118
Net debt	200,681	232,375

Employees

	Q1-Q3/2021	Q1-Q3/2020
Employees at the reporting date	3,571	3,346
Employees (on average)	3,533	3,489

Yield

in %

	Q1-Q3/2021	Q1-Q3/2020
Return on capital employed (ROCE)	15.6	9.1

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KEY EVENTS IN THE FIRST NINE MONTHS OF THE YEAR 2021

SCOPE HAMBURG CONFIRMS INVESTMENT GRADE RATING – OUTLOOK RAISED TO STABLE

SAF-HOLLAND SE published the rating report from Scope Hamburg GmbH (formerly Euler Hermes Rating GmbH) on June 9, 2021. The report confirmed the investment grade rating and set the outlook from negative to stable.

In its rating, Scope Hamburg particularly emphasizes the sustainable growth prospects from the increasing global transport volumes and the Group's leading market positions in the markets for axle and suspension systems for trailers in the EMEA region and India as well as fifth wheels in the Americas region and the less cyclical, high-margin spare parts business. The global production and service network, the broad customer base and the structural cost reduction and process optimisation measures are also viewed positively.

At the same time, the assessment of the slightly increased business risk reflects the high dependency on the cyclical commercial vehicle sector and the intense competition, which was recently once again briefly exacerbated by the COVID-19 pandemic.

Scope Hamburg rates the financial risk of SAF-HOLLAND as low to moderate, with reference to its high internal financial resources and solid capital structure and financing base.

FIRST ANNUAL GENERAL MEETING AFTER THE TRANSFER OF THE REGISTERED OFFICE SUCCESSFULLY CONCLUDED

On June 10, 2021, SAF-HOLLAND successfully concluded its first Annual General Meeting after the transfer of the registered office from Luxembourg to Germany. Against the backdrop of the ongoing COVID-19 pandemic, the Annual General Meeting was held as a virtual Annual General Meeting without the shareholders being physically present. To allow the shareholders to follow the Annual General Meeting, it was broadcast live via the internet.

With an attendance of 60.05 per cent, the Annual General Meeting of SAF-HOLLAND SE met with great interest. Apart from one exception, all the resolutions proposed by the Management Board and the Supervisory Board were passed with a large majority. In doing so, the shareholders followed the proposal of management to retain the profit of SAF-HOLLAND SE in full and approved the remuneration system for the members of the Management Board, which complies with the statutory provisions of the Second Shareholders' Rights Directive (SRD II) and considers the recommendations of the amendments to the German Corporate Governance Code. For the first time the remuneration system also includes sustainability and ESG targets.

NEW PLANT IN RUSSIA – INVESTMENT IN PROFITABLE GROWTH

On September 7, 2021, SAF-HOLLAND announced that it would expand its global production network in a targeted manner by adding a new production location in Russia. From the year 2022, the location in the north of Moscow is scheduled to produce axles of the SAF INTRA series, which are equipped with disc or drum brakes.

With this new plant SAF-HOLLAND will further expand its close customer relationships and serve its customers even better in terms of supply performance. In addition, with this new plant SAF-HOLLAND will meet the regulations aimed at promoting local production which come into force in 2022. These require an initial quota of 30 per cent of upstream Russian content to be used in production, rising to 80 per cent by 2026.

The plant will provide space of 4,000 m² and has excellent transport connections. The new plant will create around 60 new jobs of which roughly 50 will be in production.

INDUSTRY ENVIRONMENT

SECTOR DEVELOPMENT: SUPPLY BOTTLENECKS DAMPEN THE RECOVERY OF THE TRUCK AND TRAILER MARKETS

Due to supply bottlenecks, especially for semiconductors, growth of the global commercial vehicle markets has slowed down in part over the last few months. Nevertheless, the regions of most relevance for SAF-HOLLAND – Europe, North and South America and India – have recorded growth in trucks and trailers in comparison to 2020. Apart from China, production figures at the end of September were above the previous year's figures.

EUROPEAN TRUCK PRODUCTION REMAINS SIGNIFICANTLY ABOVE THE LEVEL OF THE PREVIOUS YEAR

According to SAF-HOLLAND, the production of heavy-duty trucks in the European Union over the first three quarters of 2021, with growth of 30 per cent, is significantly up on the level of the previous year (+47 per cent after two quarters).

GROWTH IN THE NORTH AMERICAN TRUCK MARKET SLOWS DOWN

According to ACT Research, the scarcity of semiconductors and labour in certain regions of the United States are proving to be determining factors in the production of heavy-duty trucks (Class-8 trucks). For instance, after nine months, production is up 33 per cent on the comparative period of the previous year, compared to a 60 per cent rise in production in the first two quarters of 2021.

SOUTH AMERICAN TRUCK AND TRAILER MARKET CONTINUES TO RECOVER

Likewise, the growth rates on the South American market for commercial vehicles eased in the first three quarters of 2021 compared to the first two quarters. The market for heavy-duty trucks grew by 50 per cent in the first nine months (compared to 115 per cent in the first six months) and the market for trailers by 45 per cent (compared to 68 per cent in the first six months).

RECOVERY OF THE EUROPEAN TRAILER MARKET CONTINUES

The recovery of the European trailer market continues, even after three quarters. As a result, the region recorded growth of 35 per cent for the reporting period from January to September 2021, as in the first two quarters.

NORTH AMERICAN TRAILER MARKET REMAINS STABLE AT A HIGH LEVEL

In comparison to the market trend for heavy-duty trucks, the North American trailer market continues its growth trajectory at a high level, even after three quarters in the year 2021. As a result, approximately 33 per cent more trailers were produced in the first nine months of 2021 (six months: 34 per cent) compared to the same period of the previous year.

SIGNIFICANT BOOST TO PRODUCTION IN INDIA

The economic recovery in India led to an increase of 139 per cent in truck production and 129 per cent in trailer production in the first nine months.

DECLINING TRAILER PRODUCTION IN CHINA

After a weak first quarter in 2020, primarily due to COVID-19, demand for trailers and trucks in China continued to recover strongly in part in the following quarters. In the meantime, due to the comparatively high baseline set in the previous year and supply bottlenecks for important parts, truck production in the first three quarters of 2021 matches the level of the previous year, while trailer production decreased by 5 per cent.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

	in EUR thousands								
			Total	Q1-Q3/2021 adjusted	in % of sales		Total	Q1-Q3/2020 adjusted	in % of sales
	Q1-Q3/2021	Adjustments	Q1-Q3/2020	Adjustments	Q1-Q3/2020	Adjustments	Q1-Q3/2020	Adjustments	Q1-Q3/2020
Sales	924,762	–	924,762	100.0%	708,698	–	708,698	–	100.0%
Cost of sales	–759,384	2,185	–757,199	–81.9%	–589,694	8,504	–581,190	–82.0%	
Gross profit	165,378	2,185	167,563	18.1%	119,004	8,504	127,508	18.0%	
Other income	1,524	–	1,524	0.2%	1,713	–522	1,191	0.2%	
Selling expenses	–43,777	5,309	–38,468	–4.2%	–44,324	6,315	–38,009	–5.4%	
Administrative expenses	–46,919	655	–46,264	–5.0%	–47,139	5,040	–42,099	–5.9%	
Research and development costs	–14,550	469	–14,081	–1.5%	–11,421	256	–11,165	–1.6%	
Operating profit	61,656	8,618	70,274	7.6%	17,833	19,593	37,426	5.3%	
Share of net profit of investments accounted for using the equity method	1,002	–	1,002	0.1%	1,110	–	1,110	0.2%	
Earnings before interest and taxes (EBIT)	62,658	8,618	71,276	7.7%	18,943	19,593	38,536	5.4%	
Finance income	2,198	–	2,198	0.2%	1,762	–	1,762	0.2%	
Finance expenses	–8,795	–	–8,795	–1.0%	–10,483	–	–10,483	–1.5%	
Finance result	–6,597	–	–6,597	–0.7%	–8,721	–	–8,721	–1.2%	
Result before taxes	56,061	8,618	64,679	7.0%	10,222	19,593	29,815	4.2%	
Income taxes	–18,950	1,681	–17,269	–1.9%	–2,270	–5,992	–8,262	–1.2%	
Income taxes in %	33.8%	–	26.7%	–	22.2%	–	27.7%	–	
Result for the period	37,111	10,299	47,410	5.1%	7,952	13,601	21,553	3.0%	

EXTRAORDINARY ITEMS

SAF-HOLLAND eliminates certain income and expenses for the management of its operations. The adjusted earnings presented below correspond to the management perspective.

In the first nine months of 2021 net expenses totalling EUR 8.6 million (previous year: EUR 19.6 million) were eliminated from earnings before interest and taxes (EBIT). These consist of restructuring expenses of EUR 1.7 million (previous year: EUR 11.7 million) and depreciation and amortisation of EUR 6.9 million (previous year: EUR 7.9 million) arising from purchase price allocations. Restructuring expenses particularly result from the FORWARD 2.0 restructuring programme as well as expenses incurred within the framework of the ongoing liquidation of a number of entities in the APAC region.

Net expenses totalling EUR 2.2 million were eliminated from the cost of sales in the first nine months of 2021 (previous year: EUR 8.5 million). These consist of restructuring expenses of EUR 0.6 million (previous year: EUR 6.2 million) and depreciation and amortisation of EUR 1.5 million (previous year: EUR 2.3 million) arising from purchase price allocations.

Net expenses totalling EUR 5.3 million were eliminated from selling expenses in the first nine months of 2021 (previous year: EUR 6.3 million). These consist of restructuring expenses of EUR 0.3 million (previous year: EUR 1.1 million) and depreciation and amortisation of EUR 5.1 million (previous year: EUR 5.3 million) arising from purchase price allocations.

Moreover, expenses of EUR 0.7 million (previous year EUR 5.0 million) were eliminated from general administrative expenses, almost all of which relate to restructuring expenses.

Regarding research and development costs, an amount of EUR 0.5 million (previous year: EUR 0.3 million) was eliminated. This consists of restructuring expenses of EUR 0.2 million (previous year: EUR 0.0 million) and depreciation and amortisation of EUR 0.2 million (previous year: EUR 0.3 million) arising from purchase price allocations.

RESULTS OF OPERATIONS

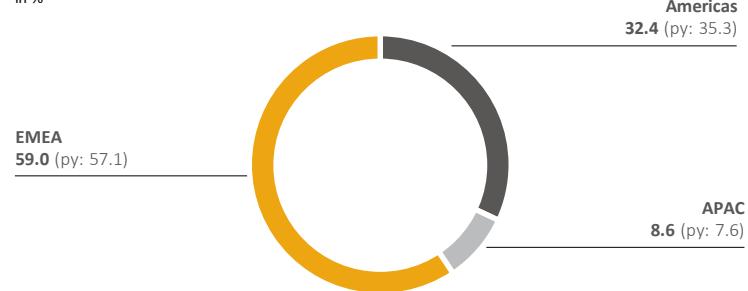
The development presented below describes the changes in the most significant line items of the income statement in the reporting period after eliminating the extraordinary items discussed above.

GROUP SALES UP SIGNIFICANTLY ON THE PREVIOUS YEAR DUE TO HIGHER DEMAND

Group sales in the first nine months of 2021 came to EUR 924.8 million due to higher demand, marking a significant rise of 30.5 per cent on the comparable figure for the previous year of EUR 708.7 million. Currency effects amounted to EUR -24.4 million and resulted primarily from currency changes of the US dollar, the Russian rouble and the Brazilian real against the Euro. Adjusted for currency translation effects, sales improved by 33.9 per cent.

Group sales by segment Q1-Q3 2021

in %



SHARE OF OE BUSINESS INCREASES BY 1.9 PERCENTAGE POINTS

Sales in the OE business increased by 34.0 per cent or EUR 168.5 million to EUR 664.5 million in the reporting period from January to September 2021. The share of Group sales accounted for by the OE business increased from 70.0 per cent to 71.9 per cent.

	in EUR thousands		Change	
	Q1-Q3/2021	Q1-Q3/2020	absolute	Change in %
Original equipment business	664,489	496,003	168,486	34.0%
Spare parts business	260,273	212,695	47,578	22.4%
Group sales	924,762	708,698	216,064	30.5%
Original equipment business in % of Group sales	71.9%	70.0%		
Spare parts business in % of Group sales	28.1%	30.0%		

Sales in the spare parts business increased by 22.4 per cent or EUR 47.6 million to EUR 260.3 million. Consequently, the share of the spare parts business in Group sales decreased from 30.0 per cent to 28.1 per cent.

ADJUSTED GROSS PROFIT MARGIN SLIGHTLY ABOVE THE LEVEL OF THE PREVIOUS YEAR

Adjusted gross profit improved by 31.4 per cent to EUR 167.6 million in the first nine months of 2021 (previous year: EUR 127.5 million) – essentially due to sales. The adjusted gross profit margin of 18.1 per cent was slightly above the level of the comparable period of the previous year of 18.0 per cent.

ADJUSTED EBIT MARGIN AT 7.7 PER CENT

Adjusted EBIT amounted to EUR 71.3 million in the first nine months of 2021 (previous year: EUR 38.5 million). This corresponds to an adjusted EBIT margin of 7.7 per cent (previous year: 5.4 per cent). Particularly the lower ratio of selling expenses and administrative expenses to sales was margin accretive in this regard.

FINANCIAL RESULT SIGNIFICANTLY IMPROVED

The financial result improved in the reporting period from January to September 2021 to EUR -6.6 million (previous year: a loss of EUR -8.7 million). In addition to lower interest expenses in association with interest-bearing loans and bonds, the main reason was the positive balance of realised/unrealised exchange gains/losses on loans denominated in foreign currencies and dividends.

UNADJUSTED NET PROFIT FOR THE PERIOD SIGNIFICANTLY UP ON THE PREVIOUS YEAR

With a Group tax rate of 33.8 per cent (previous year: 22.2 per cent), the unadjusted net profit for the first nine months of 2021 comes to EUR 37.1 million. This significantly surpassed the previous year's figure of EUR 8.0 million.

Based on approximately 45.4 million ordinary shares outstanding, unchanged on the previous year, unadjusted basic earnings per share for the reporting period from January to September 2021 amounted to EUR 0.82 (previous year: EUR 0.17).

SEGMENT REPORTING

EMEA REGION: SUSTAINED STRONG PERFORMANCE

EMEA

in EUR thousands

	Q1-Q3/2021	Q1-Q3/2020	Change absolute	Change in %
Sales	545,126	404,584	140,542	34.7%
EBIT	49,535	28,823	20,712	71.9%
EBIT margin in %	9.1%	7.1%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	3,433	3,478	-45	-1.3%
Restructuring and transaction costs	333	2,809	-2,476	-88.1%
Adjusted EBIT	53,301	35,110	18,191	51.8%
Adjusted EBIT margin in %	9.8%	8.7%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	13,766	13,208	558	4.2%
in % of sales	2.5%	3.3%		
Adjusted EBITDA	67,067	48,318	18,749	38.8%
Adjusted EBITDA margin in %	12.3%	11.9%		

Sales in the EMEA region improved by 34.7 per cent to EUR 545.1 million (previous year: EUR 404.6 million) in the first nine months of 2021, primarily on account of a strong upturn in OE business and further gains in market share. Adjusted for currency translation effects, sales growth of 36.2 per cent was recorded.

The EMEA region generated an adjusted EBIT of EUR 53.3 million in the reporting period from January to September 2021 (previous year: EUR 35.1 million) and an adjusted EBIT margin of 9.8 per cent (previous year: 8.7 per cent). In particular, the lower ratio of selling expenses had a margin accretive effect.

AMERICAS REGION: STABLE TREND IN MARGINS

Americas

in EUR thousands

	Q1-Q3/2021	Q1-Q3/2020	Change absolute	Change in %
Sales	299,948	250,298	49,650	19.8%
EBIT	13,733	2,949	10,784	365.7%
EBIT margin in %	4.6%	1.2%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	1,643	1,794	-151	-8.4%
Restructuring and transaction costs	1,019	4,005	-2,986	-74.6%
Adjusted EBIT	16,395	8,748	7,647	87.4%
Adjusted EBIT margin in %	5.5%	3.5%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	10,599	11,282	-683	-6.1%
in % of sales	3.5%	4.5%		
Adjusted EBITDA	26,994	20,030	6,964	34.8%
Adjusted EBITDA margin in %	9.0%	8.0%		

Due to the strong OE truck business and solid sales of spare parts, sales in the Americas region increased by 19.8 per cent to EUR 299.9 million (previous year: EUR 250.3 million) in the first nine months of 2021. Adjusted for currency translation effects, sales improved by 27.1 per cent.

The Americas region generated an adjusted EBIT of EUR 16.4 million in the reporting period from January to September 2021 (previous year: EUR 8.7 million) and a significantly improved adjusted EBIT margin of 5.5 per cent (previous year: 3.5 per cent). The lower ratio of selling expenses and administrative expenses to sales was margin accretive.

APAC REGION: INDIA AND AUSTRALIA DRIVE SALES AND EBIT MARGIN

APAC

in EUR thousands

	Q1-Q3/2021	Q1-Q3/2020	Change absolute	Change in %
Sales	79,688	53,816	25,872	48.1%
EBIT	-610	-12,829	12,219	-
EBIT margin in %	-0.8%	-23.8%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	1,802	2,604	-802	-30.8%
Restructuring and transaction costs	388	4,903	-4,515	-92.1%
Adjusted EBIT	1,580	-5,322	6,902	-
Adjusted EBIT margin in %	2.0%	-9.9%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	3,372	2,177	1,195	54.9%
in % of sales	4.2%	4.0%		
Adjusted EBITDA	4,952	-3,145	8,097	-
Adjusted EBITDA margin in %	6.2%	-5.8%		

The APAC region generated sales of EUR 79.7 million in the first nine months of 2021 (previous year: EUR 53.8 million). Adjusted for currency translation effects, sales increased by 49.1 per cent in comparison to the previous year. The main cause for the significant increase in sales was the strong upturn in business in India and the pleasing development of demand in Australia.

Adjusted EBIT improved by EUR 6.9 million to EUR 1.6 million. The adjusted EBIT margin amounted to 2.0 per cent (previous year: -9.9 per cent). In addition to the significant improvement in the gross margin of OE business, margin accretive factors were the lower ratio of selling expenses and administrative expenses to sales.

NET ASSETS

in EUR thousands

	09/30/2021	12/31/2020	Change absolute	Change in %
Non-current assets	487,217	495,372	-8,155	-1.6%
of which intangible assets	234,959	239,900	-4,941	-2.1%
of which property, plant and equipment	202,897	207,123	-4,226	-2.0%
of which other (financial) assets	49,361	48,349	1,012	2.1%
Current assets	535,668	425,114	110,554	26.0%
of which inventories	195,297	126,424	68,873	54.5%
of which trade receivables	147,189	95,347	51,842	54.4%
of which cash and cash equivalents	159,476	170,982	-11,506	-6.7%
of which other (financial) assets	33,706	32,361	1,345	4.2%
Balance sheet total	1,022,885	920,486	102,399	11.1%

TOTAL ASSETS INCREASED BY 11.1 PER CENT

Total assets as of September 30, 2021 increased by EUR 102.4 million or 11.1 per cent to EUR 1,022.9 million compared to the end of the 2020 financial year. This increase was due primarily to the increase in inventories and trade receivables.

EQUITY RATIO AT 34.6 PER CENT

in EUR thousands

	09/30/2021	12/31/2020	Change absolute	Change in %
Equity	353,738	300,463	53,275	17.7%
Non-current liabilities	444,485	448,896	-4,411	-1.0%
of which interest-bearing loans and bonds	317,789	322,529	-4,740	-1.5%
of which finance lease liabilities	34,475	35,766	-1,291	-3.6%
of which other non-current liabilities	92,221	90,601	1,620	1.8%
Current liabilities	224,662	171,127	53,535	31.3%
of which interest-bearing loans and bonds	685	1,539	-854	-55.5%
of which finance lease liabilities	7,208	7,849	-641	-8.2%
of which trade payables	160,631	107,172	53,459	49.9%
of which other current liabilities	56,138	54,567	1,571	2.9%
Balance sheet total	1,022,885	920,486	102,399	11.1%

In comparison to December 31, 2020, equity has improved by EUR 53.3 million to EUR 353.7 million. Equity was bolstered by the addition of the result for the period of EUR 37.1 million as well as exchange differences on the translation of foreign operations of EUR 16.2 million. Coupled with the 11.1 per cent increase in the balance sheet total, this led to an improvement in the equity ratio from 32.6 per cent to 34.6 per cent.

Non-current liabilities decreased slightly by EUR 4.4 million in comparison to December 31, 2020 to EUR 444.5 million. The main factor was the decrease of interest-bearing loans and bonds.

The increase in current liabilities is mainly due to the increase in trade payables.

NET WORKING CAPITAL RATIO INCREASED SIGNIFICANTLY DUE TO CYCLICAL FACTORS

Net working capital

in EUR thousands

	09/30/2021	12/31/2020	Change absolute	Change in %
Inventories	195,297	126,424	68,873	54.5%
Trade receivables	147,189	95,347	51,842	54.4%
Trade payables	–160,631	–107,172	–53,459	49.9%
Net working capital	181,855	114,599	67,256	58.7%
Sales (last 12 month)	1,175,583	959,519	216,064	22.5%
Net working capital ratio	15.5%	11.9%		

The net working capital ratio, measured as the ratio of net working capital to Group sales over the last twelve months, increased significantly from 11.9 per cent as of December 31, 2020 to 15.5 per cent due to cyclical factors. An increase in inventories and trade receivables was countered by significantly higher trade payables. A positive factor was the rise in sales over the last twelve months due to higher demand.

FINANCIAL POSITION

Financial position

in EUR thousands

	Q1-Q3/2021	Q1-Q3/2020
Net cash flow from operating activities	21,262	79,787
Net cash flow from investing activities (property, plant and equipment/ intangible assets)	–11,987	–15,426
Operating free cash flow	9,275	64,361
Net cash flow from investing activities (acquisition of subsidiaries)	–	–21,193
Total free cash flow	9,275	43,168
Other	–13,255	–23,876
Change in net financial liabilities (incl. lease liabilities)	–3,980	19,292

POSITIVE OPERATING FREE CASH FLOW

The net cash flow from operating activities reached a level of EUR 21.3 million in the first nine months of 2021 (previous year: EUR 79.8 million). The decrease can be attributed primarily to changes in net working capital as a consequence of the rapidly increasing business activities. In this regard, it should be noted that as of September 30, 2021, trade receivables of EUR 37.0 million (previous year: EUR 35.5 million) had been sold in the context of a factoring contract.

The net cash flow from investing activities in property, plant and equipment and intangible assets of EUR –12.0 million was EUR 3.4 million, or 22.3 per cent, below the comparable figure for the previous year. The investing focus was on measures to improve efficiency and to optimise the global production footprint.

The operating free cash flow and total free cash flow were both positive at EUR 9.3 million. In the comparable period of the previous year, total free cash flow was affected by EUR 21.2 million on account of the purchase of the remaining shares in V.Orlandi.

NET FINANCIAL DEBT UP SLIGHTLY

Net financial debt (including lease liabilities) increased slightly by EUR 4.0 million to EUR 200.7 million as of September 30, 2021 compared to the reporting date of December 31, 2020. As of September 30, 2021 SAF-HOLLAND carries cash and cash equivalents of EUR 159.5 million (December 31, 2020: EUR 171.0 million).

RISK AND OPPORTUNITY REPORT

Regarding the assessment of the risks and opportunities for the SAF-HOLLAND Group, the following significant change has occurred compared to the risks and opportunities in the Annual Report 2020 (pages 74 to 84):

The prices for steel and freight rates have risen considerably over the past months. Higher prices paid for purchases of steel are passed on at a delay. In the OE business, the delay is typically from three to six months. In the spare parts business, it is faster. Due to the extraordinary circumstances, SAF-HOLLAND initiated and conducted talks with its customers aimed at a more rapid adjustment of prices.

OUTLOOK

SECTOR TRENDS: STRAINED SUPPLY CHAINS BURDEN GLOBAL COMMERCIAL VEHICLE MARKETS

In the commercial vehicle markets relevant for SAF-HOLLAND – North and South America, Europe, China and India – growth rates for the financial year 2021 have been adjusted downwards slightly in some regions on account of the increasing supply bottlenecks in comparison to the middle of the year. According to ACT Research, a slight decrease in production figures is expected for Class-8 trucks and trailers in North America in 2021 in comparison to the projections made at the beginning of the year. While lower truck production is now expected for the European region than recently anticipated, the trailer market should develop slightly better than expected. Regarding China, a decline in trailer production is still being forecast.

RELEVANCE OF THE MARKETS FOR SAF-HOLLAND

Due to the breakdown by customer segment into the Original Equipment (truck, trailer) and the Aftermarket business, the regions relevant to SAF-HOLLAND vary in their importance. While the EMEA region (approximately 4 per cent of Group sales) and the Americas region (approximately 9 per cent of Group sales) are the most relevant for the truck Original Equipment segment, SAF-HOLLAND operates in the trailer Original Equipment and Aftermarket segments worldwide.

RAPID RECOVERY OF THE EUROPEAN TRUCK MARKET

After a decrease in truck production in the previous year, SAF-HOLLAND expects production of heavy-duty trucks to increase by 15 per cent for the full year 2021 (original forecast: +15 per cent).

SIGNIFICANT GROWTH IN EUROPEAN TRAILER PRODUCTION

Trailer production will return to its growth trajectory in 2021. Consequently, SAF-HOLLAND expects trailer production to rise by 20 to 25 per cent (original forecast: +16 per cent).

POSITIVE TREND IN THE NORTH AMERICAN TRUCK MARKET

SAF-HOLLAND expects Class-8 truck production numbers in North America to increase by roughly 20 per cent in 2021 (original forecast of 41 per cent) following the cyclical downturn and COVID-19-related decline in 2020.

TRAILER MARKET IN NORTH AMERICA UP ON PREVIOUS YEAR'S LEVEL

After originally forecasting growth of 32 per cent at the beginning of 2021, ACT Research is now projecting growth of around 25 per cent to roughly 312.000 units.

OUTLOOK FOR COMMERCIAL VEHICLE MARKETS IN SOUTH AMERICA REMAINS POSITIVE

After a decline in heavy-duty truck production in 2020, SAF-HOLLAND expects production to increase by around 45 per cent (original forecast: 30 per cent) in the current year. The increase in production will be supported by an economic recovery in Brazil. The International Monetary Fund (IMF) is now forecasting economic growth of 5.2 per cent for the year 2021 (World Economic Outlook, October 2021; original forecast: 3.7 per cent). For the trailer market, SAF-HOLLAND expects a growth in demand of 20 per cent (original forecast: 6 per cent).

VERY DYNAMIC DEVELOPMENT IN INDIA

Due to signs of a rapid economic recovery – the IMF projects economic growth of 9.5 per cent in 2021 – production of trucks on the Indian market is now forecast to rise by 150 per cent (original forecast of 30 per cent) and trailer production by 100 per cent (original forecast of 40 per cent).

WEAKENING MARKET FOR COMMERCIAL VEHICLES IN CHINA

For China, SAF-HOLLAND anticipates a decline in trailer production of 5 to 10 per cent for the current year. However, in contrast to the trailer market, the Chinese truck market has no significance for SAF-HOLLAND. Here, a decline of 5 to 10 per cent is projected for 2021 – after a production increase of around 50 per cent in 2020.

BUSINESS OUTLOOK

Considering the expected macroeconomic environment and the sector-specific framework conditions and after weighing up the risk and opportunity potentials (including the currently foreseeable impact on business from the coronavirus SARS-CoV-2) the Management Board of SAF-HOLLAND SE continues to expect Group sales for the 2021 financial year of between EUR 1,100 million and EUR 1,200 million.

Under this assumption, SAF-HOLLAND is still expecting an adjusted EBIT margin of around 7.5 per cent for the 2021 financial year.

To support its strategic objectives, the company is still planning investments of approximately 2.5 per cent of Group sales in 2021. The main focus of the investments lies on measures to improve efficiency at the location in Bessenbach, optimising the global production footprint by adding a new plant in Russia, expanding capacity at the Turkish location in Düzce and creating a new assembly line for fifth wheels at the Mexican location of Querétaro for the spare parts business in North America.

EVENTS AFTER THE BALANCE SHEET DATE

There have not been any events of relevance since the reporting date that would require reporting here.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousands

	Q1-Q3/2021	Q1-Q3/2020	Q3/2021	Q3/2020
Sales	924,762	708,698	316,638	232,445
Cost of sales	-759,384	-589,694	-263,281	-191,144
Gross profit	165,378	119,004	53,357	41,301
Other income	1,524	1,713	1,007	910
Selling expenses	-43,777	-44,324	-14,395	-15,566
Administrative expenses	-46,919	-47,139	-15,072	-14,225
Research and development expenses	-14,550	-11,421	-3,924	-3,264
Operating result	61,656	17,833	20,973	9,156
Share of net profit of investments accounted for using the equity method	1,002	1,110	423	356
Earnings before interest and taxes	62,658	18,943	21,396	9,512
Finance income	2,198	1,762	1,155	359
Finance expenses	-8,795	-10,483	-3,329	-2,967
Finance result	-6,597	-8,721	-2,174	-2,608
Result before income tax	56,061	10,222	19,222	6,904
Income tax	-18,950	-2,270	-4,659	-630
Result for the period	37,111	7,952	14,563	6,274
Attributable to:				
Equity holders of the parent	37,043	7,832	14,554	6,080
Shares of non-controlling interests	68	120	9	194
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	256	-	-	-
Income tax effects on items recognised in other comprehensive income	-234	-	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	16,142	-22,214	4,329	-12,872
Other comprehensive income	16,164	-22,214	4,329	-12,872
Comprehensive income for the period	53,275	-14,262	18,892	-6,598
Attributable to:				
Equity holders of the parent	53,156	-13,466	18,866	-6,617
Shares of non-controlling interests	119	-796	26	19
Basic earnings per share in EUR	0.82	0.17	0.32	0.13

CONSOLIDATED BALANCE SHEET

in EUR thousands	09/30/2021	12/31/2021	in EUR thousands	09/30/2021	12/31/2021
Assets			Equity and liabilities		
Non-current assets	487,217	495,372	Total equity	353,738	300,463
Goodwill	78,311	77,119	Equity attributable to equity holders of the parent	352,907	297,819
Other intangible assets	156,648	162,781	Subscribed share capital	45,394	45,394
Property, plant and equipment	202,897	207,123	Share premium	224,104	224,104
Investments accounted for using the equity method	17,257	15,400	Retained earnings	124,541	84,423
Financial assets	930	1,289	Accumulated other comprehensive income	-41,132	-56,102
Other non-current assets	2,907	2,483	Shares of non-controlling interests	831	2,644
Deferred tax assets	28,267	29,177	Non-current liabilities	444,485	448,896
Current assets	535,668	425,114	Pensions and other similar benefits	32,672	31,415
Inventories	195,297	126,424	Other provisions	8,825	8,713
Trade receivables	147,189	95,347	Interest bearing loans and bonds	317,789	322,529
Income tax receivables	2,756	3,449	Lease liabilities	34,475	35,766
Other current assets	28,712	26,743	Other financial liabilities	929	905
Financial assets	2,238	2,169	Other liabilities	1,636	1,551
Cash and cash equivalents	159,476	170,982	Deferred tax liabilities	48,159	48,017
Balance sheet total	1,022,885	920,486	Current liabilities	224,662	171,127
			Other provisions	13,754	11,945
			Interest bearing loans and bonds	685	1,539
			Lease liabilities	7,208	7,849
			Trade payables	160,631	107,172
			Income tax liabilities	10,849	4,022
			Other financial liabilities	1,552	9,950
			Other liabilities	29,983	28,650
			Balance sheet total	1,022,885	920,486

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousands	Q1-Q3/2021	Q1-Q3/2020	in EUR thousands	Q1-Q3/2021	Q1-Q3/2020
Cash flow from operating activities					
Result before income tax	56,061	10,222	+ Proceeds from sales of property, plant and equipment	817	723
- Finance income	-2,198	-1,762	+ Proceeds from sales of financial assets	529	424
+ Finance expenses	8,795	10,483	+ Interest received	413	507
+/- Share of net profit of investments accounted for using the equity method	-1,002	-1,110	Net cash flow from investing activities	-11,045	-14,495
+ Amortisation and depreciation of intangible assets and property, plant and equipment	34,616	34,543	Cash flow from financing activities		
+ Allowance of current assets	2,356	13,888	+ Proceeds from promissory note loan	-	250,000
+/- Change in other provisions and pensions	1,901	715	Repayments of current and non-current financial liabilities	-	-32,500
+/- Change in other assets	-1,494	-3,383	- Payments for repayment of bonds	-	-99,167
+/- Change in other liabilities	112	-2,895	- paid transaction costs relating to financing agreements	-22	-3,019
Loss/Gain on disposal of property, plant and equipment	-531	100	- Proceeds from foreign currency derivatives	-125	-
+/- Dividends from investments accounted for using the equity method	19	21	- Payments for lease liabilities	-6,637	-6,776
Cash flow before change of net working capital	98,635	60,822	- Interest paid	-5,929	-4,261
+/- Change in inventories	-65,672	15,783	+/- Change in drawings on the credit line and other financing activities	-5,791	-85,618
+/- Change in trade receivables ¹	-51,605	9,584	+/- Transactions with non-controlling interests	-8,189	-21,193
+/- Change in trade payables	50,940	-2,171	Net cash flow from financing activities	-26,693	-2,534
Change of net working capital	-66,337	23,196	Net increase/decrease in cash and cash equivalents	-16,476	62,758
Cash flow from operating activities before income tax paid	32,298	84,018	+/- Effect of changes in exchange rates on cash and cash equivalents	4,970	-8,806
- Income tax paid	-11,036	-4,231	Cash and cash equivalents at the beginning of the period	170,982	131,166
Net cash flow from operating activities	21,262	79,787	Cash and cash equivalents at the end of the period	159,476	185,118
- Purchase of property, plant and equipment	-10,738	-12,837			
- Purchase of intangible assets	-2,066	-3,312			

¹ As of September 30, 2021, trade receivables in the amount of € 37.0 million (previous year: € 35.5 million) were sold in the context of a factoring contract. Assuming the legal validity of receivables, no further rights of recourse to SAF-HOLLAND exist from the receivables sold.

SEGMENT INFORMATION

in EUR thousands	EMEA ¹		Americas ²		APAC ³		Total	
	Q1-Q3/2021	Q1-Q3/2020	Q1-Q3/2021	Q1-Q3/2020	Q1-Q3/2021	Q1-Q3/2020	Q1-Q3/2021	Q1-Q3/2020
Sales	545,126	404,584	299,948	250,298	79,688	53,816	924,762	708,698
Adjusted EBIT	53,301	35,110	16,395	8,748	1,580	-5,322	71,276	38,536
Adjusted EBIT margin in %	9.8	8.7	5.5	3.5	2.0	-9.9	7.7	5.4
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	13,766	13,208	10,599	11,282	3,372	2,177	27,737	26,667
in % of sales	2.5	3.3	3.5	4.5	4.2	4.0	3.0	3.8
Adjusted EBITDA	67,067	48,318	26,994	20,030	4,952	-3,145	99,013	65,203
Adjusted EBITDA margin in %	12.3	11.9	9.0	8.0	6.2	-5.8	10.7	9.2
Purchase of property, plant and equipment and intangible assets	7,736	7,156	2,293	6,706	2,775	2,287	12,804	16,149
in % of sales	1.4	1.8	0.8	2.7	3.5	4.3	1.4	2.3
Employees at the reporting date	1,544	1,456	1,478	1,351	549	539	3,571	3,346

¹ Includes Europe, Middle East and Africa.² Includes Canada, the USA as well as Central and South America.³ Includes Asia/Pacific, India and China.

FINANCIAL CALENDAR AND CONTACT INFORMATION

FINANCIAL CALENDAR

November 15, 2021

Quarterly Statement Q3 2021

CONTACTS

Petra Müller

Phone: + 49 (0) 6095 301-918

Michael Schickling

Phone: + 49 (0) 6095 301-617

Alexander Pöschl

Phone: + 49 (0) 6095 301-117

Klaus Breitenbach

Phone: + 49 (0) 6095 301-565

EMAIL

ir@safholland.de

WEBSITE

www.safholland.com

IMPRINT

Responsibility: SAF-HOLLAND SE

Hauptstrasse 26

D-63856 Bessenbach

Date of publication: November 15, 2021

Editors: Petra Müller, SAF-HOLLAND SE

Michael Schickling, SAF-HOLLAND SE

Alexander Pöschl, SAF-HOLLAND SE

Klaus Breitenbach, SAF-HOLLAND SE

Produced inhouse using firesys.

Disclaimer

The quarterly statement is also available in German. In cases of doubt, the German version shall prevail. The figures in this report have been rounded using commercial principles. In isolated instances, this can lead to rounding differences in the sum totals and percentages.

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