Corporate News

SAF-HOLLAND improves operational earnings in the first quarter of 2016 in a challenging market environment

- **Organic Group sales near previous year level**
- **Adjusted EBIT rises to EUR 22.7 million**
- **Adjusted EBIT margin improves by 40 base points to 8.7%**
- **Outlook for the full-year confirmed**

Luxembourg, May 9, 2016 – In a market environment that varied greatly depending on the region, SAF-HOLLAND, Europe's largest publicly-listed supplier for trailers, buses and trucks generated Group sales of EUR 259.9 million in the first quarter of 2016, or 4.1% less than in the previous year (EUR 271.0 million). With the pleasing market development in Western Europe and strong positioning in the Middle East, it was possible to largely offset the continuing difficult market situation in Russia, Brazil and Australia as well as weaknesses in the North American truck market. Organically, adjusted for negative currency effects and the sales contribution in the same quarter of the previous year from the AerWay product line, which was sold at the end of 2015, there was only a slight sales decline of 2.2% in the first quarter of 2016.

Gross margin improved significantly

The gross margin improved significantly in the first quarter of 2016 by 1.7 percentage points to 20.5% (previous year: 18.8%). Cost savings from the plant consolidation in Germany and efficiency enhancements at the plant in Warrenton, USA, also contributed here, as did process optimizations in procurement and the product mix. Due to the upfront expenses incurred within the scope of strategy 2020 for the establishment of the new regionally-aligned organizational structure and expenses for this year's leading international trade fairs BauMa and IAA Commercial Vehicles, selling and administrative expenses increased slightly. Overall, the operating result improved to EUR 20.4 million (previous year: EUR 20.3 million).

Operating cash flow before taxes at EUR 22.5 million

The finance result in the first quarter of 2016 decreased to EUR -4.9 million (previous year: EUR 6.6 million). The decrease relates nearly entirely to the changes in the non-cash, unrealized currency exchange gains from the valuation of inter-company foreign currency loans and dividend receivables which, in the first quarter of 2015, amounted to an unusually high EUR 8.8 million and were presented in the finance result. From 2016, the effects from the valuation of inter-company foreign currency loans will, in accordance with IFRS, be presented in other comprehensive income (OCI). Accordingly, the EUR 8.8 million in net unrealized exchange rate gains were countered by unrealized exchange rate losses from dividends in the amount of EUR 0.4 million in the first quarter of 2016.

Nearly exclusively for this reason, the result before tax of EUR 15.9 million (previous year: EUR 27.2 million) was below the figure from the prior year. In line with this development, the result for the period fell to EUR 11.1 million (previous year: EUR 18.1

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million). This resulted in a undiluted earnings per share of EUR 0.25 (previous year: EUR 0.40) and a diluted earnings per share of EUR 0.22 (previous year: EUR 0.34). By contrast, operating cash flow before taxes increased significantly from EUR 2.3 million in the first quarter of 2015 to EUR 22.5 million in the first quarter of 2016.

Adjusted EBIT margin increased to 8.7%
As a result of the operational progress, the EBIT margin adjusted for special items was increased substantially in the first quarter of 2016 by 40 base points to 8.7% (previous year: 8.3%). Adjusted EBIT thus increased to EUR 22.7 million (previous year: EUR 22.6 million).

As already described, unrealized exchange rate losses from the valuation of inter-company foreign currency loans in the amount of EUR 1.9 million were recognized directly in other comprehensive income. The finance result in the first quarter of 2016 thus amounted to EUR -4.9 million. A corresponding presentation of the unrealized exchange rate effects from the valuation of inter-company foreign currency loans in the amount of EUR 7.4 million in the prior-year quarter as well would have resulted in a finance result of EUR -0.8 million (instead of EUR 6.6 million). The swing in the finance result compared to the previous year would thus have been significantly lower at EUR -4.1 million. Accordingly, the undiluted adjusted earnings per share would have declined from EUR 0.33 per share in the first quarter of 2015 to EUR 0.27 per share.

Share of sales in spare parts business slightly higher, weaker US market largely compensated for
In the Original Equipment business, SAF-HOLLAND generated 75.5% of Group sales (previous year: 75.6%). As already described, sales in the first quarter of 2016 were 4.3% lower, reaching EUR 196.1 million (previous year: EUR 204.9 million). Demand for components for trucks and trailers was pleasing - above all in Europe and in the markets of the Middle East. By contrast, sales revenues in the Region Americas were below the previous year figure which was impacted by high positive currency exchange effects. As expected, the significant decline in demand for heavy trucks in North America was noticed mainly in the series business. In the spare parts business in the first quarter of 2016, slightly weaker sales of EUR 63.8 million were reached (previous year: EUR 66.1 million). The share of Group sales increased, however, to 24.5% (previous year: 24.4%). While the Region EMEA/India demonstrated strong sales, the Region Americas remained below expectations. It should be kept in mind that in the first quarter of 2015 there were positive currency effects as a result of the strong US dollar which was the main contributor of the sales increase. The market environment there is shaped by the high number of new registrations over the past three years, which meant that demand for spare parts was relatively limited. These fleets, however, form a good foundation for the future spare parts business.

Strong growth in Region EMEA/India
The Region EMEA/India, the largest regional market for SAF-HOLLAND, recorded a sales increase of 7.0% to EUR 145.2 million in the first quarter of 2016 (previous year: EUR 135.7 million). Despite market weakness in Russia, the Region benefited from a

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generally solid development in the transport sector and from ongoing investments in modernizations in Western Europe due to the continuing relatively advanced age of the fleets. Demand from the markets in the Middle East was also generally solid. Contributing to the pleasing development of the earnings situation were the successfully implemented efficiency enhancement measures from the plant consolidation in Germany and process improvements in material procurement. Adjusted EBIT improved by 13.1% to EUR 13.8 million (previous year: EUR 12.2 million). The adjusted EBIT margin thus increased to 9.5% (previous year: 9.0%).

The Region Americas recorded a sales decline in the first quarter of 2016 of 14.9% to EUR 100.2 million (previous year: EUR 117.7 million). This was mainly attributable to significant weakness in the North American truck market as well as a further drop in demand in Brazil. Business development in Mexico, on the other hand, was pleasing. Adjusted EBIT totaled EUR 8.3 million (previous year: EUR 9.2 million). The efficiency enhancement measures at the plant in Warrenton, USA, an improved product mix and the generally strict cost management contributed to the noticeable improvement in the adjusted EBIT margin, despite the difficult environment, to 8.3% (previous year: 7.8%).

In the first three months of 2016, the Region APAC/China achieved sales revenues of EUR 14.5 million (previous year: EUR 17.6 million). The market situation in the Region was impacted by the weak economic development in most ASEAN markets and Australia on the one hand and the mainly pleasing development in China on the other hand. It should be taken into consideration, however, that sales in the amount of EUR 3.0 million at the Chinese subsidiary Corpco were not invoiced in the first quarter for billing reasons. Sales in the segment would have otherwise nearly reached the level of the previous year. Due to the upfront expenses in developing business in the region and the low level of sales, adjusted EBIT decreased to EUR 0.6 million (previous year: EUR 1.2 million). The adjusted EBIT margin was at 3.8% (previous year: 6.9%).

Continued solid sales and operational earnings development expected for 2016

Provided that the industry trend in the markets does not cool down further, SAF-HOLLAND continues to assume that constant or slightly increased organic sales can be achieved for the Group in financial year 2016 as compared to the previous year. It should be kept in mind here that the sold agricultural product line AerWay will no longer contribute to the sales and earnings of the Group in the current financial year 2016. Despite the expected significant weakening in the US market for heavy trucks on a full-year basis of up to 25% as compared to the high level of the previous year on the one hand and the sale of the AerWay activities on the other hand, for 2016 the Group aims to achieve an organic sales level of between EUR 1,050 and EUR 1,070 million. In terms of adjusted EBIT, the Group continues to expect an adjusted EBIT margin of between 8 and 9% for full-year 2016.

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Key figures Q1 2016

EUR million	**Q1 2016**	**Q1 2015**	**Compared to previous year in %**
Sales	259.9	271.0	-4.1
Adjusted EBIT	22.7	22.6	+0.4
Adjusted EBIT margin in %	8.7	8.3	+40 bp
EBT	15.9	27.2	-41.5
Result for the period	11.1	18.1	-38.7
Undiluted earnings per share in EUR	0.25	0.40	-37.5
Diluted earnings per share in EUR	0.22	0.34	-35.3
Operational cash flow before taxes	22.5	2.3	878.3
Free cash flow	13.0	-6.4	303.1
Equity ratio in %	31.8 (44.7)*	38.3	-6.5 pp

*Adjusted for excess liquidity – i.e. mainly the promissory note loan with a volume of EUR 200 million taken in Nov. 2015 – which went beyond the operationally necessary amount, the equity ratio was 44.7%;
Legend: bp=base point; pp=percentage point

Note:
EBIT will be adjusted for the following special items that are not attributable to the operating business: mainly amortization resulting from purchase price allocation and impairment reversals on intangible assets from impairment tests as well as one-time restructuring and integration costs. The Quarterly Report of SAF-HOLLAND S.A. as of March 31, 2016 is available at http://corporate.safholland.com/en/investor-relations/publications/financial-reports/latest-reports.

Company profile:
SAF-HOLLAND S.A., located in Luxembourg, is the largest listed supplier to the commercial vehicle market in Europe. With sales of approximately EUR 1,060 million in 2015 and more than 3,100 employees, the company is one of the world's leading manufacturers and suppliers of chassis-related systems and components primarily for trailers, trucks, buses, and recreational vehicles. The product range comprises axle and suspension systems, fifth wheels, kingpins, and landing gear and is marketed under the brands SAF, Holland, and Neway. SAF-HOLLAND sells its products to Original Equipment Manufacturers (OEMs) on six continents. The Aftermarket Business Unit sells spare parts to the Original Equipment Service (OES) of the manufacturers and to end customers and service centers through its own extensive global service and distribution network. SAF-HOLLAND is one of the few suppliers in the truck and trailer industry that is internationally positioned in almost all markets worldwide.

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