

Q1 2018

QUARTERLY STATEMENT OF SAF-HOLLAND GROUP

as of March 31, 2018

KEY FIGURES

Results of operations

in EUR million		
	Q1 2018	Q1 2017
Sales	294.9	287.3
Cost of sales	-244.3	-230.1
Gross profit	50.6	57.2
Gross profit margin in %	17.2	19.9
EBIT	17.2	21.0
EBIT margin in %	5.8	7.3
Adjusted EBIT	20.3	25.1
Adjusted EBIT margin in %	6.9	8.7
Result for the period	9.8	11.3
Adjusted result for the period	12.4	14.5
Undiluted earnings per share	0.22	0.26
Adjusted undiluted earnings per share	0.27	0.32

Net Assets

in EUR million		
	3/31/2018	12/31/2017
Balance sheet total	1,032.3	998.1
Equity	303.8	301.0
Equity ratio in %	29.4	30.2
Cash and cash equivalents	302.2	278.8
Net debt	142.6	105.5
Net working capital	158.3	120.6
Net working capital/sales	13.4	11.0

Financial position

in EUR million		
	Q1 2018	Q1 2017
Cash flow from operating activities before income tax paid	-12.3	-5.2
Cash conversion rate in %	-60.6	-20.7
Net cash flow from operating activities	-22.5	-9.8
Cash flow from investing activities	48.2	-100.4
Purchase of property, plant and equipment and intangible assets	7.0	5.8
Free cash flow	-29.5	-15.6

Employees

	Q1 2018	Q1 2017
Employees (on average)	3,767	3,508
Sales per employee (EUR thousands)	78.3	81.9

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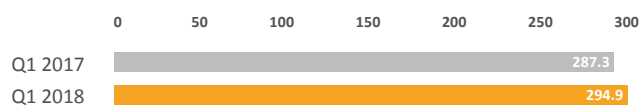
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HIGHLIGHTS Q1 2018

Development of sales Q1 2018

in EUR million

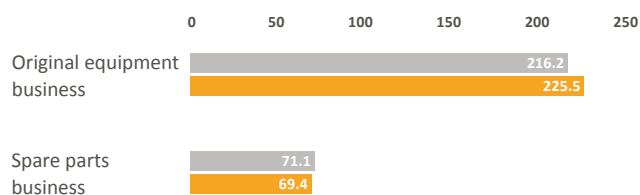


Effects on Group sales

	in EUR million	Share in %
Sales in Q1 2017	287.3	—
Organic growth	25.3	8.8
Currency effects	-17.7	-6.1
Sales in Q1 2018	294.9	2.6

Development of sales by business area Q1 2018

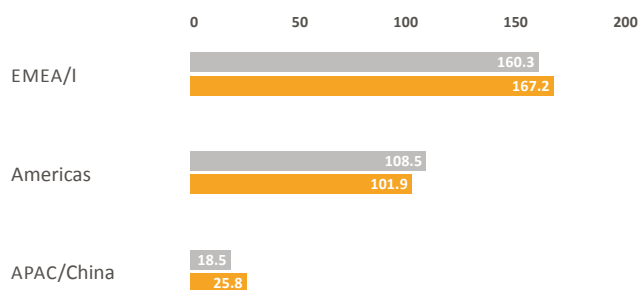
in EUR million



— Q1 2017 — Q1 2018

Development of sales by region Q1 2018

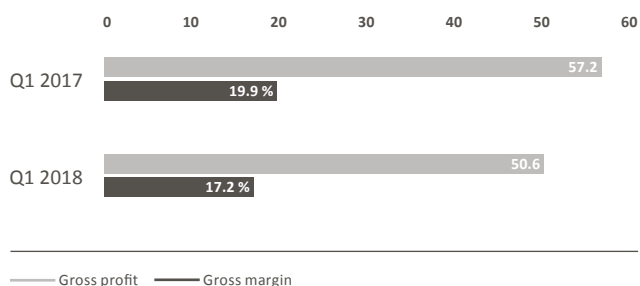
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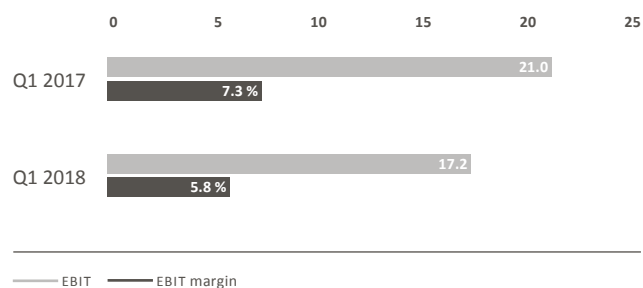
— Q1 2017 — Q1 2018

Gross profit and gross margin

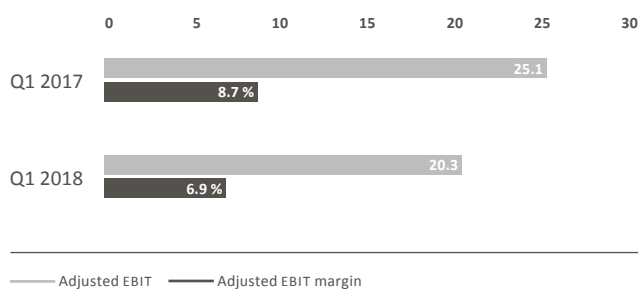
in EUR million

**EBIT and EBIT margin**

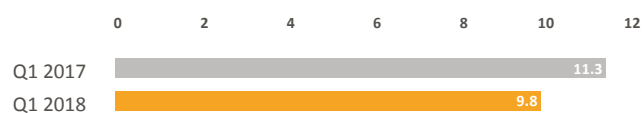
in EUR million

**Adjusted EBIT and adjusted EBIT margin**

in EUR million

**Result for the period Q1 2018**

in EUR million

**Free cash flow**

in EUR million

	Q1 2018	Q1 2017
Net cash flow from operating activities	-22.5	-9.8
Investments in property, plant and equipment and intangible assets	-7.0	-5.8
Free cash flow	-29.5	-15.6

Development of employee numbers by region

	3/31/2018	3/31/2017
EMEA/I	1,424	1,393
Americas	1,706	1,614
APAC/CHINA	637	501
Total	3,767	3,508

KEY EVENTS IN THE FIRST QUARTER OF 2018

MAJOR ORDER FOR AXLE AND SUSPENSION SYSTEMS AND INVESTMENT IN NEW PRODUCTION CENTER IN CHINA

In early January 2018, SAF-HOLLAND announced a major order from the Chinese transportation vehicle and trailer manufacturer Changjiu Special Vehicle Group. Changjiu is one of the leading manufacturers of trailers for transporting vehicles and will equip its semi-trailers with axle and suspension systems from SAF-HOLLAND in the future. Special low loader axle systems equipped with the SAF MODUL air suspension system will be used. This system is unique in its versatility and number of combination options. The delivery agreement covers a period of five years. The delivery of the first systems has already begun. Sales of around EUR 15 million are expected from this order in 2018.

SAF-HOLLAND also announced that it would significantly expand its production capacity in this region. The Group is investing a high single-digit million euro amount in a new central production center at the Yangzhou location on the Yangtze River Delta with manufacturing space of roughly 46,000 m². Operation is scheduled to begin in the first half of 2019. Through this investment, SAF-HOLLAND is preparing itself in anticipation of a continued increase in demand for modern disc brake and air suspension technology in China in the future. This technology will be increasingly used by fleet operators in the wake of more restrictive legislation.

ACQUISITION OF MAJORITY STAKE IN COUPLING SYSTEM SPECIALIST V.ORLANDI S.P.A.

On March 16, 2018, SAF-HOLLAND announced the signing of a purchase agreement for a majority stake in V.ORLANDI S.p.A., an Italian manufacturer of coupling systems for trucks, trailers, semi-trailers and agricultural vehicles. SAF-HOLLAND will initially acquire 70% of the company's shares. The purchase price was around EUR 39 million. For the remaining 30% interest in the company, the parties agreed to grant SAF-HOLLAND a call option that can be exercised at a later date. The acquisition was completed on April 9, 2018 (closing), and V.ORLANDI was included in the SAF-HOLLAND Group's scope of consolidation as of the closing date.

With V.ORLANDI, the Group has acquired a supplier of trailer couplings for trucks as well as special fifth wheels and strengthened its position as the number 2 in Europe. At the same time, this acquisition has expanded SAF-HOLLAND's specialty business with couplings and drawbar eyes for trailers and specialized commercial vehicles in segments such as industry, agriculture, forestry and mining. V.ORLANDI generates nearly a quarter of its sales with coupling systems for agricultural and

forestry vehicles. At the time of the acquisition, the company employed around 60 people and had two manufacturing locations in northern Italy near Brescia. The company's target sales markets aside from those in Western Europe include primarily Russia, Asia and Australia. In its first full year of inclusion in the SAF-HOLLAND Group's scope of consolidation, V.ORLANDI is expected to contribute sales of approximately EUR 22 million and an adjusted EBIT margin of 15%.

SAF-HOLLAND ACQUIRES TRAILER AXLE AND SUSPENSION SYSTEM MANUFACTURER YORK TRANSPORT EQUIPMENT (ASIA) PTE. LTD.

On March 21, 2018, SAF-HOLLAND announced the signing of an agreement to acquire all shares in the manufacturer of axle and suspension systems York Transport Equipment (Asia) Pte. Ltd. headquartered in Singapore. The purchase price for York, including assumed liabilities, was around EUR 33 million. SAF-HOLLAND fully financed the acquisition from existing cash. The transaction was completed (closing) on April 30, 2018, and York Transport Equipment (Asia) Pte. Ltd. was included in the scope of consolidation of the SAF-HOLLAND Group as of May 1, 2018.

York and its subsidiaries ("York Group") are one of the leading suppliers of trailer axle and suspension systems in India and distribute a full range of truck and trailer components in the entire APAC region. The York Group has a strong market position in the APAC region, particularly in the heavy duty segment (>9 tons) for trailer axles and mechanical suspension systems. York is also one of the main suppliers in India for trailers' and semi-trailers' spare parts and accessories. The York Group operates major production sites in Pune, India, and Qingdao, China, and supplies most of the major truck and trailer manufacturers in the region. Next to India, the York Group also has operations in other fast-growing Southeast Asian markets, such as Thailand, Indonesia and Vietnam besides Australia. This geographical positioning complements the regional presence of the SAF-HOLLAND Group. Over the past few years, the York Group has built a strong service and spare parts network in India with more than two hundred service points and dealers. This network effectively strengthens the SAF-HOLLAND Group's aftermarket business in the region. In the first 12 months after the transaction's completion, York is expected to contribute sales of around EUR 50 million with an adjusted EBIT margin in the mid-single-digit percentage range. Over the next few years, as the York Group becomes integrated into the SAF-HOLLAND Group, the EBIT margin is expected to move successively higher in the direction of the overall EBIT margin for the Group.

ECONOMY AND INDUSTRY ENVIRONMENT

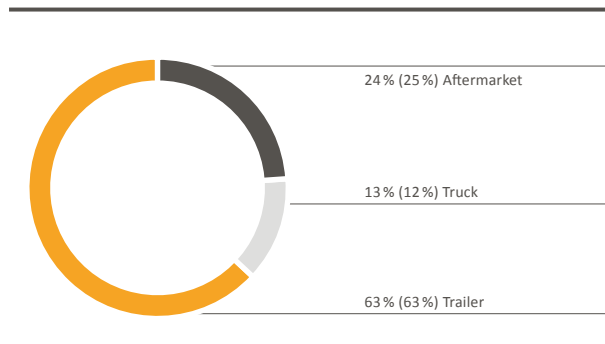
CONTINUED FAVORABLE ECONOMIC ENVIRONMENT

At the beginning of 2018, momentum accelerated in many of the major economies resulting in strong global economic growth in the first quarter of 2018. In April 2018, the International Monetary Fund (IMF) confirmed its outlook for global growth of 3.9% in 2018. The IMF sees the economic environment in the US and the eurozone more positively than before, raising its growth forecast for the US from 2.7% to 2.9% and for the eurozone from 2.2% to 2.4%.

GLOBAL COMMERCIAL VEHICLE MARKET STARTS THE YEAR ON A POSITIVE NOTE

The global truck and trailer markets delivered very robust performances overall in the first quarter of 2018. This was especially true for the truck markets, which continued to show marked growth in most regions. The North American truck market stood out based on the high rate of growth achieved in both new orders and production. Many of SAF-HOLLAND's key regional markets, such as Brazil, Australia and Russia, saw a significantly higher number of trucks roll off the production line in the first quarter of 2018 than in the same period of the prior year. The development in many of the trailer markets was comparably somewhat more restrained. The moderate growth in trailers at the beginning of the year continued in SAF-HOLLAND's core market of Europe. So far this year, SAF-HOLLAND has seen an overall confirmation of its industry expectations for the 2018 financial year, which were outlined in our 2017 Annual Report.

Share of sales Q1 2018



TRUCK REGISTRATIONS IN EUROPE RISE MORE THAN EXPECTED

The European truck market seamlessly continued its multi-year upward trend in the first quarter of 2018 owing to the favorable macroeconomic environment. According to the European Automobile Manufacturers Association (ACEA), new registrations in the European Union of heavy trucks (>16 tons) – SAF-HOLLAND's relevant vehicle category – increased by 2.9% in the first three months of 2018. A high level of new registrations, particularly in Italy and France, were able to more than offset the obvious weakness in the UK market due to lingering Brexit concerns.

The Russian truck market continued the recovery that started in 2016 and recorded an increase in new registrations of heavy and medium-sized trucks of more than 40% in the first quarter of 2018.

EUROPEAN TRAILER MARKET WITH POSITIVE STABLE PERFORMANCE AT THE START OF THE YEAR

At the beginning of this year, the market research institute CLEAR International Consulting (CLEAR) had anticipated consolidation in the European trailer market in 2018 accompanied by a decrease in production of up to 4%. Contrary to these forecasts, the market's trend was largely stable to slightly rising in the first quarter of 2018. Due to the favorable macroeconomic situation, many fleet operators continued to invest in the modernization and expansion of their vehicle fleets.

RECORD HIGH DEMAND FOR CLASS 8 TRUCKS CAUSES INCREASING CAPACITY BOTTLENECKS IN NORTH AMERICA

The buoyant US economy coupled with the limited capacity of transportation carriers and the resulting rise in freight rates led to an unexpectedly strong increase in new orders for Class 8 trucks. According to estimates by the market research institute ACT Research, new orders in the first quarter of 2018 reached record levels, almost doubling in comparison to the same period in the prior year. ACT reported a rise in truck production in the first three months of 2018 of 45.6%. As a result of the limited production capacity, the surprisingly high demand posed some major challenges to manufacturers.

SOLID GROWTH IN THE NORTH AMERICAN TRAILER MARKET

The development of the trailer market in North America was largely stable in 2017. The prior-year comparative base for trailers versus trucks in 2018 means the growth rates for trailers in 2018 will be correspondingly lower. According to estimates by FTR Transport Intelligence (FTR), order intake for trailers increased by around 26% in the first quarter of 2018 which, in absolute terms, equals an extraordinarily high level of more than 100,000 vehicles and corresponds to a book-to-bill ratio (the ratio of incoming orders to sales) of over 1.2. Trailer production was unable to keep up entirely with demand and, according to FTR, increased by 9.3% from January to March 2018.

UPWARD TREND IN THE BRAZILIAN TRUCK MARKET IS GAINING MOMENTUM

Given the continued improvement in the economy, the Brazilian heavy truck market also registered very positive performance in the first quarter of 2018. According to the Anfavea (Associação Nacional dos Fabricantes de Veículos Automotores) manufacturing association, production increased 85% in the first three months of 2018 compared to the previous year, which was still at a low level.

CHINESE MARKET FOR HEAVY TRUCKS REMAINS AT A HIGH LEVEL IN THE FIRST QUARTER OF 2018

Stricter regulatory requirements boosted the demand for new vehicles in 2016 and 2017. Based on this high level, new registrations for heavy trucks in the first three months of 2018 again saw a minor double-digit percentage increase contrary to expectations.

OVERALL DECLINE IN CHINESE TRAILER MARKET, BUT PREMIUM SEGMENT STILL ROBUST

The trailer market, which is the more important market for SAF-HOLLAND in China, saw a significant decline in the first two months of 2018. According to the China Association of Automobile Manufacturers (CAAM), the production of semi-trailers during this period fell by around 35% compared to the very strong prior-year figure. The premium segment, which is important for SAF-HOLLAND's business development, largely averted the market decline and posted robust demand. The use of disc brake technology and air suspensions in the Chinese trailer market continues to grow as a result of stricter legal requirements.

AUSTRALIAN TRUCK MARKET BENEFITS FROM RECOVERY IN COMMODITY MARKETS

In the first three months of 2018, registrations of heavy and medium-duty trucks in Australia, an important regional market for SAF-HOLLAND, increased by 33.6%. The revival of the commodity markets spurred significant new purchases of transportation capacity, especially in the mining sector.

SALES AND EARNINGS PERFORMANCE, NET ASSETS AND CASH FLOWS

SALES AND EARNINGS PERFORMANCE

GROUP ORGANIC SALES RISE BY 8.8 %

In the first quarter of the 2018 financial year, SAF-HOLLAND increased Group sales by 2.6% to EUR 294.9 million (previous year: EUR 287.3 million). Adjusted for negative exchange rate effects of EUR 17.7 million, which resulted primarily from the depreciation of the US dollar against the euro, Group organic sales rose by 8.8% to EUR 312.6 million (previous year: EUR 287.3 million). The two acquisitions announced in March 2018 – V.ORLANDI S.p.A. and York Transport Equipment (Asia) Pte. Ltd. – are not included in the first quarter of 2018 consolidated financial statements. V.ORLANDI S.p.A. was included in the SAF-HOLLAND Group's scope of consolidation on April 1, 2018, and York Transport Equipment (Asia) Pte. Ltd. was included as of May 1, 2018, following the close of the transaction on April 30, 2018.

Effect on Group sales

	in EUR million	Share in %
Sales in Q1 2017	287.3	–
Organic growth	25.3	8.8
Exchange rate effects	–17.7	–6.1
Sales in Q1 2018	294.9	2.6

All regions of the Group contributed to organic sales growth. The strongest sales increase was again achieved by the APAC/China region with a plus of 49.2%. In the EMEA/I and Americas regions, organic sales grew 5.1% and 7.6%, respectively.

Sales by business area

	Q1 2018		Q1 2017	
	in EUR million	Share in %	in EUR million	Share in %
Original equipment business	225.5	76.5	216.2	75.3
Spare parts business	69.4	23.5	71.1	24.7
Total	294.9	100.0	287.3	100.0

APAC/CHINA REGION AGAIN ACHIEVES HIGHEST PERCENTAGE INCREASE IN SALES WITHIN THE GROUP - EMEA/I REGION DELIVERS LARGEST CONTRIBUTION TO ORIGINAL EQUIPMENT BUSINESS

Despite clearly negative exchange rate effects, sales in the original equipment business in the three-month period of 2018 increased by 4.3% to EUR 225.5 million (previous year: EUR 216.2 million). The highest percentage growth rate was recorded in the APAC/China region. China continued to benefit from the rising demand for premium applications such as air suspension and disc brake axle systems.

The EMEA/I region was also able to further expand its original equipment business (OEM). The favorable macroeconomic environment and the planned expansion of the quantities produced were the key growth drivers in the region.

Despite the ongoing measures for the optimal integration of the capacity planning and logistics processes and production start-ups in the new production network, SAF-HOLLAND was able to realize strong organic sales growth in the high single-digit percentage range in the OEM business in the Americas region. The market development in North America, which continued to exceed expectations in the first quarter of 2018, also led to capacity bottlenecks not only at SAF-HOLLAND but throughout the industry. The bottlenecks were managed somewhat better than in the previous quarter following the completion of the plant relocation measures at the end of the 2017 financial year. Nevertheless, significantly negative exchange rate effects in the first quarter of 2018 led to a decline in the region's reported original equipment sales. On a currency-adjusted basis, the Americas region posted significantly higher sales.

DEVELOPMENT IN THE SPARE PARTS BUSINESS SLOWED BY EXCHANGE RATE EFFECTS; GROWTH ACHIEVED ON AN ADJUSTED BASIS

In the spare parts business, Group sales fell by 2.4% to EUR 69.4 million in the first quarter of 2018 (previous year: EUR 71.1 million), and the percentage of sales of the aftermarket business declined accordingly to 23.5%. Sharply negative exchange rate effects in the Americas region caused this decline. On a currency-adjusted basis, sales in the Americas region slightly exceeded the prior year's level. This reflects SAF-HOLLAND's better performance in the first quarter of 2018 in reducing the excess order overhang in the North American spare parts business caused by the US plant consolidation.

The aftermarket business in the EMEA/I region achieved moderate growth and profited above all from the considerable increase in the number of SAF-HOLLAND systems in the market over the past several years and the age structure of the fleets. The business volume of the spare parts business in the APAC/China region remained modest and was at the previous year's level. In this region, the focus remained on growing the customer base in the original equipment business and expanding the product range as the foundation for the future aftermarket business.

ADDITIONAL OPERATING EXPENSES IN THE AMERICAS REGION IMPROVE VERSUS THE PRIOR QUARTER

As outlined in the 2017 Annual Report, the focus of management in the first months of 2018 was on successively reducing the start-up costs of the restructured North American plant network and optimally aligning capacity planning and logistics processes with production processes. The measures were also aimed at reducing the temporary increase in the number of employees and bringing down higher express freight and logistics costs to normal levels. Additional operating expenses of EUR 3.9 million were incurred in the first quarter of 2018, as expected, due to continued production start-up inefficiencies. These expenses were essentially caused by additional express freight and logistics costs, production inefficiencies and compensation payments in accordance with supply agreements. The more than one-third decrease in additional operating expenses compared to the previous quarter (Q4 2017: EUR 6.3 million) shows that the measures implemented are taking effect and that production processes at the Group's expanded US sites (Dumas, Wylie) are increasingly better coordinated.

A total of EUR 0.9 million in restructuring costs related to US plant consolidation and added back to adjusted EBIT in the first quarter of 2018, mainly related to severance payments for employees who had left the Company at the start of the year. Restructuring costs resulting from the plant consolidation were noticeably lower compared with the previous quarter (EUR 1.6 million) and the same quarter of the previous year (EUR 2.1 million).

The acquisitions of V.ORLANDI S.p.A. and York Transport Equipment (Asia) Pte. Ltd. also resulted in transaction-related expenses of approximately EUR 0.9 million. These expenses were recognized in the first quarter of 2018 as restructuring and transaction costs in the EMEA/I region.

GROSS PROFIT DOWN YEAR-ON-YEAR; PRESSURE FROM RISING STEEL PRICES – GROSS MARGIN IMPROVES SEQUENTIALLY

The Group's gross profit fell to EUR 50.6 million in the first three months of 2018 (previous year: EUR 57.2 million) primarily as a result of the aforementioned additional operating expenses of EUR 3.9 million. The gross margin fell accordingly to 17.2% (previous year: 19.9%). Other reasons for the lower gross margin were a disadvantageous segment mix due to the decline in the percentage share of higher-margin spare parts business versus Group sales to 23.5% in the first quarter of 2018 (previous year: 24.7%). Steel and steel scrap prices, which have risen steadily since the beginning of 2017, have also pressured gross margins in the Americas and EMEA/I regions. Although higher steel prices can generally be passed on to customers after a delay of up to six months, they initially lead to correspondingly higher, upfront material costs in purchasing. In the first quarter of 2018, the increase in steel prices totaled slightly below EUR 4 million.

Gross margin increased sequentially by 30 basis points compared to the fourth quarter of 2017 (16.9%). It should be noted that the gross profit of the fourth quarter of 2017 included a positive effect on the cost of materials amounting to EUR 4.5 million, which were linked to the achievement of certain purchase volumes in procurement and made possible by the strong sales increases in 2017. This one-time effect had a correspondingly positive impact on the gross margin in the previous quarter. The sequential improvement in the gross margin still achieved in the first quarter of 2018 was mainly due to lower additional operating expenses and ongoing optimization measures in the production and logistics processes of the new North American plant network.

STRICT COST MANAGEMENT AND EXCHANGE RATE EFFECTS LEAD TO A DECLINE IN OPERATING EXPENSES

Operating expenses, consisting of selling and administrative expenses and research and development costs, fell in the first quarter of 2018 by 7.3% to EUR 34.2 million (previous year: EUR 36.9 million). The corresponding expense ratio fell to 11.6% (previous year: 12.8%) of Group sales. Exchange rate effects contributed to the lower operating expenses as the Group incurs a large portion of the costs in the currencies of the respective sales markets. The depreciation of the US dollar versus the euro was the main factor that led to the decline in expenses. In addition, SAF-HOLLAND continued its strict cost management, thereby effectively limiting the general rise of costs.

Specifically, selling expenses were reduced by 12.4% to EUR 14.1 million (previous year: EUR 16.1 million) and administrative expenses by 2.6% to EUR 14.7 million (previous year: EUR 15.1 million). The Group spent EUR 5.4 million on research and development (previous year: EUR 5.7 million). In addition, EUR 0.9 million (previous year: EUR 0.9 million) in development costs were capitalized, offset by scheduled amortization of EUR 0.3 million (previous year: EUR 0.2 million). Including capitalized development costs, the Group spent EUR 6.3 million (previous year: EUR 6.6 million) on research and development (R&D). The R&D ratio fell slightly in the first quarter of 2018 to 2.1% (previous year: 2.3%) based on the slight increase in sales.

Other operating income remained unchanged at EUR 0.2 million in the first quarter of 2018 (previous year: EUR 0.2 million). In the first quarter of 2018, expenses of EUR 2.4 million were incurred due to write-downs on inventories as a result of a warehouse fire at our Russian subsidiary. This expense was offset by income of approximately the same amount, as the damage was covered by insurance.

AT 6.9%, ADJUSTED EBIT MARGIN HIGHER THAN IN PREVIOUS QUARTER

Group earnings before interest and taxes (EBIT) fell by 18.1% to EUR 17.2 million in the first three months of 2018 (previous year: EUR 21.0 million). The year-on-year decline resulted primarily from the aforementioned additional operating expenses in the US. The decline in the share of sales from the spare parts business in the first quarter of 2018 combined with rising material costs due to higher steel prices also had a negative impact on earnings.

Including one-time restructuring and transaction costs of EUR 1.9 million (previous year: EUR 2.7 million) and the negative effects of the purchase price allocation (depreciation/amortization from PPA) of EUR 1.2 million (previous year: EUR 1.4 million), adjusted EBIT in the first quarter of 2018 was 19.1% below the prior-year figure at EUR 20.3 million (previous year: EUR 25.1 million). Due to their operational nature, the aforementioned EUR 3.9 million in additional operating expenses following the US plant consolidation were not adjusted and were therefore recognized in the adjusted EBIT as an expense. The adjusted EBIT margin in the first quarter of 2018 was 6.9% (previous year: 8.7%). The high comparative basis from the first quarter of 2017 should be taken into account, as the additional operating expenses in North America were only incurred with the implementation of the plant consolidation in the second half of 2017.

Against this background, earnings development in the first quarter of 2018 met expectations. Compared to the fourth quarter of 2017 (6.7%), the Group increased the adjusted EBIT margin by 20 basis points to 6.9%. It should be taken into account that the prior quarter had included a one-time, volume-related positive effect on the cost of materials of EUR 4.5 million. Excluding the additional operating expenses in the US, the adjusted EBIT margin in the first quarter of 2018 amounted to 8.2%.

Reconciliation of operating results to adjusted EBIT

in EUR million

	Q1 2018	Q1 2017
Operating result	16.7	20.4
Share of net profit of investments accounted for using the equity method	0.5	0.6
EBIT	17.2	21.0
Depreciation/amortization of property, plant and equipment and intangible assets from PPA	1.2	1.4
Restructuring and transaction costs	1.9	2.7
Adjusted EBIT	20.3	25.1

SLIGHT IMPROVEMENT IN FINANCE RESULT

The finance result for the first quarter of 2018 was EUR –3.9 million (previous year: EUR –4.3 million) and mainly reflected Group interest expenses. The absence of an expense from unrealized exchange losses on foreign currency loans and dividends of EUR 0.3 million that incurred in the same period of

the previous year and the reduced net interest expense of EUR 3.3 million (previous year EUR 3.4 million) were the main reason for the slightly improved finance result.

GROUP TAX RATE DECLINES; RESULT FOR THE PERIOD REACHES EUR 9.8 MILLION

The result before tax decreased by 20.4% to EUR 13.3 million in the first three months of 2018 (previous year: EUR 16.7 million). The Group effective tax rate fell to 26.4% in the first quarter of 2018 (previous year: 32.7%). This decline resulted from a reduction in losses at the subsidiaries for which no deferred tax assets were capitalized. A lower income tax expense meant that the decline in the result for the period was lower at

13.3% than the decline in the result before tax and reached EUR 9.8 million (previous year: EUR 11.3 million).

Based on approximately 45.4 million ordinary shares outstanding, SAF-HOLLAND achieved basic earnings per share of EUR 0.22 in the first quarter of 2018 (previous year: EUR 0.26). Diluted earnings per share amounted to EUR 0.19 (previous year: EUR 0.22).

Reconciliation of adjusted earnings figures

in EUR million

	Q1 2018	Q1 2017
Result for the period	9.8	11.3
Income taxes	3.5	5.4
Finance result	3.9	4.3
Depreciation and amortization from PPA	1.2	1.4
Restructuring and transaction costs	1.9	2.7
Adjusted EBIT	20.3	25.1
in % of sales	6.9	8.7
Adjusted result for the period	12.4¹	14.5²
in % of sales	4.2	5.0
Number of shares ³	45,394,302	45,361,112
Adjusted basic earnings per share in EUR⁴	0.27	0.32
Adjusted diluted earnings per share in EUR⁵	0.24	0.28

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

² A uniform tax rate of 29.4% was assumed to calculate the adjusted result for the period.

³ Weighted average number of ordinary shares.

⁴ The calculation of adjusted basic earnings per share also includes the result attributable to non-controlling interests of EUR –0.2 million (previous year: EUR –0.3 million).

⁵ Calculated taking into account 8.3 million shares equivalents (previous year: 8.1 million) and EUR 0.3 million (previous year: EUR 0.3 million) of earnings contribution from the convertible bonds issued in 2014 and non-controlling interests of EUR –0.2 million (previous year: EUR –0.3 million).

LOWER UNIFORM TAX RATE USED TO CALCULATE THE ADJUSTED RESULT FOR THE PERIOD

The adjusted result for the period amounted to EUR 12.4 million in the first three months of 2018 (previous year: EUR 14.5 million), or 14.5% below the previous year's level. Restructuring and transaction costs, as well as effects from purchase price allocation, were excluded from the calculation of the adjusted result for the period. The uniform tax rate used for this calculation fell to 25.5% (previous year: 29.4%) due to a decline in the

Group tax rate, mainly as a result of the reduction in the US corporate tax rate. Additional operating expenses of EUR 3.9 million were not adjusted due to their operational nature.

Based on the approximately 45.4 million ordinary shares outstanding, adjusted basic earnings per share amounted to EUR 0.27 (previous year: EUR 0.32) and adjusted diluted earnings per share amounted to EUR 0.24 (previous year: EUR 0.28).

SEGMENT REPORTING

Regional overview

in EUR million

	EMEA/I		Americas		APAC/China		Total	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Sales	167.2	160.3	101.9	108.5	25.8	18.5	294.9	287.3
Cost of sales	-132.2	-127.6	-90.8	-87.5	-21.3	-15.0	-244.3	-230.1
Gross profit	35.0	32.7	11.1	21.0	4.5	3.5	50.6	57.2
in % of sales	20.9	20.4	10.9	19.4	17.4	18.9	17.2	19.9
Sundry operating income and expenses ¹	-15.8	-16.2	-11.8	-13.3	-2.7	-2.6	-30.4	-32.1
Adjusted EBIT	19.2	16.5	-0.7	7.7	1.8	0.9	20.3	25.1
in % of sales	11.5	10.3	-0.7	7.1	7.0	5.0	6.9	8.7

¹ Sundry operating income and expenses consist of selling and administrative expenses, research and development costs, other operating income and the share of net profit of investments accounted for using the equity method less restructuring and transaction costs of EUR 1.9 million (previous year: EUR 2.7 million) and depreciation/amortization from PPA of EUR 1.2 million (previous year: EUR 1.4 million)

CONTINUED SALES AND EARNINGS GROWTH IN THE EMEA/I SEGMENT

The EMEA/I region increased sales by 4.3% to EUR 167.2 million in the first quarter of 2018 (previous year: EUR 160.3 million), thereby outperforming the market. Currency-adjusted sales increased by 5.1% to EUR 168.4 million. The market environment for both trucks and trailers remained stable to slightly higher in most countries of the region. SAF-HOLLAND also benefited from further market share gains as a result of launching numerous innovative products and solutions in the market.

SAF-HOLLAND achieved strong growth in the first quarter of 2018 in the Southern European countries of Spain, Italy and France, as well as in Eastern Europe. Next to Poland, Russia was also able to increase its sales despite a warehouse fire and benefited from the gradually declining investment backlog of local fleet operators.

Our new assembly plant for the production of axle systems in Düzce, Turkey, continued to develop very successfully. Following the plant's opening in March 2017, it was already running a steady two-shift production operation in the first quarter of 2018 and is expected to rise to three shifts as of May 2018. The ramp-up in production was not only supported by orders from Turkish customers but also from manufacturers located in major neighboring countries, as well as deliveries to Southeastern

Europe. Against this background, sales in the first quarter of 2018 increased substantially in euro terms despite the weakness in Turkey's national currency. SAF-HOLLAND's development in the Middle East and Africa was largely positive, despite some difficulties in the political and economic environment.

At the end of February 2018, a fire in a warehouse of our Russian subsidiary caused damage to finished goods and spare parts. The Group was forced to take a write-down on inventories totaling EUR 2.4 million. The fire had only a negligible effect on earnings overall in the first quarter of 2018 because the damage from the fire, minus a low deductible, was covered by insurance.

Adjusted EBIT in the EMEA/I region rose to EUR 19.2 million in the first quarter (previous year: EUR 16.5 million). The adjusted EBIT margin increased to 11.5% (previous year: 10.3%). Continuous process improvements and the bundling of purchasing volumes more than offset the EUR 1.8 million burden resulting from higher steel prices. When comparing the adjusted EBIT margin of the region with the preceding quarter, in which the adjusted EBIT margin was significantly higher, it should be taken into account that the fourth quarter of 2017 included one-time positive effects on the cost of materials in connection with the achievement of correspondingly higher purchase volumes amounting to approximately EUR 4.5 million.

PROGRESS IN REDUCING PRODUCTION INEFFICIENCIES IN THE AMERICAS REGION; EARNINGS REACH BREAK-EVEN

In the Americas region, reported sales in the first quarter of 2018 decreased by 6.1% to EUR 101.9 million (previous year: EUR 108.5 million) due to currency translation effects. Adjusted for negative exchange rate effects, however, sales rose by 7.6% to EUR 116.7 million (previous year: EUR 108.5 million). In local currency, SAF-HOLLAND was able to significantly increase its sales both in the US market and in Mexico. The Brazilian subsidiary KLL, which was acquired in 2016, generated a clear double-digit increase in both the local currency and in euros.

Following the completion of the actual relocation measures at the end of 2017 as part of the US plant consolidation, the focus in the first quarter of 2018 was on gradually reducing existing production inefficiencies. The most important measure was to coordinate the capacity planning and logistics processes with the production processes as best as possible, thereby optimizing the capacity utilization of the plants. The Americas region continued to make progress in eliminating start-up production inefficiencies in the first quarter of 2018 and the measures taken to optimize capacity utilization showed their initial successes. The order overhang in the North American spare parts business caused by the US plant consolidation was reduced.

As expected, additional operating expenses were incurred in the first quarter of 2018, but at EUR 3.9 million they were significantly below the level of the fourth quarter of 2017 (EUR 6.3 million). Additional expenses mainly included extra express freight and logistics costs, compensation payments in accordance with supply agreements, as well as costs for necessary outsourcing projects and production inefficiencies.

Next to additional operating expenses, the continued increase in steel and steel scrap prices in the first quarter of 2018 also put pressure on the quarterly result. The additional upfront cost of materials that resulted in the Americas region in the first quarter of 2018 totaled more than EUR 2.0 million.

The adjusted EBIT of the Americas region in the first quarter of 2018 fell to EUR –0.7 million compared to the first quarter of 2017 (EUR 7.7 million) when no additional operating expenses from the plant consolidation had been incurred in the region. As a result, the adjusted EBIT margin amounted to –0.7% (previous year: 7.1%).

Compared with the result of the preceding quarter (Q4 2017: EUR –3.8 million), the Americas region was able to reduce its loss by EUR 3.1 million helped by lower additional operating expenses (EUR 2.4 million) as well as by the ongoing measures to improve the production processes in the new North American plant network, which now consists of just five production sites. The continued increase in steel prices, however, had a negative effect as described above.

CURRENCY-ADJUSTED SALES IN THE APAC/CHINA SEGMENT INCREASE ALMOST 50 %

Despite the high comparative base of the previous year, the APAC/China region again generated strong sales growth of 39.6% to EUR 25.8 million in the first quarter of 2018 (previous year: EUR 18.5 million). On a currency-adjusted basis, sales increased by 49.2% to EUR 27.6 million (previous year: EUR 18.5 million).

Of particular importance was the development of the trailer components business at the Xiamen site in China. The Chinese subsidiary achieved the strongest growth in the region in the initial quarter of 2018, carrying on the positive business performance of 2017 without interruption. As in 2017, the introduction of regulatory load limits for commercial vehicles and the announcement of stricter safety regulations for dangerous goods and automotive transporters led to continued high investment in new trucks and trailers in this segment by fleet operators. This demand was particularly beneficial for the premium segment, where SAF-HOLLAND is strongly positioned with its weight-saving components and its range of air suspension and axle systems with high-performance disc brake technology. In order for production to be able to meet the expected high demand in the Chinese premium segment in the coming years, SAF-HOLLAND announced at the beginning of the 2018 financial year that it would build a new production center in China at the Yangzhou site.

Business development at our subsidiary Corpco Beijing Technology and Development Co. Ltd. (Corpco), however, remained unsatisfactory. The background to this performance was the persistently weak demand in the intercity bus segment in China. Corpco has therefore begun some time ago to extend its bus suspension system product portfolio to new segments in the bus market.

Driven by strong business growth and the associated economies of scale, adjusted EBIT in the APAC/China region doubled to EUR 1.8 million (previous year: EUR 0.9 million). The adjusted EBIT margin increased to 7.0% (previous year: 5.0%).

NET ASSETS

TOTAL ASSETS INCREASE BY 3.4 % IN THE FIRST QUARTER

The Group's total assets increased by 3.4% to EUR 1,032.3 million as of March 31, 2018 (December 31, 2017: EUR 998.1 million). The seasonal first quarter increase in working capital in a financial year combined with the strong organic sales growth in the first quarter of 2018 led to an increase in total assets. However, compared to March 31, 2017 (EUR 1,052.1 million), total assets had declined 1.9% to 1,023.3 million mainly as a result of exchange rate effects from the translation of the financial statements of foreign operations.

INCREASE IN NET WORKING CAPITAL IN THE FIRST QUARTER OF 2018 STRONGER THAN IN THE COMPARABLE PERIOD OF THE PRIOR YEAR

Net working capital grew by EUR 37.7 million to EUR 158.3 million in the first quarter of 2018 (December 31, 2017: EUR 120.6 million). This increase was higher than in the first quarter of the previous year (EUR 32.9 million). As a result, at 13.4%, the net working capital ratio increased not only compared to December 31, 2017 (11.0%), but also in comparison to March 31, 2017 (12.6%).

A significant effect on net working capital was due to trade receivables, which increased by EUR 42.0 million to EUR 177.7 million compared to December 31, 2017. In addition to the strong increase in organic sales, the regional mix also led to higher receivables. SAF-HOLLAND achieved significantly disproportionate sales growth in the emerging markets. In these countries, payment terms are usually longer than in Europe and North America. Days sales outstanding reached 54 days on March 31, 2018, an increase of 9 days compared to the end of 2017.

Inventories increased to EUR 151.8 million at the end of the first quarter of 2018 (December 2017: EUR 133.7 million). Compared to March 31, 2017 (EUR 145.7 million), inventories recorded only a relatively small increase. As a result, days inventory outstanding fell by one day year-on-year to 56 days (March 31, 2017: 57 days). At the end of 2017, days inventory outstanding were 53 days.

CONTINUING HIGH LEVEL OF LIQUIDITY

Due to the increase in working capital, liquidity (total of cash and cash equivalents and other short-term investments) fell to EUR 302.2 million at the end of the first quarter of 2018 (December 31, 2017: EUR 337.1 million). By maintaining this high liquidity position, the SAF-HOLLAND Group had the financial basis to finance the acquisitions of V.ORLANDI S.p.A. and York Transport Equipment (Asia) Pte. Ltd. announced in March 2018 from its existing cash reserves.

SLIGHT CURRENCY-RELATED DECLINE IN NON-CURRENT ASSETS

Non-current assets decreased by EUR 4.7 million as of March 31, 2018, to EUR 373.1 million. This decline was the result of exchange rate effects, mainly due to the appreciation of the euro against the US dollar. Investments in property, plant and equipment and intangible assets totaled EUR 7.0 million and exceeded depreciation and amortization of EUR 6.1 million by EUR 0.9 million.

Overview of net assets

in EUR million	3/31/2018	12/31/2017
Total assets	1,032.3	998.1
Equity	303.8	301.0
Equity ratio in %	29.4	30.2
Net debt ¹	142.6	105.5
Net working capital	158.3	120.6
Net working capital in % of sales	13.4	11.0

¹ Taking into account cash and cash equivalents and other short-term investments of EUR 302.2 million as of March 31, 2018 (December 31, 2017: EUR 337.1 million).

MINOR DECLINE IN EQUITY RATIO

Equity as of March 31, 2018, was relatively stable at EUR 303.8 million compared to the end of 2017 (EUR 301.0 million). However, due to higher total assets, the equity ratio fell slightly to 29.4% (December 31, 2017: 30.2%). The change in equity reflects not only the result for the period of the first quarter of 2018 (EUR 9.8 million) but also negative exchange rate differences from the translation of financial statements from foreign operations amounting to EUR 6.5 million.

INCREASE IN WORKING CAPITAL FINANCED WITH HIGHER DEBT

Non-current liabilities totaled EUR 459.6 million as of March 31, 2018. As a result, they were virtually unchanged compared to the figure from December 31, 2017, of EUR 461.9 million. By contrast, current liabilities rose by EUR 33.9 million to EUR 268.8 million as of the quarterly reporting date of March 31, 2018. In particular, trade payables increased by EUR 30.9 million to EUR 145.1 million, which only compensated for part of the build-up in working capital items on the asset side of the balance sheet.

REPORTING DATE-RELATED RISE OF AROUND EUR 37 MILLION IN NET DEBT

Non-current and current liabilities from interest-bearing loans and bonds were virtually unchanged at EUR 444.7 million as of March 31, 2018 (December 31, 2017: EUR 442.6 million). As a result of the lower level of liquidity as of the reporting date from the seasonal increase in working capital, the Group's net debt as

of March 31, 2018, increased to EUR 142.6 million (December 31, 2017: EUR 105.5 million). A lower increase in working capital in the course of the year should lead to a reduction again in net debt on an organic basis. The payment of the purchase price for the acquisitions of V.ORLANDI S.p.A. and York Transport Equipment (Asia) Pte. Ltd., however, will lead initially to an increase in net debt.

FINANCIAL POSITION: CASH FLOWS

ADDITIONAL OPERATING EXPENSES BURDEN SOLID OPERATING CASH FLOW IN THE FIRST QUARTER

Cash flow before changes in net working capital fell by 12.9% to EUR 22.9 million in the first quarter of 2018 (previous year: EUR 26.3 million). The decline was mainly due to the lower result before tax of EUR 13.3 million (previous year: EUR 16.7 million). The additional operating expenses following the US plant consolidation in the amount of EUR 3.9 million were largely cash-effective and therefore also impacted cash flow. Another reason for the decline in cash flow was the EUR 0.5 million lower net balance of finance income and expenses of EUR 3.8 million in the first quarter of 2018 (previous year: EUR 4.3 million), which is readded in the calculation of cash flow before changes in net working capital.

BUILD-UP OF NET WORKING CAPITAL LEADS TO A DECLINE IN NET CASH FLOW FROM OPERATING ACTIVITIES

The increase in net working capital described in the section "Net assets" led to a cash outflow of EUR 35.2 million in the first quarter of 2018 (previous year: EUR 31.5 million). The increase in trade receivables resulted in a cash outflow of EUR 54.5 million (previous year: EUR 43.5 million). This outflow was only partially offset by an increase in trade payables of EUR 37.9 million (previous year: EUR 24.1 million). The increase in inventories also resulted in a cash outflow of EUR 20.0 million (previous year: EUR 14.1 million).

Net cash flow from operating activities decreased to EUR –22.5 million (previous year: EUR –9.8 million). This item also included income taxes paid amounting to EUR 10.2 million (previous year: EUR 4.6 million), which were significantly higher than the income taxes of EUR 3.5 million reported in the statement of comprehensive income due to tax payments for previous years.

Overview of financial position

in EUR million		
	Q1 2018	Q1 2017
Cash flow from operating activities before income taxes paid	–12.3	–5.2
Cash conversion rate in % ¹	–60.6	–20.7
Net cash flow from operating activities	–22.5	–9.8
Net cash flow from investing activities	48.2	–100.4
Investments in property, plant and equipment and intangible assets	7.0	5.8
in % of sales	2.4	2.0
Net cash flow from financing activities	–1.4	–2.6
Free cash flow ²	–29.5	–15.6

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

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

FURTHER INCREASE IN INVESTMENT

Net cash flow from investing activities amounted to EUR 48.2 million in the first quarter of 2018 (previous year: EUR –100.4 million). Proceeds from the sale of other short-term investments totaled EUR 58.3 million. In the same quarter of the previous year, however, SAF-HOLLAND had acquired other financial assets amounting to EUR 95.0 million and recorded a corre-

sponding cash outflow. Investments in property, plant and equipment and intangible assets increased to EUR 7.0 million (previous year: EUR 5.8 million). One of the investment priorities in 2018 is the construction of a new production center in China with a production area of around 46,000 m². The SAF-HOLLAND Group estimates that the investment for this center in the current year will be in the high single-digit millions.

FREE CASH FLOW INFLUENCED BY TEMPORARY INCREASE IN WORKING CAPITAL

Free cash flow (net cash flow from operating activities less investments in property, plant and equipment and intangible assets) amounted to EUR –29.5 million in the first quarter of 2018 (previous year: EUR –15.6 million). The decline in free cash flow compared to the same period of the previous year primarily resulted from the strong increase in net working capital, caused by the strong development of the organic sales. Free cash flow was also reduced by the aforementioned additional operating expenses and higher income taxes paid. In the following quar-

ters of the 2018 financial year, a lower increase in working capital than in the first quarter is expected. Together with the normalization of tax payments later in the year, SAF-HOLLAND expects to generate significantly higher, positive free cash flow in the quarters ahead.

The net cash flow from financing activities in the first quarter of 2018 was EUR –1.4 million (previous year: EUR –2.6 million) and, as in the prior year, mainly included the interest paid and the change in drawings on the credit lines.

OUTLOOK

ECONOMIC AND SECTOR ENVIRONMENT

SECTOR ENVIRONMENT: FAVORABLE MARKET ENVIRONMENT IN MOST REGIONS

The sector environment in 2018 is expected to continue to improve in most of SAF-HOLLAND's relevant markets. The largest impetus is anticipated to come from the North American truck market, where the recovery is set to gain momentum in the current year. This contrasts with the outlook for Europe – SAF-HOLLAND's most important region in terms of sales – where expectations are tending toward consolidation at a high level. Industry observers are assuming a slight decline in the Western European trailer market, leaving the production figures from a long-term standpoint at a very solid level. The tightened regulatory requirements for vehicle safety and the introduction of load limits for truck and trailer combinations should lead to continued investment by fleet operators in China. This investment, however, is expected first and foremost to benefit the premium segment, in which SAF-HOLLAND is strongly positioned. The total number of heavy trucks and trailers to be manufactured in China in 2018 is expected to decline due to the very high comparisons from the prior year.

CONSOLIDATION IN THE EUROPEAN TRAILER MARKET

The market research institute CLEAR expects the Western European trailer market to consolidate at a high level in 2018 after flourishing for several years. CLEAR believes trailer production could decline by up to 5%. CLEAR's conservative assessment is based on the fact that trailer demand in prior years has been supported by catch-up effects with Western European fleet operators modernizing and expanding their ve-

hicle fleets in recent years. As a result, the age of the fleets is below a critical level. The macroeconomic recovery in the region, on the other hand, will go on so that demand for transportation will continue to increase. In Eastern Europe, on the other hand, CLEAR experts foresee a negligible increase in trailer production. After a sharp decline in its domestic market in 2017, the minor recovery in Turkey will be up against broadly stagnating markets in Poland and Russia. Pan-European trailer production in 2018 is anticipated to decline almost 4% from a high level. SAF-HOLLAND's order intake so far this year, however, provides hope for a stable to slightly positive development in production figures.

EUROPEAN TRUCK MARKET TO CONTINUE TO GROW MODERATELY

Buoyed by solid economic development in most European countries, the market research institute LMC Automotive is forecasting a slight pickup in the European truck market again in 2018. LMC is projecting production growth in the heavy truck segment (>15 tons) relevant to SAF-HOLLAND of almost 1% in Western Europe and 8.7% in Eastern Europe.

GROWTH IN HEAVY TRUCKS IN THE NORTH AMERICAN MARKET CONTINUES

The continued increase in orders for heavy Class 8 trucks in North America is also a result of the regulations introducing Electronic Logging Devices (ELDs) enacted by the Federal Motor Carriers Safety Administration (FMCSA) at the end of 2017, which must be implemented by April 1, 2018. The ELD regulation requires that vehicle operators take regular, documented breaks. This is expected to effectively lead to lower uptime and

thereby create additional demand for transport capacity. The strong development in demand is partly limited, however, by the level of existing capacity and material availability. ACT expects around 328,000 Class 8 trucks (+28.3%) to be manufactured after a forecast for 322,000 trucks at the beginning of the year. The order backlog for Class 8 trucks at the end of March 2018 was roughly 80% above the comparable prior-year figure. Meanwhile, ACT expects the upturn in the North American truck market to continue to at least mid-2019.

SLIGHTLY HIGHER MOMENTUM IN THE NORTH AMERICAN TRAILER MARKET

Although growth in the trailer market in 2018 is expected to clearly lag behind the growth of the truck market, the outlook for trailers is turning more positive, despite the fact that the capacity situation has led to a noticeable increase in order backlogs and delivery times. FTR expects 6.6% more trailers to roll off the production lines in 2018 than in the previous year, which was already strong. This forecast compares with FTR's projection at the beginning of 2018 for a stagnating or even slightly declining trailer market.

MODERATE RECOVERY IN THE BRAZILIAN TRUCK MARKET

The Brazilian truck market, which is not an unimportant market for SAF-HOLLAND, is expected to continue the prior year's slight upward trend as the year progresses. Although heavy truck production had already recorded a double-digit increase in 2017 from a low comparative base, production figures were still well below their 2013 pre-crisis levels. In view of the expected moderate economic recovery and steps taken for political reforms, LMC Automotive anticipates a 20% increase in heavy truck production in Brazil in 2018 along with slightly better trailer demand.

CHINESE TRUCK AND TRAILER DEMAND DOWN FROM PRIOR YEAR'S BOOM – PREMIUM SEGMENT IS ON THE RISE

After posting high double-digit growth rates in previous years, most market watchers expect to see a noticeable slowdown in truck and trailer demand for the remainder of the year and for 2018 as a whole. This should translate into a double-digit decline in production figures. LMC Automotive estimates that almost 20% fewer heavy trucks will be produced in China in 2018 than in the prior year.

The introduction of the second phase of the GB 1589 standard in July 2018 and the GB 7258 standard on January 1, 2018 will have a significant influence on trailer demand in China in the further course of 2018. The newly introduced load limits and

safety regulations have a particularly significant impact on automotive and dangerous goods transporters and require fleet operators to make major investments in more sophisticated trailer equipment such as air suspension systems and disc brakes – two of SAF-HOLLAND's specialties. As a result, market observers are also forecasting solid growth rates in the premium segment in 2018 and the years that follow.

COMPANY OUTLOOK

COMPANY PLANS SOLID ORGANIC SALES INCREASE AND BETTER EARNINGS

SAF-HOLLAND's planning for the financial year is based on the expectation that the global economy will grow just over 3.5% this year and that overall economic growth in the current core markets of Europe, North America and China will continue to develop positively. Based on structural market growth stemming from innovative solutions, such as lightweight construction, disc brake technology and automated driving, the Company expects to be able to increase its sales per vehicle and gain further market share.

ORGANIC SALES EXPECTED TO GROW BETWEEN 4.0 TO 5.0 %

Based on the high level achieved in 2017, SAF-HOLLAND expects to be able to increase Group sales in the 2018 financial year by 4.0 to 5.0% on an organic basis. This forecast assumes unchanged exchange rates and does not yet include any sales and earnings contributions from the acquisitions of V.ORLANDI S.p.A. and York Transport Equipment (Asia) Pte. Ltd. announced in March 2018.

GRADUAL REDUCTION IN REMAINING PRODUCTION INEFFICIENCIES IN NORTH AMERICA

The Group completed the relocation of production under its US plant consolidation program at the end of 2017 with the closure of the Michigan plants in Holland and Muskegon. The focus will now be on gradually reducing the start-up costs of the restructured plant network and optimally realigning the capacity and logistics processes with the production process. While getting the new network up and running, the dynamic demand from original equipment customers continues, but is expected to be increasingly easier to master as the year progresses. The Company therefore expects still to incur additional operating expenses until there has been a reduction in the production start-up inefficiencies and in the elevated freight and logistics costs. After reducing additional expenses in the US by more than EUR 2 million to less than EUR 4 million in the first quarter of 2018 compared to the fourth quarter of 2017, these added burdens should come down further in the coming

quarters and phase out gradually. In light of the gradual realization of efficiency improvements associated with the US plant consolidation, SAF-HOLLAND expects the Americas region to see a successive improvement in its cost structure and profitability over the course of 2018.

SUCCESSIVE IMPROVEMENT IN EARNINGS PLANNED IN 2018; ADJUSTED EBIT MARGIN ANTICIPATED IN A RANGE OF 8 TO 8.5 %

Based also on the anticipation of continued solid earnings performance in the EMEA/I and APAC/China regions, SAF-HOLLAND continues to expect the Group's adjusted EBIT margin in full-year 2018 to range from 8 to 8.5%. Due to the forecasted development in the Americas region, the Company expects profitability to increase successively and that the Group's adjusted EBIT margin in the first half of 2018 will tend to be lower than in the second half of the year. At the same time, SAF-HOLLAND expects one-time restructuring and transaction costs to decline in 2018 and tend toward the mid-single-digit millions, after having reached a level of roughly EUR 13.2 million in the previous year because of the US plant consolidation. This should also result in a disproportionate improvement in EBIT.

EARNINGS PER SHARE BENEFIT FROM DECLINING FINANCING COSTS AND US TAX REFORM

As detailed in the 2017 Annual Report, SAF-HOLLAND expects further positive effects on the Group's result for the period in 2018 in addition to the anticipated improvement in adjusted EBIT. The corporate bond issued in 2012 with a nominal volume of EUR 75.0 million and a coupon of 7.0% matured at the

end of April 2018. The redemption of this bond will have a positive effect of more than EUR 3.5 million on net interest cost for the remaining eight months of the 2018 financial year. In addition, the overall corporate tax rate in the US, which has fallen from around 35% to roughly 23%, will also have a positive impact depending on the further development of earnings in the US.

SAF-HOLLAND expects the development in the Group's result for the period and earnings per share to outpace that of the adjusted EBIT.

ADDITIONAL SALES AND EARNINGS CONTRIBUTIONS FROM THE ACQUISITIONS

Following the successful completion of the V.ORLANDI transaction and its inclusion in the SAF-HOLLAND Group's scope of consolidation as of April 1, 2018, a sales contribution of just under EUR 17 million at an adjusted EBIT margin of around 15% is expected in the remainder of the 2018 financial year. Following the now closed acquisition of the York Group, which is included in the SAF-HOLLAND Group's scope of consolidation as of May 1, 2018, the Group expects a sales contribution of around EUR 33 million at an adjusted EBIT margin in the remaining months of the 2018 financial year in the mid-single-digit percentage range.

In view of the objectives of the 2020 Growth Strategy, there may be additional sales and earnings contributions still to come from collaborations, joint ventures or acquisitions concluded during the course of the year.

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 an addition to and not 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, SAF-HOLLAND provides an overview of the Alternative Performance Measures used, their definition and their derivation on the SAF-HOLLAND website at <https://corporate.safholland.com/en/apm>.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousands			
	Notes	Q1 2018	Q1 2017
Sales	(5)	294,870	287,332
Cost of sales		-244,301	-230,126
Gross profit		50,569	57,206
Other operating income		223	243
Selling expenses		-14,078	-16,147
Administrative expenses		-14,665	-15,141
Research and development costs		-5,407	-5,747
Operating result	(5)	16,642	20,414
Share of net profit of investments accounted for using the equity method		529	610
Earnings before interest and taxes		17,171	21,024
Finance income	(7)	161	716
Finance expenses	(7)	-4,041	-5,006
Finance result	(7)	-3,880	-4,290
Result before tax		13,291	16,734
Income tax	(8)	-3,511	-5,478
Result for the period		9,780	11,256
Attributable to:			
Equity holders of the parent		10,021	11,576
Non-controlling interests		-241	-320
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(11)	-6,508	-964
Other comprehensive income		-6,508	-964
Comprehensive income for the period		3,272	10,292
Attributable to:			
Equity holders of the parent		3,554	10,547
Non-controlling interests		-282	-255
Basic earnings per share in EUR		0.22	0.26
Diluted earnings per share in EUR		0.19	0.22

CONSOLIDATED BALANCE SHEET

in EUR thousands			
	Notes	3/31/2018	12/31/2017 ¹
Assets			
Non-current assets		373,146	377,849
Goodwill		53,574	54,134
Other intangible assets		137,670	140,336
Property, plant and equipment		137,596	137,766
Investments accounted for using the equity method		16,305	16,234
Financial assets	(13)	834	858
Other non-current assets		3,243	3,180
Deferred tax assets		23,924	25,341
Current assets		659,203	620,259
Inventories		151,789	133,745
Trade receivables		177,658	135,662
Income tax assets		2,409	1,865
Other current assets		25,121	11,824
Financial assets	(13)	69	82
Other short-term investments	(9)	–	58,306
Cash and cash equivalents	(10)	302,157	278,775
Balance sheet total		1,032,349	998,108
Equity and liabilities			
Total equity		303,776	300,975
Equity attributable to equity holders of the parent		301,925	298,842
Subscribed share capital		454	454
Share premium		269,044	269,044
Legal reserve		45	45
Other reserve		720	720
Retained earnings		77,533	67,983
Accumulated other comprehensive income		–45,871	–39,404
Shares of non-controlling interests		1,851	2,133
Non-current liabilities		459,644	461,880
Pensions and other similar benefits		33,952	34,134
Other provisions		10,538	9,333
Interest bearing loans and bonds	(12)	361,452	361,284
Finance lease liabilities		27	23
Other financial liabilities	(13)	15,600	15,910
Other liabilities		587	595
Deferred tax liabilities		37,488	40,601
Current liabilities		268,929	235,253
Other provisions		8,011	8,205
Interest bearing loans and bonds	(12)	83,270	81,321
Finance lease liabilities	(13)	58	32
Trade payables		145,148	114,219
Income tax liabilities		4,202	8,966
Other financial liabilities	(13)	644	655
Other liabilities		27,596	21,855
Balance sheet total		1,032,349	998,108

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousands

	Attributable to equity holders of the parent							Q1 2018	
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other compre- hensive income	Total amount	Shares of non- controlling interests	Total equity (Note 10)
As of 1/1/2018 (as previously reported)	454	269,044	45	720	67,983	-39,404	298,842	2,133	300,975
Effects from the adoption of IFRS 9	-	-	-	-	-471	-	-471	-	-471
As of 1/1/2018	454	269,044	45	720	67,512	-39,404	298,371	2,133	300,504
Result for the period	-	-	-	-	10,021	-	10,021	-241	9,780
Other comprehensive income	-	-	-	-	-	-6,467	-6,467	-41	-6,508
Comprehensive income for the period	-	-	-	-	10,021	-6,467	3,554	-282	3,272
As of 3/31/2018	454	269,044	45	720	77,533	-45,871	301,925	1,851	303,776

	Attributable to equity holders of the parent							Q1 2017	
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other compre- hensive income	Total amount	Shares of non- controlling interests	Total equity (Note 10)
As of 1/1/2017	454	268,644	45	720	45,055	-14,519	300,399	5,178	305,577
Result for the period	-	-	-	-	11,576	-	11,576	-320	11,256
Other comprehensive income	-	-	-	-	-	-1,029	-1,029	65	-964
Comprehensive income for the period	-	-	-	-	11,576	-1,029	10,547	-255	10,292
As of 3/31/2017	454	268,644	45	720	56,631	-15,548	310,946	4,923	315,869

CONSOLIDATED CASH FLOW STATEMENT

in EUR thousands			
	Notes	Q1 2018	Q1 2017
Cash flow from operating activities			
Result before tax		13,291	16,734
-	Finance income	(7) -161	-716
+	Finance expenses	(7) 4,041	5,006
+/-	Share of net profit of investments accounted for using the equity method	-529	-610
+	Amortization/depreciation of intangible assets and property, plant and equipment	6,084	6,206
+	Allowance of current assets	166	-451
+/-	Loss/Gain on disposal of property, plant and equipment	15	145
+	Dividends from investments accounted for using the equity method	19	21
Cash flow before change of net working capital		22,926	26,335
+/-	Change in other provisions and pensions	1,389	1,988
+/-	Change in inventories	-19,954	-14,148
+/-	Change in trade receivables and other assets	-54,518 ¹	-43,481 ¹
+/-	Change in trade payables and other liabilities	37,899	24,139
Change of net working capital		-35,184	-31,502
Cash flow from operating activities before income tax paid		-12,258	-5,167
-	Income tax paid	-10,213	-4,601
Net cash flow from operating activities		-22,471	-9,768
Cash flow from investing activities			
+	Proceeds from sale of other short-term investments	58,334	-
-	Purchase of property, plant and equipment	-5,990	-4,578
-	Purchase of intangible assets	-1,002	-1,199
+	Proceeds from sales of property, plant and equipment	42	120
-	Purchase of other financial assets	-	-95,000
-	Prepayments for acquisition of subsidiaries net of cash	-3,259	-
+	Interest received	116	233
Net cash flow from investing activities		48,241	-100,424
Cash flow from financing activities			
-	Proceeds from foreign currency derivatives	-	109
-	Payments for finance lease	30	-151
-	Interest paid	-1,117	-1,495
+/-	Change in drawings on the credit line and other financing activities	(12) -288	-1,098
Net cash flow from financing activities		-1,375	-2,635
Net increase/decrease in cash and cash equivalents		24,395	-112,827
+/-	Effect of changes in exchange rates on cash and cash equivalents	-1,013	-35
Cash and cash equivalents at the beginning of the period		(10) 278,775	344,568
Cash and cash equivalents at the end of the period		(10) 302,157	231,706

¹ As of March 31, 2018, trade receivables in the amount of EUR 30,5 million (previous year: EUR 28.4 million) were sold in the context of a factoring contract. Assuming the legal validity of the receivable, no further rights of recourse exist against SAF-HOLLAND from the sold receivables.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period January 1 to March 31, 2018

1. CORPORATE INFORMATION

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

2. SIGNIFICANT ACCOUNTING AND VALUATION POLICIES

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

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

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

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

The most important functional currencies for the Company’s foreign operations are the US dollar (USD) and the Canadian dollar (CAD). The exchange rates of these currencies as of the balance sheet date were USD/EUR = 1.23106 (previous year: 1.07357) and CAD/EUR = 1.58851 (previous year: 1.43045). The weighted average exchange rates for these two currencies were USD/EUR = 1.22900 (previous year: 1.06529) and CAD/EUR = 1.55284 (previous year: 1.40944).

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

2.1. CHANGES TO ACCOUNTING AND MEASUREMENT STANDARDS

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

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

in EUR thousands

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

in EUR thousands		
	Allowance as of 1/1/2018	Allowance as of 12/31/2017
Cash and cash equivalents	—	—
Trade receivables	6,675	6,204
Other financial assets	—	—
Other short-term investments	—	—

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

HEDGE ACCOUNTING

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

3. SEASONAL EFFECTS

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

4. SCOPE OF CONSOLIDATION

There were no changes to the scope of consolidation compared to the consolidated financial statements as of December 31, 2017.

5. SEGMENT REPORTING

The Group is organized into the regional segments EMEA/India, APAC/China and the Americas for the purposes of corporate management and Group reporting. These three regions include both the original equipment and spare parts businesses.

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

in EUR thousands		
	Q1 2018	Q1 2017
Operating result	16,642	20,414
Share of net profit of investments accounted for using the equity method	529	610
EBIT	17,171	21,024
Additional depreciation and amortization from PPA	1,231	1,374
Restructuring and transaction costs	1,855	2,672
Adjusted EBIT	20,257	25,070

Information on segment sales and results for the period from January 1 to March 31, 2018:

in EUR thousands				
				Q1 2018
				Regions
	Americas ¹	EMEA/I ²	APAC/China ³	Consolidated
Sales	101,895	167,208	25,767	294,870
Adjusted EBIT	-673	19,162	1,768	20,257
Adjusted EBIT margin	-0.7%	11.5%	6.9%	6.9%

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

² Includes Europe, Middle East, Africa and India.

³ Includes Asia/Pacific and China.

in EUR thousands				
				Q1 2017
				Regions
	Americas ¹	EMEA/I ²	APAC/China ³	Consolidated
Sales	108,511	160,360	18,461	287,332
Adjusted EBIT	7,693	16,461	916	25,070
Adjusted EBIT margin	7.1%	10.3%	5.0%	8.7%

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

² Includes Europe, Middle East, Africa and India.

³ Includes Asia/Pacific and China.

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

6. OTHER OPERATING INCOME

SAF-HOLLAND's subsidiary OOO SAF-HOLLAND Rus suffered a fire at a rented warehouse in late February 2018. The fire impaired inventories of EUR 2.4 million. The impairment loss and income from the insurance cover in the similar amount were both recorded under other operating income and offset against each other.

7. FINANCE RESULT

Finance income and expenses consist of the following:

in EUR thousands		
	Q1 2018	Q1 2017
Unrealized foreign exchange gains on foreign currency loans and dividends	-41	6
Realized foreign exchange gains on foreign currency loans and dividends	-	109
Finance income due to derivatives	15	348
Interest income	116	233
Other	71	20
Total	161	716

in EUR thousands		
	Q1 2018	Q1 2017
Interest expenses due to interest bearing loans and bonds	-3,379 ¹	-3,598 ¹
Finance expenses due to derivatives	-91	-324
Finance expenses due to pensions and other similar benefits	-227	-294
Unrealized foreign exchange losses on foreign currency loans and dividends	-7	-274
Amortization of transaction costs	-181	-173
Other	-156	-343
Total	-4,041	-5,006

¹ Includes the non-cash interest expense of EUR 165 thousand (previous year: EUR 160 thousand) for the convertible bond.

8. INCOME TAXES

The Group's effective income tax rate improved by 6.3 percentage points year-over-year and amounted to 26.4% as of the reporting date (previous year: 32.7%). The lower effective income tax rate was a result of significantly lower losses for which no income from the capitalization of deferred tax assets had been recognized for reasons of prudence.

The difference between the effective income tax rate and the Group's income tax rate which is 25.5% (previous year: 30.1%), is particularly attributable to non-deductible operating expenses and unrecognized tax loss carryforwards.

The decrease in the Group's income tax rate of 25.5% (previous year: 30.1%) results mainly from the low US corporate income tax rate due to the US tax reform that became applicable at the beginning of the year.

9. OTHER CURRENT INVESTMENTS

Other current investments held in the previous year resulted from short-term treasury management.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of the reporting date amounted to EUR 302,157 thousand and consisted of the following items:

in EUR thousands		
	3/31/2018	12/31/2017
Cash on hand, cash at banks and checks	302,154	278,737
Short-term deposits	3	38
Total	302,157	278,775

11. EQUITY

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

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

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

in EUR thousands						
	Before tax amount		Tax (income)/expense		Net of tax amount	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Exchange differences on translation of foreign operations	-6,508	-964	-	-	-6,508	-964
Total	-6,508	-964	-	-	-6,508	-964

A dividend payment of EUR 0.45 per share will be proposed for the 2017 financial year, which is equivalent to a total dividend payment of EUR 20,427 thousand based on 45,394,302 shares.

12. INTEREST-BEARING LOANS AND BONDS

Interest-bearing loans and bonds as of March 31, 2018, consisted of the following:

in EUR thousands						
	Non-current		Current		Total	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Interest bearing bank loans	12,557	12,369	-	-	12,557	12,369
Convertible bond	98,155	97,990	-	-	98,155	97,990
Bond	-	-	75,000	75,000	75,000	75,000
Promissory note loan	200,000	200,000	-	-	200,000	200,000
Financing costs	-1,017	-1,138	-417	-498	-1,434	-1,636
Accrued interests	-	-	6,457	4,268	6,457	4,268
Other loans	51,757	52,063	2,230	2,551	53,987	54,614
Total	361,452	361,284	83,270	81,321	444,722	442,605

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

in EUR thousands					3/31/2018
	Amount drawn valued as of the period-end exchange rate	Agreed credit lines valued as of the period-end exchange rate	Cash and cash equivalents	Other short-term investments	Total liquidity
Facility A	5,419	120,000	–	–	114,581
Facility B	–	28,431	–	–	28,431
Other facilities	7,138	7,104 ¹	302,157	–	302,123
Total	12,557	155,535	302,157	–	445,135

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

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

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

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

13. FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

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

in EUR thousands					
	Category in accordance with IFRS 9	3/31/2018		12/31/2017	
		Fair value	Carrying amount	Fair value	Carrying amount
Assets					
Cash and cash equivalents	FAAC	302,157	302,157	278,775	278,775
Trade receivables	FAAC	177,658	177,658	135,662	135,662
Other financial assets					
Other financial assets	FAAC	903	903	940	940
Other short-term investments	FAAC	–	–	58,306	58,306
Liabilities					
Trade payables	FLAC	145,148	145,148	114,219	114,219
Interest bearing loans and bonds	FLAC	481,168	444,722	487,118	442,605
Finance lease liabilities	n.a.	85	85	55	55
Other financial liabilities					
Other financial liabilities	FLtPL	15,600	15,600	15,910	15,910
Derivatives without a hedging relationship	FLHfT	644	644	655	655
Of which aggregated by category in accordance with IFRS 9					
Financial assets measured at amortized cost	FAAC	479,815	479,815	473,683	473,683
Financial liabilities measured at amortized cost	FLAC	626,316	589,870	601,337	556,824
Financial liabilities held for trading	FLHfT	644	644	655	655
Financial liabilities at fair value through profit and loss	FLtPL	15,600	15,600	15,910	15,910

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

in EUR thousands	3/31/2018			
	Level 1	Level 2	Level 3	Total
Bonds	75,225	–	–	75,225
Convertible bond	–	132,765	–	132,765
Promissory note loan	–	199,748	–	199,748
Interest-bearing loans and borrowings	–	73,430	–	73,430
Put option for the remaining shares in KLL Equipamentos para Transporte Ltda.	–	–	15,600	15,600
Derivative financial liabilities	–	644	–	644

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

Derivative financial liabilities as of March 31, 2018, consisted mainly of forward exchange transactions and serve to hedge the risk position from currency fluctuations in the US dollar, Russian ruble, South African rand and Turkish lira.

14. RELATED PARTY DISCLOSURES

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

Management Board

Detlef Borghardt	Chief Executive Officer (CEO), President APAC/China Region
Dr. Matthias Heiden	Chief Financial Officer (CFO) (since 3/1/2017)
Arne Jörn	Chief Operating Officer (COO) (until 2/28/2018)
Steffen Schewerda	President Region Americas
Alexander Geis	President Region EMEA/I
Guoxin Mao	President Region China

Board of Directors

Martina Merz	Chairwoman of the Board of Directors (since 4/27/2017)
Dr. Martin Kleinschmitt	Deputy Chairman of the Board of Directors (since 4/27/2017)
Detlef Borghardt	Member of the Board of Directors
Jack Gisinger	Member of the Board of Directors (since 4/27/2017)
Anja Kleyboldt	Member of the Board of Directors
Carsten Reinhardt	Member of the Board of Directors (since 4/27/2017)

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

in EUR thousands

	Sales to related party		Purchases from related party	
	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Joint ventures	154	466	–	–
Associates	–	–	9,325	8,382
Total	154	466	9,325	8,382

in EUR thousands

	Amounts owed by related party		Amounts owed to related party	
	3/31/2018	12/31/2017	3/31/2018	12/31/2017
Joint ventures	236	426	1	1
Associates	–	–	2,337	1,278
Total	236	426	2,338	1,279

15. EVENTS AFTER THE BALANCE SHEET DATE

ACQUISITIONS

Acquisition of V.ORLANDI S.p.A.

On April 9, 2018, SAF-HOLLAND GmbH closed the acquirement of a 70% stake in the Italian manufacturer of coupling systems for trucks, trailers, semi-trailers and agricultural vehicles V.ORLANDI S.p.A., headquartered in Flero. As part of the acquisition, the parties agreed to a put/call option for the sale/purchase of the remaining 30% interest. The put option may be exercised during the period from January 1, 2019, to January 31, 2026. The exercise period of the call option starts after the end of the exercise period of the put option and is six months. The other liability resulting from the put option is accounted for in accordance with IAS 39. Due to the fact that SAF-HOLLAND GmbH has the majority of voting rights, it has obtained control of V.ORLANDI S.p.A. as of the acquisition date.

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

The preliminary purchase price of EUR 39.0 million was paid in cash.

It was not yet possible to carry out a preliminary purchase price allocation for the acquired assets and liabilities as of the acquisition date due to the short period of time between the acquisition and the publication of this interim report.

Acquisition of York Transport Equipment (Asia) Pte Ltd

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

Due to the fact that SAF-HOLLAND GmbH has the majority of voting rights, it has obtained control of York Transport Equipment (Asia) Pte Ltd. as of the acquisition date. The close of the transaction is expected in late April.

The purchase price of about EUR 33.0 million was paid in cash, including incurred liabilities.

It was not yet possible to carry out a preliminary purchase price allocation for the acquired assets and liabilities as of the acquisition date due to the short period of time between the acquisition and the publication of this interim report.

No other material events occurred after the balance sheet date.

Luxembourg, May 8, 2018

Martina Merz
Chairwoman of the Board
of Directors

Detlef Borghardt
Chief Executive Officer
of SAF-HOLLAND GmbH

FINANCIAL CALENDAR AND CONTACT INFORMATION

FINANCIAL CALENDAR

August 9, 2018

Report on half-year 2018 results

November 8, 2018

Report on Q3 2018 results

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