

2020

Quarterly Statement Q3

SAF-HOLLAND

KEY FIGURES

Results of operations

in EUR thousands		
	Q1–Q3/2020	Q1–Q3/2019
Sales	708,698	1,008,626
Adjusted gross profit	127,508	173,357
Adjusted gross profit margin in %	18.0	17.2
Adjusted EBITDA	65,203	90,459
Adjusted EBITDA margin in %	9.2	9.0
Adjusted EBIT	38,536	66,916
Adjusted EBIT margin in %	5.4	6.6
Adjusted result for the period	21,553	42,871
Adjusted undiluted earnings per share in EUR	0.47	0.94

Net assets

in EUR thousands		
	09/30/2020	12/31/2019
Balance sheet total	963,943	979,244
Equity	303,913	318,007
Equity ratio in %	31.5	32.5
Net working capital	138,681	183,763
Net working capital in % of sales (LTM)	14.1	14.3

NOTE:

All figures shown are rounded. Minor discrepancies may arise from additions of these amounts.

Net working capital ratio = Ratio of inventories and trade receivables less trade payables to sales of last twelve months. The net working capital ratio for Q1-Q3 2019 has been adjusted retrospectively to match the new definition.

Operating free cash flow = Net cash flow from operating activities less net cash flow from investing activities (purchase of PP&E and intangible assets less proceeds from sales of PP&E). The operating free cash flow for Q1-Q3 2019 has been adjusted retrospectively to match the new definition.

ROCE = Adjusted EBIT / (total equity + financial liabilities (excl. refinancing costs, incl. lease liabilities) + pension and other similar benefits - cash and cash equivalents). ROCE for Q1-Q3 2019 has been adjusted retrospectively to match the new definition.

Financial position

in EUR thousands		
	Q1–Q3/2020	Q1–Q3/2019
Cash flow from operating activities	79,787	44,721
Cash flow from investing activities (property, plant and equipment/ intangible assets)	-15,426	-32,396
Operating free cash flow	64,361	12,325
Total free cash flow	43,168	1,439
Cash and cash equivalents	185,118	126,107
Net debt	232,375	274,695

Employees

	Q1–Q3/2020	Q1–Q3/2019
Employees at the reporting date	3,113	3,923
Employees (on average)	3,337	3,916

Yield

in %		
	Q1–Q3/2020	Q1–Q3/2019
Return on capital employed (ROCE)*	9.1	13.1

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KEY EVENTS IN THE FIRST NINE MONTHS OF THE YEAR 2020

NEW SEGMENTATION IN CORPORATE MANAGEMENT

The regions of APAC and China were combined into one region effective January 1, 2020 which was named APAC. Commencing January 1, 2020, the geographic segmentation of SAF-HOLLAND therefore consists of EMEA, the Americas and APAC.

ACQUISITION OF THE REMAINING SHARES IN V.ORLANDI S.P.A.

In January 2020, SAF-HOLLAND acquired the remaining 30 per cent of the shares in the coupling specialist, V.Orlandi S.p.A. for a purchase price of EUR 21.2 million. As a result, SAF-HOLLAND now holds all the shares, after already acquiring a stake of 70 per cent in the first quarter of 2018.

EXTRAORDINARY GENERAL MEETING APPROVES RESOLUTION TO CHANGE LEGAL FORM INTO A EUROPEAN COMPANY (SE)

The extraordinary general meeting of SAF-HOLLAND S.A. held on February 14, 2020 in Luxembourg, passed a resolution to convert the legal form into a European Company (Societas Europaea, SE) under the name of SAF-HOLLAND SE.

CONVERSION INTO A EUROPEAN COMPANY COMPLETED

SAF-HOLLAND S.A. completed its conversion into a European Company (Societas Europaea, SE) upon being entered into the Luxembourg business register on February 24, 2020 under the name of SAF-HOLLAND SE.

PROMISSORY NOTE LOAN SUCCESSFULLY PLACED - ORIGINAL TARGETED VOLUME OF AT LEAST EUR 100 MILLION OVERSUBSCRIBED MULTIPLE TIMES, STEPPED UP TO EUR 250 MILLION

On March 9, 2020 SAF-HOLLAND SE successfully placed a promissory note transaction with a volume of EUR 250 million via its subsidiary, SAF-HOLLAND GmbH. Because of the high demand and the resulting over-subscription, the final amount exceeded the target volume of EUR 100 million by EUR 150 million.

The tranches of the promissory note feature fixed as well as variable rates and maturities of three, three and a half, five, seven and ten years. All tranches were allocated at the lowest end of the respectively offered price

range. The loan will be paid out to the company at the end of March and at the end of September 2020.

The proceeds will be used to finance the company generally and, in particular, to refinance the convertible bond that falls due on September 12, 2020 (volume: EUR 94.8 million) and the 5-year tranches of the promissory note issued in November 2015 that falls due on November 27, 2020 (volume: EUR 52.0 million).

The issue will contribute to smoothing out the maturity profile and will widen the investor base of the SAF-HOLLAND Group.

SITE-SPECIFIC ADJUSTMENT OF PRODUCTION TAKING INTO ACCOUNT THE RESPECTIVE REQUIREMENTS

On March 30, 2020, SAF-HOLLAND announced that it is adjusting the production in its global production network site specific, taking into account the respective requirements. This affects the two German plants in Bessenbach and Singen as well as the production and assembly plants in Turkey, Italy, Brazil, India and South Africa as well as some sales companies. The measures range from introduction of partial short time work in Germany to temporary site closures - largely by official order. The duration and extent of the production cut-backs will be adjusted flexibly.

EULER HERMES RATING CONFIRMS INVESTMENT GRADE RATING

On June 4, 2020 SAF-HOLLAND SE published the combined rating report from Euler Hermes Rating GmbH. The report confirms the investment grade rating.

In its rating, Euler Hermes Rating particularly emphasises the sustainable growth prospects from the increasing global transport volumes and the Group's leading market positions in the markets for axle and suspension systems for trailers in the EMEA region and India as well as fifth wheels in the Americas region and the structurally growing, less cyclical, high-margin spare parts business. It also positively assesses the high barriers to market entry.

At the same time, the assessment of the slightly increased market risk reflects the high dependency on the cyclical commercial vehicle sector and the intense competition, which currently is being exacerbated by the COVID-19 pandemic.

Euler Hermes Rating rates the financial risk of SAF-HOLLAND as low to moderate, with reference to its stable earnings power, high internal financing potential and solid financing base.

SAF-HOLLAND SE COMPLETES TRANSFER OF ITS REGISTERED OFFICE TO GERMANY

Upon entry into the commercial register of the local court of Aschaffenburg on July 1, 2020, SAF-HOLLAND SE completed the transfer of its registered office from Luxembourg to Bessenbach with legal effect.

As a result, the revised version of the articles of association passed by resolution of the extraordinary general meeting of May 20, 2020 also came into force. According to the revised version of the articles of association, the organisational structure of the Company is based on the dualistic board system comprising the Management Board as the management body and the Supervisory Board as the supervisory body, along with the Annual General Meeting. In addition, due to the revised version of the articles of association, the shares of SAF-HOLLAND SE were converted from nominal value shares to no-par value shares.

At the time of the transfer of the registered office, the Management Board of SAF-HOLLAND SE consisted of Alexander Geis (Chairman of the Management Board and provisional CFO) and Dr. André Philipp (Member of the Management Board and Chief Operating Officer). Inka Koljonen took over the position of Chief Financial Officer on September 1, 2020. The Supervisory Board of SAF-HOLLAND SE comprises the former members of the Board of Directors, Ingrid Jägering, Dr. Martin Kleinschmitt, Martina Merz and Carsten Reinhardt. The Deputy Chairman of the Management

Board of Webasto SE, Matthias Arleth, has been appointed to the Supervisory Board as a new appointee. The members of the Supervisory Board are elected for four years.

NEW ISIN DE000SAFH001 WITH HIGH RECOGNITION

Subsequent to the transfer of the registered office, the shares of SAF-HOLLAND SE are traded solely on the Frankfurt Stock Exchange. Since July 15, 2020, these have been listed under ISIN DE000SAFH001 and WKN SAFH00.

INKA KOLJONEN THE NEW CHIEF FINANCIAL OFFICER (CFO) SINCE SEPTEMBER 1, 2020

Effective September 1, 2020 the Supervisory Board appointed Inka Koljonen to the Management Board and as Chief Financial Officer. Within the SAF-HOLLAND Group, Ms. Koljonen is responsible for Finance, Accounting and Controlling, IT, Legal Affairs and Compliance, Internal Audit, Investor Relations and Corporate Communications.

Inka Koljonen succeeds Dr. Matthias Heiden, who left the company on June 30, 2020.

INDUSTRY ENVIRONMENT

SECTOR DEVELOPMENT: MUCH WEAKER TRUCK AND TRAILER MARKETS

Production of heavy-duty trucks and trailers in the majority of relevant regions for SAF-HOLLAND – Europe, North and South America and India – contracted sharply in the first nine months of 2020 due to market conditions and COVID-19. However, the sometimes dramatic downwards trend seen in the preceding two quarters eased considerably in the third quarter. In China production figures at the end of September were substantially above previous years' figures.

EUROPEAN TRUCK REGISTRATIONS DOWN 35 PER CENT ON THE LEVEL OF THE PREVIOUS YEAR

According to the European Automobile Manufacturers Association, ACEA, the number of new registrations of heavy-duty trucks (over 16 tons) in the European Union in the first nine months of 2020 were down 34.9 per cent on the level of the previous year. The two highest-volume markets, Germany and France, both recorded declines of 33.5 and 32.3 per cent respectively.

EUROPEAN TRAILER MARKET SLOWLY RECOVERING

Overall, the European trailer market was able to recover slightly in the third quarter. Nevertheless, there was a contraction of roughly 25 to 30 per cent in the period from January to September.

NORTH AMERICAN TRUCK MARKET REMAINS AT A LOW LEVEL

Production of Class 8 trucks in the first nine months of 2020 lay roughly 45 to 50 per cent below the figure for the comparative period of the prior year.

TRAILER MARKET IN NORTH AMERICA STILL WEAK

In contrast to the European trailer market, the North American trailer market was not able to recover in the third quarter. Production has fallen by roughly 40 to 45 per cent in the first nine months of 2020.

SUBDUED PRODUCTION IN THE SOUTH AMERICAN TRUCK AND TRAILER MARKET

Brazil, by far the largest market for trailers and heavy-duty trucks in South America was also unable to shield itself from the general market trend and recorded a fall in the production of trailers of approximately 10 to 15 per cent and 35 to 40 per cent in the production of heavy-duty trucks.

DEMAND FOR TRAILERS IN CHINA SEES STRONG RECOVERY

After a weak first quarter due to COVID-19, demand for trailers in China recovered strongly in the following two quarters. In sum, the production of trailers in the first nine months of 2020 laid roughly 10 percent up on the level of the prior year. Truck production laid 10 to 20 per cent higher than in the prior year.

MASSIVE SLUMP IN PRODUCTION IN INDIA

The recent weakness of the Indian truck and trailer market continued unabated in the first nine months of 2020. From January to September 2020, around 60 per cent fewer trailers and around 70 per cent fewer trucks were manufactured than in the same period last year.

NET ASSETS, FINANCIAL POSITION AND FINANCIAL PERFORMANCE

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	Q1-Q3/2020	Total Adjustments	Q1-Q3/ 2020 adjusted	in % of sales	Q1-Q3/2019	Total Adjustments	Q1-Q3/2019 adjusted	in % of sales
Sales	708,698	–	708,698	100.0%	1,008,626	–	1,008,626	100.0%
Cost of sales	–589,694	8,504	–581,190	–82.0%	–844,385	9,116	–835,269	–82.8%
Gross profit	119,004	8,504	127,508	18.0%	164,241	9,116	173,357	17.2%
Other income	1,713	–522	1,191	0.2%	3,109	–1,850	1,259	0.1%
Impairment of goodwill	–	–	–	0.0%	–6,691	6,691	–	0.0%
Selling expenses	–44,324	6,315	–38,009	–5.4%	–53,181	5,590	–47,591	–4.7%
Administrative expenses	–47,139	5,040	–42,099	–5.9%	–54,258	8,195	–46,063	–4.6%
Research and development costs	–11,421	256	–11,165	–1.6%	–15,746	279	–15,467	–1.5%
Operating profit	17,833	19,593	37,426	5.3%	37,474	28,021	65,495	6.5%
Share of net profit of investments accounted for using the equity method	1,110	–	1,110	0.2%	1,421	–	1,421	0.1%
EBIT	18,943	19,593	38,536	5.4%	38,895	28,021	66,916	6.6%
Finance income	1,762	–	1,762	0.2%	1,404	–	1,404	0.1%
Finance expenses	–10,483	–	–10,483	–1.5%	–10,151	–	–10,151	–1.0%
Finance result	–8,721	–	–8,721	–1.2%	–8,747	–	–8,747	–0.9%
Result before taxes	10,222	19,593	29,815	4.2%	30,148	28,021	58,169	5.8%
Income taxes	–2,270	–5,992	–8,262	–1.2%	–12,868	–2,430	–15,298	–1.5%
Income taxes in %	22.2%		27.7%		42.7%		26.3%	
Result for the period	7,952	13,601	21,553	3.0%	17,280	25,591	42,871	4.3%

EXTRAORDINARY ITEMS

SAF-HOLLAND eliminates certain income and expense items to facilitate its operational management (see the notes on Alternative Performance Measures on page 19). The adjusted earnings presented below correspond to the management perspective.

In the first nine months of 2020 net expenses totalling EUR 19.6 million (previous year: EUR 28.0 million) were eliminated from earnings before interest and taxes (EBIT). These consist of restructuring expenses of EUR 11.7 million (previous year: EUR 14.0 million) and depreciation and amortisation of EUR 7.9 million (previous year: EUR 7.3 million) arising from purchase price allocations. In addition, expenses of EUR 6.7 million recorded in the comparable period of the prior year associated with the

impairment of goodwill in the China region were also eliminated. The restructuring expenses primarily consist of severance payments, costs for the conversion of the parent company into a European Company and the transfer of the registered office to Germany, costs for the restructuring programme FORWARD 2.0 and costs for site closures (see segment reporting, page 10).

Net expenses totalling EUR 8.5 million were eliminated from the cost of sales in the first nine months of 2020 (previous year: EUR 9.1 million). These consist of restructuring expenses of EUR 6.2 million (previous year: EUR 7.4 million) and depreciation and amortisation of EUR 2.3 million (previous year: EUR 1.7 million) arising from purchase price allocations.

Net expenses totalling EUR 6.3 million were eliminated from selling expenses in the first nine months of 2020 (previous year: EUR 5.6 million). These consist of restructuring expenses of EUR 1.1 million (previous year: EUR 0.3 million) and depreciation and amortisation of EUR 5.3 million (previous year: EUR 5.3 million) arising from purchase price allocations.

Moreover, expenses of EUR 5.0 million (previous year EUR 8.2 million) were eliminated from general administrative expenses, almost all of which relate to restructuring expenses.

With regard to research and development costs, an amount of EUR 0.3 million (previous year EUR 0.3 million) was eliminated, consisting almost solely of depreciation and amortisation arising from purchase price allocations.

The weighted average Group tax rate used to calculate the net result for the period increased slightly to 27.7 per cent (previous year: 26.3 per cent).

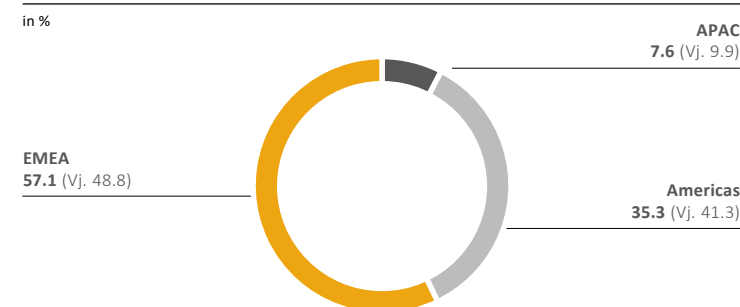
FINANCIAL PERFORMANCE

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

GROUP SALES DOWN BY ALMOST 30 PER CENT ON THE PREVIOUS YEAR DUE TO MARKET CONDITIONS AND COVID-19

Due to market conditions and COVID-19 Group sales in the first nine months of 2020 came to EUR 708.7 million, 29.7 per cent below the previous year's level of EUR 1,008.6 million. Currency effects amounted to EUR -10.3 million and resulted primarily from currency changes of both the Russian rouble and the Brazilian real against the Euro. Consequently, after eliminating the effects of exchange rates and acquisitions, sales decreased by 28.9 per cent to EUR 717.4 million.

Group sales by segment Q1-Q3 2020



SHARE OF SPARE PARTS BUSINESS INCREASES SIGNIFICANTLY

Sales in the OE business decreased by 34.7 per cent or EUR 263.5 million to EUR 496.0 million in the reporting period from January to September 2020. The sales share of the OE business decreased from 75.3 per cent to 70.0 per cent.

in EUR thousands

	Q1-Q3/2020	Q1-Q3/2019	Change absolute	Change in %
Original equipment business	496,003	759,521	-263,518	-34.7%
Spare parts business	212,695	249,105	-36,410	-14.6%
Group sales	708,698	1,008,626	-299,928	-29.7%
Original equipment business in % of Group sales	70.0%	75.3%		
Spare parts business in % of Group sales	30.0%	24.7%		

By contrast, sales in the spare parts business only decreased by 14.6 per cent or EUR -36.4 million to EUR 212.7 million. Consequently, the sales share of the spare parts business increased from 24.7 per cent to 30.0 per cent.

ADJUSTED GROSS PROFIT MARGIN ABOVE THE LEVEL OF THE PREVIOUS YEAR

Adjusted gross profit slipped to EUR 127.5 million in the first nine months of 2020 due to the sales situation (previous year: EUR 173.4 million). This includes impairment losses on inventories of EUR 8.6 million. Due to the higher share of the high-margin spare parts business, the adjusted gross margin came to 18.0 per cent, which lies above the gross margin achieved in the comparable period of the previous year of 17.2 per cent.

ADJUSTED EBIT MARGIN AT 5.4 PER CENT DESPITE IMPACT OF COVID-19

Despite the sharp decline in sales, SAF-HOLLAND generated an adjusted EBIT of EUR 38.5 million in the first nine months of 2020 (previous year: EUR 66.9 million). This corresponds to an adjusted EBIT margin of 5.4 per cent (previous year: 6.6 per cent). The savings realised in selling and administrative expenses had a positive effect, which was more than offset by cost stickiness.

NUMBER OF EMPLOYEES ADJUSTED TO THE MARKET ENVIRONMENT

As of 30 September 2020 SAF-HOLLAND employed 3,113 people worldwide (previous year: 3,923 employees). Compared to the previous year, the number of employees has therefore decreased by 20.6 per cent. The reduction in the headcount was spread over all regions in order to address the changed market conditions.

Number of employees by region

	09/30/2020	09/30/2019
EMEA	1,415	1,458
Americas	1,318	1,871
APAC	380	594
Total	3,113	3,923

FINANCIAL RESULT STABLE

The financial result remained unchanged in the reporting period from January to September 2020 at EUR –8.7 million (previous year: a loss of EUR –8.7 million). Financial income improved by EUR 0.4 million to EUR 1.8 million mainly due to realised capital gains on foreign currency loans and dividends. Financial expenses rose by EUR 0.3 million to EUR 10.5 million, mainly on account of interest expenses related to leases.

ADJUSTED NET PROFIT FOR THE PERIOD SIGNIFICANTLY DOWN ON THE PREVIOUS YEAR

When calculating the adjusted net profit for the period, a Group's weighted average tax rate of 27.7 per cent (previous year: 26.3 per cent) was applied. The adjusted net profit for the first nine months of 2020 of EUR 21.6 million lies 49.7 per cent below the previous year's level of EUR 42.9 million.

Based on approximately 45.4 million ordinary shares outstanding, unchanged on the previous year, adjusted undiluted earnings per share for the reporting period from January to September 2020 amounted to EUR 0.47 (previous year: EUR 0.94).

SEGMENT REPORTING

EMEA REGION: ADJUSTED EBIT MARGIN VERY ROBUST DESPITE COVID-19

EMEA

in EUR thousands

	Q1-Q3/2020	Q1-Q3/2019	Change absolute	Change in %
Sales	404,584	492,485	-87,901	-17.8%
EBIT	28,823	40,518	-11,695	-28.9%
EBIT margin in %	7.1%	8.2%		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	3,478	3,449	29	0.8%
PPA step-up from inventory measuring of acquisition	-	3	-3	-100.0%
Restructuring and transaction costs	2,809	2,768	41	1.5%
Adjusted EBIT	35,110	46,738	-11,628	-24.9%
Adjusted EBIT margin in %	8.7%	9.5%		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	13,208	11,441	1,767	15.4%
in % of sales	3.3%	2.3%		
Adjusted EBITDA	48,318	58,179	-9,861	-16.9%
Adjusted EBITDA margin in %	11.9%	11.8%		

In the EMEA region, sales declined in the first nine months of 2020 by 17.8 per cent to EUR 404.6 million (previous year: EUR 492.5 million) due to market conditions and COVID-19. Organic sales fell by 17.2 per cent to EUR 407.6 million.

Despite the significant sales decline, the EMEA region generated an adjusted EBIT of EUR 35.1 million (previous year: EUR 46.7 million) in the reporting period from January to September 2020 and an adjusted EBIT margin of 8.7 per cent (previous year: 9.5 per cent). The spare parts business had a strongly positive impact on the gross margin whereas the OE business had a slightly negative impact. This includes inventory write-

downs of EUR 4.7 million in response to the decrease in inventory turnover because of the COVID-19 pandemic.

The restructuring expenses of EUR 2.8 million consist mainly severance payments and the costs of changing the legal form of the parent company to a European Company (Societas Europaea, SE) and transferring the registered office to Germany.

AMERICAS REGION: EBIT MARGIN POSITIVE DESPITE MASSIVE SALES DECLINE

Americas

in EUR thousands

	Q1-Q3/2020	Q1-Q3/2019	Change absolute	Change in %
Sales	250,298	416,146	-165,848	-39.9%
EBIT	2,949	18,567	-15,618	-84.1%
EBIT margin in %	1.2%	4.5%		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	1,794	1,912	-118	-6.2%
Restructuring and transaction costs	4,005	5,571	-1,566	-28.1%
Adjusted EBIT	8,748	26,050	-17,302	-66.4%
Adjusted EBIT margin in %	3.5%	6.3%		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	11,282	9,446	1,836	19.4%
in % of sales	4.5%	2.3%		
Adjusted EBITDA	20,030	35,496	-15,466	-43.6%
Adjusted EBITDA margin in %	8.0%	8.5%		

In the Americas region, sales declined in the first nine months of 2020 by 39.9 per cent to EUR 250.3 million (previous year: EUR 416.1 million) due to market conditions and COVID-19. After eliminating the effects of exchange rates, sales decreased by 38.8 per cent to EUR 254.6 million.

Despite the significant sales decline, the Americas region generated a positive adjusted EBIT of EUR 8.7 million in the first nine months of 2020

(previous year: EUR 26.1 million) and an adjusted EBIT margin of 3.5 per cent (previous year: 6.3 per cent). The spare parts business had a significant positive impact on the gross margin whereas the OE business had a significantly negative impact. This includes inventory write-downs of EUR 4.1 million in response to the decrease in inventory turnover because of the COVID-19 pandemic.

The savings realised in selling and administrative expenses had a positive effect, which was more than offset by cost stickiness.

In addition it should be noted that the figure in the previous year of EUR 26.1 million significantly benefited from the contractually agreed passing on of the rise in the price of steel in 2018 coupled with lower purchase prices for steel.

The restructuring expenses of EUR 4.0 million mainly consist of severance payments related to the extensive lay-offs at US locations and the costs of the FORWARD 2.0 restructuring programme.

APAC REGION: LOCKDOWN AND DELAYED RAMP-UP BURDEN

APAC

in EUR thousands

	Q1–Q3/2020	Q1–Q3/2019	Change absolute	Change in %
Sales	53,816	99,995	-46,179	-46.2%
EBIT	-12,829	-20,190	7,361	-36.5%
EBIT margin in %	-23.8%	-20.2%		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	2,604	1,927	677	35.1%
Impairment	–	6,691	-6,691	-100.0%
PPA step-up from inventory measuring of acquisition	–	40	-40	-100.0%
Restructuring and transaction costs	4,903	5,660	-757	-13.4%
Adjusted EBIT	-5,322	-5,872	550	-9.4%
Adjusted EBIT margin in %	-9.9%	-5.9%		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	2,177	2,656	-479	-18.0%
in % of sales	4.0%	2.7%		
Adjusted EBITDA	-3,145	-3,216	71	-2.2%
Adjusted EBITDA margin in %	-5.8%	-3.2%		

The APAC region generated sales of EUR 53.8 million in the first nine months of 2020 (previous year: EUR 100.0 million) due to market conditions and COVID-19. After eliminating the effects of exchange rates, sales decreased by 44.8 per cent to EUR 55.2 million compared with the previous year. The reason for this sharp sales decline was mainly the lockdown in China, Australia, India and Singapore, which lasted a number of weeks, the ceased export business as a result of the trade dispute between China and the USA and the delay in ramping-up the new Chinese plant in Yangzhou due to COVID-19.

Adjusted EBIT improved by EUR 0.6 million to EUR -5.3million. The adjusted EBIT margin amounted to -9.9 per cent (previous year: -5.9 per cent). The spare parts business had a slightly negative impact on the gross

margin whereas the OE business, by contrast, had a significantly negative impact. The savings realised in selling and administrative expenses had a positive effect.

The restructuring expenses of EUR 4.9 million mainly consist of the costs incurred from liquidating the Chinese subsidiary Corpco Beijing Technology and Development Co., and the closures of the Xiamen plant and a number of subsidiaries of the York Group in the course of the post-merger integration measures.

NET ASSETS

in EUR thousands				
	09/30/2020	12/31/2019	Change absolute	Change in %
Non-current assets	500,681	520,805	-20,124	-3.9%
of which intangible assets	248,686	257,926	-9,240	-3.6%
of which property, plant and equipment	204,686	216,736	-12,050	-5.6%
of which other (financial) assets	47,309	46,143	1,166	2.5%
Current assets	463,262	458,439	4,823	1.1%
of which inventories	133,800	168,129	-34,329	-20.4%
of which trade receivables	110,640	126,000	-15,360	-12.2%
of which liquid assets	185,118	131,166	53,952	41.1%
of which other (financial) assets	33,704	33,144	560	1.7%
Balance sheet total	963,943	979,244	-15,301	-1.6%

TOTAL ASSETS DOWN SLIGHTLY IN COMPARISON TO THE CLOSE OF 2019

Total assets decreased by EUR -15.3 million or 1.6 per cent compared to the end of the 2019 financial year and amount to EUR 963.9 million as of September 30, 2020. The main factor in this regard is the reduction in intangible assets and property, plant and equipment.

EQUITY RATIO AT 31.5 PER CENT

in EUR thousands				
	09/30/2020	12/31/2019	Change absolute	Change in %
Equity	303,913	318,007	-14,094	-4.4%
Non-current liabilities	454,309	326,081	128,228	39.3%
of which interest-bearing loans and bonds	327,381	195,793	131,588	67.2%
Finance lease liabilities	29,497	25,521	3,976	15.6%
of which other non-current liabilities	97,431	104,767	-7,336	-7.0%
Current liabilities	205,721	335,156	-129,435	-38.6%
of which interest-bearing loans and bonds	53,141	153,393	-100,252	-65.4%
Finance lease liabilities	7,474	8,126	-652	-8.0%
of which trade payables	105,759	110,366	-4,607	-4.2%
of which other current liabilities	39,347	63,271	-23,924	-37.8%
Balance sheet total	963,943	979,244	-15,301	-1.6%

In comparison to December 31, 2019, equity has decreased by EUR -14.1 million to EUR 303.9 million. The net profit for the period of EUR 8.0 million increased equity accordingly. Exchange differences arising from the translation of foreign operations of EUR -22.2 million had the contrary effect. Coupled with the small decrease in the balance sheet total, this leads to a slight decrease in the equity ratio to 31.5 per cent (December 31, 2019: 32.5 per cent).

Non-current liabilities increased by EUR 128.2 million in comparison to December 31, 2019 to EUR 454.3 million. The main factor was the issue of the promissory note loan in March 2020.

The decrease in current liabilities is mainly due to the repayment of the convertible bond on September 12, 2020 and a lower level of other current liabilities.

NET WORKING CAPITAL RATIO SIGNIFICANTLY BELOW ON THE PREVIOUS YEAR

Net working capital

in EUR thousands

	09/30/2020	09/30/2019	Change 09/30/2019 to 09/30/2020	Change in %
Inventories	133,800	183,012	-49,212	-26.9%
Trade receivables	110,640	166,614	-55,974	-33.6%
Trade payables	-105,759	-132,303	26,544	-20.1%
Net working capital	138,681	217,323	-78,642	-36.2%
Sales (LTM)	984,227	1,328,328	-344,101	-25.9%
Net working capital ratio	14.1%	16.4%		

The net working capital ratio, measured as the ratio of net working capital to group sales over the last 12 months, improved significantly compared with the previous year, improving from 16.4 per cent to 14.1 per cent. A sharp decrease in inventories and trade receivables was countered by lower trade payables. This was countered by the decline in 12-month sales due to market conditions and COVID-19.

FINANCIAL POSITION

Financial position

in EUR thousands

	Q1–Q3/2020	Q1–Q3/2019
Cash flow from operating activities	79,787	44,721
Cash flow from investing activities (property, plant and equipment/ intangible assets)	-15,426	-32,396
Operating free cash flow	64,361	12,325
Cash flow from investing activities (acquisition of subsidiaries)	-21,193	-10,886
Total free cash flow	43,168	1,439
Other	-23,876	-62,519
Change in net financial liabilities	19,292	-61,080

SIGNIFICANT IMPROVEMENT IN FREE CASH FLOW FROM OPERATING ACTIVITIES

The net cash flow from operating activities in the first nine-months of 2020 came to EUR 79.8 million, significantly above the level of the comparable period of the previous year of EUR 44.7 million. The increase is mainly attributable to the positive contribution from working capital management. It should be noted that the volume of factoring increased only slightly from EUR 35.2 million in the previous year to EUR 35.5 million in the reporting period from January to September 2020.

The net cash flow from investing activities in property, plant and equipment and intangible assets of EUR -15.4 million lay EUR 17.0 million, or 52.4 per cent, below the comparable figure for the previous year. The focus of investing activities was on the further automation of production processes at various locations in the Americas region and Germany.

The operating free cash flow improved from EUR 12.3 million to EUR 64.4 million. The total free cash flow of EUR 43.2 million (previous year: EUR 1.4 million) was affected by the cash outflow associated with the purchase of the remaining shares in V.Orlandi of EUR 21.2 million.

NET FINANCIAL LIABILITIES SCALED BACK

Net financial debt (including lease liabilities) decreased by EUR 19.3 million to EUR 232.4 million as of September 30, 2020 compared to the reporting date of December 31, 2019. As of September 30, 2020 SAF-HOLLAND carries cash and cash equivalents of EUR 185.1 million (December 31, 2019: EUR 131.2 million).

OPPORTUNITIES AND RISK REPORT

There have been no significant changes to the statements made on risks and opportunities in the Annual Report 2019 (pages 74 to 83) with the following exception:

Compared to the assessment in the half-year financial report the extent of impairment risks presented under operating risks has increased in light of the continuing spread of COVID-19 from “medium” to “high”.

OUTLOOK

SECTOR-SPECIFIC DEVELOPMENT: COVID-19 VIRUS DAMPENING GLOBAL COMMERCIAL VEHICLE MARKETS

The prospects for 2020 remain challenging in the commercial vehicle markets that are relevant for SAF-HOLLAND. Based on the breakdown by customer segment into the OE (truck, trailer) and the aftermarket business, the regions relevant to SAF-HOLLAND vary in their importance.

While the EMEA region (approximately 3.5 per cent of Group sales) and the Americas region (approximately 8.1 per cent of Group sales) are the most relevant for the truck segment, in the OE trailer and aftermarket segments SAF-HOLLAND operates worldwide.

EUROPEAN TRUCK MARKET SIGNIFICANTLY DOWN ON THE PREVIOUS YEAR

European truck production will decline sharply in 2020. According to industry experts, production is expected to fall by roughly 30 to 35 per cent. It should be noted, however, that the European truck market is only of minor importance for SAF-HOLLAND.

DECLINING DEMAND FOR TRAILERS IN EUROPE

Industry experts anticipate a decline in production of trailers of 15 to 20 per cent for the full year 2020. Aside from the dampening effect of the COVID-19 virus, this is based on the fact that many European fleet operators have modernised and expanded their vehicle fleets in recent years.

TRUCK MARKET IN NORTH AMERICA CONTRACTS SHARPLY

Market observers expect the production of Class 8 trucks in North America to contract by 40 to 45 per cent year-on-year, despite a slight recovery in the fourth quarter.

NORTH AMERICAN TRAILER MARKET AT A LOWER LEVEL

A gradual return to stability is also anticipated for the North American trailer market in the fourth quarter. On the bottom line, it is expected that 40 to 45 per cent fewer trailers will roll off the production belts in 2020 than in the strong previous year.

BRAZILIAN MARKET FOR TRUCKS AND TRAILERS STILL IN REVERSE

With regard to Brazil, by far the largest market in South America, market researchers are projecting a painful decrease in production of heavy-duty trucks of 30 to 35 per cent and 5 to 10 per cent in trailers for the full year 2020.

CHINESE TRAILER MARKET SIGNIFICANTLY UP ON THE PREVIOUS YEAR

Market experts anticipate that the Chinese truck market will cool off slightly in the fourth quarter, after a strong second and third quarter. In total, truck production will nevertheless lie up to 5 per cent above the prior year. Still, it is important to keep in mind that the Chinese truck market has no significance for SAF-HOLLAND.

The Chinese trailer market will also see a slightly weaker fourth quarter and is expected to fall by approximately 5 to 10 per cent below the level of the year 2019.

NO REAL SIGNS OF RECOVERY IN INDIA

Market experts are projecting that the negative trend will ease slightly in the fourth quarter. Nevertheless, a fall in production of between 40 and 50 per cent is forecasted for both the truck and the trailer markets.

BUSINESS OUTLOOK

The Management Board of SAF-HOLLAND SE continues to anticipate a decline in Group sales of between 20 to 30 per cent on the previous year.

Based on the preliminary figures as of for October 2020, the Management Board of SAF-HOLLAND SE has decided to raise the guidance for the adjusted EBIT margin for the full year 2020. The Company now expects an adjusted EBIT margin in a range between 5 and 6 per cent (formerly: between 3 and 5 per cent).

The positive trend in the adjusted EBIT margin is primarily based on the continued recovery of the trailer and truck markets in North America and Europe, gaining market shares, the high-margin spare parts business, which is less affected by economic cycles, as well as on significant savings in selling and administrative expenses.

The new guidance for the adjusted EBIT margin is made on the premise that there are no new, unexpected impacts from the ongoing COVID-19 pandemic on the production and supply chains in the remaining weeks of the 2020 financial year.

In order to support the strategic objectives, SAF-HOLLAND is still planning to make investments equal to approximately 2.5 per cent of Group sales in the 2020 financial year. These will focus primarily on the continuing introduction of a Global Manufacturing Platform and further automation in Germany and North America.

EVENTS AFTER THE BALANCE SHEET DATE

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

ALTERNATIVE PERFORMANCE MEASURES

In addition to the key figures defined or specified in the IFRS financial reporting framework, SAF-HOLLAND also reports 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 as important supplemental information for investors and other readers of the financial reports and press releases. These financial ratios should therefore be seen in addition to rather than as a substitute for the information prepared in accordance with IFRS.

In complying with the requirements of the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures (APM), SAF-HOLLAND provides an overview of the Alternative Performance Measures used, as well as their definition and compilation, on the SAF-HOLLAND website at <https://corporate.safholland.com/en/investor-relations/alternative-performance-measures>.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KEUR	Q1–Q3/2020	Q1–Q3/2019	Q3/2020	Q3/2019
Sales	708,698	1,008,626	232,445	313,160
Cost of sales	-589,694	-844,385	-191,144	-267,644
Gross profit	119,004	164,241	41,301	45,516
Other income	1,713	3,109	910	2,394
Impairment of Goodwill	-	-6,691	-	-6,691
Selling expenses	-44,324	-53,181	-15,566	-16,394
Administrative expenses	-47,139	-54,258	-14,225	-18,126
Research and development expenses	-11,421	-15,746	-3,264	-5,018
Operating result	17,833	37,474	9,156	1,681
Share of net profit of investments accounted for using the equity method	1,110	1,421	356	470
Earnings before interest and taxes	18,943	38,895	9,512	2,151
Finance income	1,762	1,404	359	703
Finance expenses	-10,483	-10,151	-2,967	-4,325
Finance result	-8,721	-8,747	-2,608	-3,622
Result before income tax	10,222	30,148	6,904	-1,471
Income tax	-2,270	-12,868	-630	-2,017
Result for the period	7,952	17,280	6,274	-3,488
Net result for the period				
Attributable to:				
Equity holders of the parent	7,832	16,135	6,080	-4,200
Shares of non-controlling interests	120	1,145	194	712
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	-22,214	14,916	-12,872	10,952
Other comprehensive income	-22,214	14,916	-12,872	10,952
Comprehensive income for the period	-14,262	32,196	-6,598	7,464
Attributable to:				
Equity holders of the parent	-13,466	31,072	-6,617	6,792
Shares of non-controlling interests	-796	1,124	19	672
Basic earnings per share in EUR	0.17	0.36	0.13	-0.09

CONSOLIDATED BALANCE SHEET

kEUR		
	09/30/2020	12/31/2019
Assets		
Non-current assets	500,681	520,805
Goodwill	77,830	78,826
Other intangible assets	170,856	179,100
Property, plant and equipment	204,686	216,736
Investments accounted for using the equity method	16,852	16,522
Financial assets	608	1,147
Other non-current assets	2,407	2,868
Deferred tax assets	27,442	25,606
Current assets	463,262	458,439
Inventories	133,800	168,129
Trade receivables	110,640	126,000
Income tax receivables	2,679	4,066
Other current assets	27,718	25,741
Financial assets	3,307	3,337
Cash and cash equivalents	185,118	131,166
Balance sheet total	963,943	979,244

kEUR		
	09/30/2020	12/31/2019
Equity and liabilities		
Total equity	303,913	318,007
Equity attributable to equity holders of the parent	300,309	304,981
Subscribed share capital	45,395	454
Share premium	224,103	269,044
Legal reserve	45	45
Other reserve	720	720
Retained earnings	76,623	59,903
Accumulated other comprehensive income	-46,577	-25,185
Shares of non-controlling interests	3,604	13,026
Non-current liabilities	454,309	326,081
Pensions and other similar benefits	30,957	30,894
Other provisions	7,314	7,637
Interest bearing loans and bonds	327,381	195,793
Lease liabilities	29,497	25,521
Other financial liabilities	9,249	13,031
Other liabilities	743	691
Deferred tax liabilities	49,168	52,514
Current liabilities	205,721	335,156
Other provisions	12,392	12,552
Interest bearing loans and bonds	53,141	153,393
Lease liabilities	7,474	8,126
Trade payables	105,759	110,366
Income tax liabilities	1,630	244
Other financial liabilities	1,240	21,719
Other liabilities	24,085	28,756
Balance sheet total	963,943	979,244

CONSOLIDATED STATEMENT OF CASH FLOWS

KEUR	Q1-Q3/2020	Q1-Q3/2019
Cash flow from operating activities		
Result before income tax	10,222	30,148
- Finance income	-1,762	-1,404
+ Finance expenses	10,483	10,151
+/- Share of net profit of investments accounted for using the equity method	-1,110	-1,421
+ Amortization and depreciation of intangible assets and property, plant and equipment	34,543	39,644
+ Allowance of current assets	13,888	8,279
+/- Loss/Gain on disposal of property, plant and equipment	100	-707
+ Dividends from investments accounted for using the equity method	21	1,305
Cash flow before change of net working capital	66,385	85,995
+/- Change in other provisions and pensions	715	2,011
+/- Change in inventories	15,783	-556
+/- Change in trade receivables and other assets	6,201 ¹	-32,362 ¹
+/- Change in trade payables and other liabilities	-5,066	3,254
Change of net working capital	17,633	-27,653
Cash flow from operating activities before income tax paid	84,018	58,342
- Income tax paid	-4,231	-13,621
Net cash flow from operating activities	79,787	44,721
Cash flow from investing activities		
- Purchase of property, plant and equipment	-12,837	-31,935
- Purchase of intangible assets	-3,312	-4,926

KEUR	Q1-Q3/2020	Q1-Q3/2019
+ Proceeds from sales of property, plant and equipment	723	4,465
+ Payment for the acquisition of the outstanding shares in V.Orlandi S.p.A.	-21,193	-
- Payments for acquisition of subsidiaries net of cash	-	-10,886
+ Proceeds from sales of financial assets	424	-
+ Interest received	507	488
Net cash flow from investing activities	-35,688	-42,794
Cash flow from financing activities		
- Dividend payments to shareholders of SAF-HOLLAND SE (previously S.A.)	-	-20,427
+ Proceeds from promissory note loan	250,000	-
- Repayments of current and non-current financial liabilities	-32,500	-
- Payments for repayment of bonds	-99,167	-
- paid transaction costs relating to the issuance of the promissory note loan	-3,019	-
- Payments for lease liabilities	-6,776	-6,510
- Interest paid	-4,261	-3,804
+/- Change in drawings on the credit line and other financing activities	-85,618	-3,290
Net cash flow from financing activities	18,659	-34,031
Net increase/decrease in cash and cash equivalents	62,758	-32,104
+/- Effect of changes in exchange rates on cash and cash equivalents	-8,806	3,202
Cash and cash equivalents at the beginning of the period	131,166	155,009
Cash and cash equivalents at the end of the period	185,118	126,107

¹ As of September 30, 2020, trade receivables in the amount of € 35.5 million (previous year: € 35.2 million) were sold in the context of a factoring contract. Assuming the legal validity of receivables, no further rights of recourse to SAF-HOLLAND exist from the receivables sold.

SEGMENT INFORMATION

KEUR	EMEA ¹		Americas ²		APAC ³		Total	
	Q1-Q3/2020	Q1-Q3/2019	Q1-Q3/2020	Q1-Q3/2019	Q1-Q3/2020	Q1-Q3/2019	Q1-Q3/2020	Q1-Q3/2019
Sales	404,584	492,485	250,298	416,146	53,816	99,995	708,698	1,008,626
Adjusted EBIT	35,110	46,738	8,748	26,050	-5,322	-5,872	38,536	66,916
Adjusted EBIT margin in %	8.7	9.5	3.5	6.3	-9.9	-5.9	5.4	6.6
Amortization and depreciation of intangible assets and property, plant and equipment (without PPA)	13,208	11,441	11,282	9,446	2,177	2,656	26,667	23,543
in % of sales	3.3	2.3	4.5	2.3	4.0	2.7	3.8	2.3
Adjusted EBITDA	48,318	58,179	20,030	35,496	-3,145	-3,216	65,203	90,459
Adjusted EBITDA margin in %	11.9	11.8	8.0	8.5	-5.8	-3.2	9.2	9.0
Purchase of property, plant and equipment and intangible assets	7,156	15,126	6,706	15,612	2,287	6,123	16,149	36,861
in % of sales	1.8	3.1	2.7	3.8	4.3	6.1	2.3	3.7
Employees core workforce (at the reporting date)	1,415	1,458	1,318	1,871	380	594	3,113	3,923

¹ Includes Europe, Middle East and Africa.

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

³ Includes Asia/Pacific, India and China.

FINANCIAL CALENDAR AND CONTACT INFORMATION

FINANCIAL CALENDAR

November 25, 2020

Investor and Analyst Day 2020

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In cases of doubt, the German version shall prevail.

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