Corporate News

SAF-HOLLAND plans continued sales expansion and gradual earnings improvement after achieving strong growth in 2017

- 2017 Group sales of EUR 1,138.9 million (PY: EUR 1,042.0 million), organic growth of 9.3%
- Adjusted EBIT of EUR 91.2 million slightly above prior year (PY: EUR 90.4 million)
- Small positive net effect in 2017 from US tax reform; result for the period of EUR 41.0 million (PY: EUR 43.5 million)
- Dividend increases to EUR 0.45 (PY: EUR 0.44)
- 2018 outlook: Group organic sales projected to grow 4% to 5%; adjusted EBIT margin expected in the range of 8% to 8.5%

Strong organic sales growth

Luxembourg, March 16, 2018 – As previously announced with the preliminary figures at the end of February 2018, SAF-HOLLAND S.A. ("SAF-HOLLAND") increased sales by 9.3% to EUR 1,138.9 million (PY: EUR 1,042.0 million) in the 2017 financial year. SAF-HOLLAND thereby exceeded its target raised in early October 2017 for organic sales in 2017 in the range of EUR 1,125 million and EUR 1,135 million. A positive consolidation effect from the purchase of the Brazilian company KLL offset negative currency effects, sending organic sales growth to 9.3%. In the fourth quarter of 2017, organic sales momentum versus the previous quarter (Q3/2017: 9.6%) accelerated again with reported sales increasing 8.6% to EUR 274.2 million (PY: EUR 252.6 million). This figure, however, included negative currency translation effects in the amount of EUR 11.4 million. The Group achieved organic sales growth of 13.1%.

Adjusted EBIT margin within expected range

As already announced with our preliminary figures at the end of February 2018, the Group’s adjusted EBIT in the 2017 financial year reached EUR 91.2 million and slightly exceeded the previous year’s figure of EUR 90.4 million. At 8.0% (PY: 8.7%) the adjusted EBIT margin was at the lower end of the forecast range, which had been specified in early October (margin to tend towards the lower end of the 8-9% range), as expected, even though the costs in the Americas region during the second half of 2017 were significantly higher than planned. Reported Group EBIT amounted to EUR 72.7 million (PY: EUR 78.5 million) and included one-time restructuring costs of EUR 13.2 million (PY: EUR 6.6 million), as well as negative purchase price allocation effects of around EUR 5.3 million (PY: EUR 5.3 million).

US plant consolidation results in additional expenses

One-time restructuring costs in the course of consolidating the US plant network were related to relocation expenses, severance payments and impairment on machinery and tools in the amount of EUR 10.9 million, which was added back in the calculation of the adjusted EBIT. In addition, noticeably higher-than-expected dynamic growth in demand from original equipment customers in North America, which coincided with the relocation measures of the US plant consolidation and the resulting temporary capacity constraints, led to significant production inefficiencies. As a result, the Company incurred unplanned, temporary additional expenses of EUR 10.3 million in 2017 (of which EUR 6.3 million were booked in Q4/2017). These additional expenses were fully

Contact
Stephan Haas
Investor Relations/Corp. PR
Tel:+49 (0) 6095 301 617
Fax:+49 (0) 6095 301 102
ir@safholland.de
www.safholland.com

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SAF-HOLLAND GmbH
Hauptstraße 26
D-63856 Bessenbach

recognized in profit or loss and had an equally adverse impact on the Group's gross profit, EBIT and adjusted EBIT. The fourth quarter also included EUR 1.1 million in compensation payments in accordance with supply agreements. Overall, this led to a negative adjusted EBIT in the Americas region of EUR -3.9 million in the fourth quarter of 2017 (PY: EUR 5.7 million). In addition to the effects from the plant consolidation, a renewed increase in steel prices and constraints in supplying the aftermarket also burdened. The adjusted EBIT in the Americas region for full-year 2017 amounted to EUR 16.1 million, falling clearly below the prior year's level of EUR 30.0 million.

Strong sales and earnings development in the EMEA/I and APAC/China segments continued in the fourth quarter of 2017

The Group was able to partially offset the unplanned additional expenses in the Americas segment through the strong sales and earnings development achieved in both the EMEA/I and APAC/China segments. The EMEA/I region recorded an adjusted EBIT of EUR 19.4 million in the fourth quarter of 2017 (PY: EUR 13.7 million). The region benefitted from positive effects of approx. EUR 4.5 million as a result of reaching a specific level of purchasing volumes. The APAC/China region also significantly improved its adjusted EBIT in the fourth quarter of 2017, reaching a total of EUR 3.0 million (PY: EUR 0.4 million). The Group's overall adjusted EBIT fell 6.6% year-over-year to EUR 18.5 million (PY: EUR 19.8 million) in the fourth quarter of 2017. The Group's adjusted EBIT margin during this period amounted to 6.7% (PY: 7.8%).

Higher interest expenses

The finance result for the 2017 financial year amounted to EUR -16.5 million (PY: EUR -13.5 million). The year-on-year decline was primarily caused by higher net interest expenses of EUR 13.3 million (PY: EUR 11.7 million), which were the result of creating the financial base necessary in 2016 for the acquisitions planned under Strategy 2020. The increase in net finance expenses resulted in a 13.5% decline in the result before tax to EUR 56.2 million (PY: EUR 65.0 million). In the fourth quarter of 2017, the result before tax amounted to EUR 11.7 million (PY: EUR 13.5 million).

Result for the period benefits from lower tax rate

US tax reform resulted in a one-time net positive extraordinary effect of EUR 4.5 million in the 2017 financial year. At the same time, SAF-HOLLAND recorded a one-time impairment in recognized deferred tax assets for loss carryforwards at subsidiaries in the amount of EUR 2.6 million. The net positive effect of these items totaled approximately EUR 2.0 million. The Group's income tax rate came in at 27.1% in the 2017 financial year (PY: 33.1%) and had a corresponding effect on the Group's result for the period, which reached EUR 41.0 million in the 2017 financial year (PY: EUR 43.5 million). The adjusted result for the period, which excludes restructuring and transaction costs, as well as purchase price allocation and tax effects, amounted to EUR 52.7 million and was slightly below the prior year's level of EUR 53.7 million.

Dividend to increase to EUR 0.45 per share

At SAF-HOLLAND S.A.'s Annual General Meeting scheduled on April 26, 2018, the Management Board and the Board of Directors will propose a slightly higher dividend of EUR 0.45 per share (previous year: EUR 0.44) for the 2017 financial year,

Contact:
Stephan Haas
Investor Relations/Corp. PR
Tel:+49 (0) 6095 301 617
Fax:+49 (0) 6095 301 102
ir@safholland.de
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corresponding to a payout ratio based on the result for the period of 49.9% (PY: 45.9%).

2018 outlook: Continued sales growth and gradual earnings improvement
SAF-HOLLAND expects sales growth to continue in 2018, supported not only by a further recovery in the North American market but also solid growth in China. SAF-HOLLAND believes it will be able to expand Group organic sales overall by 4% to 5% during the 2018 financial year.

After completing the consolidation of the US plant network at the end of 2017, the focus of attention in the first few months of 2018 will be on a successive reduction in the high start-up costs for the restructured plant network, as well as on re-establishing the optimal alignment of the capacity planning and logistics processes with the production processes. The coordination of the new plant network continues to be accompanied by dynamic demand from original equipment customers. Nevertheless, this demand will become increasingly easier to master as the year progresses. As a result, until the reduction in the existing production start-up inefficiencies will have been completed, the Company still expects to incur additional operating expenses affecting in essence the first quarter of 2018. Also supported by the expected continued solid earnings performance in the EMEA/I and APAC/China regions, from today's perspective, SAF-HOLLAND anticipates the Group's full-year 2018 adjusted EBIT margin to be within the range of 8% to 8.5%. Due to the projected development in the Americas region, the Company expects the adjusted EBIT margin to increase but successively throughout the year and consequently come in at a lower level in the first half-year of 2018 when compared to the second half of the year.

This outlook is based on the scope of consolidation as of December 31, 2017 and does not include any sales or earnings contributions from the acquisition of the Italian coupling specialist V. Orlandi S.p.A. announced today. This transaction is expected to close no later than the second quarter of 2018.

Positive effects on 2018 net income expected
In addition to the projected improvement in the adjusted EBIT, SAF-HOLLAND anticipates additional positive effects on the result for the period in 2018. Essentially, the Company expects a disproportionate increase in the result for the period versus adjusted EBIT in the 2018 financial year. A EUR 75.0 million corporate bond issued in 2012 and yielding 7.0% is scheduled to mature at the end of April 2018. The plan is to redeem this bond using existing cash. Taking into account full redemption from cash at hands, as of May 2018, pro rata net interest savings of just over EUR 3.0 million before taxes will be realized in the remaining eight months of 2018. In addition, SAF-HOLLAND is projecting a lower US income tax rate in the 2018 financial year of around 23%. Depending on the future earnings development of the US operations, this will result in a corresponding reduction in tax expenses in the United States.

Contact:
Stephan Haas
Investor Relations/Corp. PR
Tel:+49 (0) 6095 301 617
Fax:+49 (0) 6095 301 102
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Key figures for Q4 and FY 2017

Euro millions	Q4/2017	Q4/2016	vs. PY in %	FY 2017	FY 2016	vs. PY in %
Sales	274.2	252.6	8.6	1,138.9	1,042.0	9.3
Adjusted EBIT	18.5	19.8	-6.6	91.2	90.4	0.9
Adjusted EBIT margin in %	6.7	7.8	-110 bps	8.0	8.7	-70 bps
Earnings before taxes	11.7	13.5	-13.3	56.2	65.0	-13.5
Result for the period	10.4	7.1	46.5	41.0	43.5	-5.8
Basic EPS in EUR	0.26	0.17	52.9	0.95	0.98	-3.1
Adjusted basic EPS in EUR	0.24	0.24	0.0	1.16	1.18	-1.7
Free cash flow	26.8	29.2	-8.2	29.7	67.7	-56.1
Equity ratio in %	--	--	--	30.2	30.1	+0.1 pp

Please note: Adjusted EBIT is adjusted for extraordinary items that do not result from the operating business and mainly consist of amortization from purchase price allocation and non-recurring restructuring and transaction-related costs. The SAF-HOLLAND S.A. annual report for the 2017 financial year may be downloaded from our website at https://corporate.safholland.com/en/investor-relations/publications/financial-reports/latest-reports

About SAF-HOLLAND

SAF-HOLLAND S.A., located in Luxembourg, is the largest independent listed supplier to the commercial vehicle market in Europe delivering mainly to the trailer markets. With sales of approximately EUR 1,139 million in 2017, the Company is one of the world's leading manufacturers and suppliers of chassis-related systems and components primarily for trailers, trucks, buses, and recreational vehicles. The product range comprises axle and suspension systems, fifth wheels, kingpins, and landing gear marketed under the brands SAF, HOLLAND and Neway. SAF-HOLLAND sells its products to Original Equipment Manufacturers (OEMs) on six continents. The Group's Aftermarket business supplies spare parts to the service networks of Original Equipment Suppliers (OES), as well as to end customers and service centers through its extensive global distribution network. SAF-HOLLAND is one of the few suppliers in the truck and trailer industry that is internationally positioned in almost all markets worldwide. With the innovation campaign "SMART STEEL - ENGINEER BUILD CONNECT," SAF-HOLLAND combines mechanics with sensors and electronics and drives the digital networking of commercial vehicles and logistics chains. More than 3,500 committed employees worldwide are already working today on the future of the transportation industry.

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