

Quarterly Report of SAF-HOLLAND S.A.  
as of March 31, 2016

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# STRATEGY 2020

## KEY FIGURES

EUR million	Q1/2016	Q1/2015
Sales	259.9	271.0
Cost of sales	-206.7	-220.0
Gross profit	53.2	51.0
in % of sales	20.5	18.8
Adjusted result for the period	12.4	20.3
in % of sales	4.8	7.5
Adjusted EPS in EUR <sup>1)</sup>	0.27	0.45
Adjusted EBITDA	26.8	26.2
in % of sales	10.3	9.7
Adjusted EBIT	22.7	22.6
in % of sales	8.7	8.3
Operating cash flow <sup>2)</sup>	22.5	2.3

<sup>1)</sup>Adjusted net result / weighted average number of ordinary shares outstanding as of the reporting period.

<sup>2)</sup>The operating cash flow is the cash-flow from operating activities before income tax payments.

## SALES BY REGION

EUR million	Q1/2016	Q1/2015
Americas	100.2	117.7
EMEA1	145.2	135.7
APAC/China	14.5	17.6
<b>Total</b>	<b>259.9</b>	<b>271.0</b>

## OTHER FINANCIAL INFORMATION

	03/31/2016	12/31/2015
Total assets (EUR million)	924.7	888.5
Equity ratio (%)	31.8	32.4
	Q1/2016	Q1/2015
Employees (average)	3,216	3,370
Sales per employee (kEUR)	80.8	80.4

2016

Quarterly Report as of March 31, 2016

# **STRATEGY 2020**



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# FOREWORD FROM THE MANAGEMENT BOARD



**Detlef Borghardt,**  
Chief Executive Officer (CEO)

*Ladies and Gentlemen, Dear Shareholders and Investors,*

At the beginning of the year, the market environment for truck and trailer varied significantly depending on the region. Our important transport markets Brazil, Russia and Australia remain at a low level. The North American market for heavy trucks recorded a significant decline in production figures in the first quarter, following three consecutive record years. By contrast, Europe in particular recorded very pleasing growth, with solid development also achieved in the Middle East and China. Despite the ongoing difficult situation in Russia, market recovery continues in Europe and has gained momentum in recent weeks.

Against this backdrop, SAF-HOLLAND has achieved a solid start to financial year 2016. Sales decreased slightly on an organic basis by 2.2% compared with the same period of the previous year. However, because we were able to adapt to the changed market conditions in North America and have adjusted our capacities accordingly, it was possible for us to compensate for the effects of decreasing business volume on earnings in North America. Overall, our successfully implemented efficiency enhancement measures as well as the increased bundling of purchasing activities also had a positive impact. The adjusted EBIT margin in the first quarter of 2016 increased by 40 base points to 8.7% and the adjusted EBIT was EUR 0.1 million above the previous year's figure at EUR 22.7 million. Our operational progress is even more clearly reflected by the cash flow. Our improved working capital management in particular allowed us to improve the cash flow from operating activities before income tax paid by over EUR 20 million compared with the same quarter of the previous year.

From an operational perspective, the first quarter marked the beginning of the implementation of the new organizational structure as part of our Strategy 2020. In this context, we have adapted our reporting structures, as announced, and report by region in accordance with the new Group structure. We are convinced that our new organization will give us a more effective position for global megatrends and that we have placed ourselves even closer to our customers.

Our Chinese subsidiary, Corpco, reached an important milestone as part of Strategy 2020. To date, the company has specialized in air suspension systems for buses and at the beginning of this year was awarded two reference contracts for truck suspension systems, which will start from 2018. At the beginning of May, the international management meeting of the SAF-HOLLAND Group took place in Shanghai for the first time. By choosing the Region APAC/China, we wanted to highlight the importance the Group has placed on this region as part of the growth Strategy 2020.

A further area that is becoming increasingly important for us is the digitalization of trucks, trailers and buses. In order to make early use of the opportunities arising from this development, SAF-HOLLAND has appointed a "digital core team", which reports directly to the Management Board. The aim is to develop a "digital strategy" for SAF-HOLLAND over the course of this year as an additional component for our growth Strategy 2020. On this basis new concepts, solutions and products for our customers can be developed and presented in future.

The beginning of the year has confirmed our expectations for 2016. As already presented in our outlook in the 2015 annual report, the market environment will remain challenging in the current financial year. Orders received for Class 8 trucks in North America remain low. However, industry experts expect a slow recovery and a stabilization of demand for trucks. In contrast, the demand for trailers in the USA is significantly more stable. Market development in Europe was better than expected.

With our new, strong organizational structure and the continued improvement of our processes, we are consistently creating the necessary conditions for implementing our Strategy 2020. The first quarter of 2016 impressively demonstrates that we are able to achieve solid returns, even in a difficult market environment. Overall, the development in the first quarter of 2016 is a sound basis for achieving the planned targets for the year.

On behalf of my colleagues on the Management Board and the Board of Directors, I would like to take this opportunity to thank our customers, suppliers, business partners, employee representatives, employees and shareholders for their good and successful cooperation and their trust in us. We invite you to continue with us along the journey ahead.

Sincerely,

  
Detlef Borghardt (CEO)



## ECONOMY AND INDUSTRY ENVIRONMENT

### OVERALL ECONOMIC DEVELOPMENT: GLOBAL ECONOMY REMAINS UNSTABLE

The international financial markets demonstrated considerable turbulence at the beginning of 2016. This was triggered by increasing concern about growth in China. As a result, price slumps on the Chinese stock markets, a devaluation of the Chinese currency and a further drop in the price of numerous commodities, particularly crude oil, were observed. However, worries that turbulence on the financial markets could spread to the global economy or could be the forerunner of a global recession have so far been unfounded. On the contrary, after a rather disappointing fourth quarter of 2015, estimates indicate that the economic dynamic in the first quarter of 2016 has recovered slightly, particularly in advanced economies.

This applies to the United States in particular, where an acceleration of annualized economic growth in the region of 2% is expected for the first quarter of 2016, following just 1.4% at the end of 2015. The robust labor market, private consumption and the real-estate market continue to be the cornerstones of the US economy. US industry, on the other hand, is more restrained. Investments as well as the orders received for long-life consumer goods have been disappointing, not least as a result of significantly reduced investments in the oil and gas industry.

In the euro zone, economic development remained on a moderate but generally stable course of recovery. Positive effects particularly resulted from the significant drop in energy prices, which boosted consumer demand accordingly. However, the economy was burdened by the increasing export weakness, which reflected the economic problems in many emerging countries. Furthermore, the boost from the strong devaluation of the euro decreased. The extremely loose monetary policy of the European Central Bank has so far had limited measurable effects on the real economy, in particular inflation in the euro zone remains close to 0%.

In many emerging countries, economic development continues to lose momentum. This is particularly the case for China, where industrial production only increased by 5.8% in the first quarter of 2016. Exports even decreased by 4.2%. Structural problems, such as the high net debts of companies, particularly state-owned companies, had a burdening effect. This is also true of numerous other emerging countries, for example Brazil, which is also increasingly hindered by political turbulence, in addition to the deep recession. The Russian economy also remained in crisis. The significant drop in oil prices at the beginning of 2016 and the continued weakness of the ruble had a particularly burdening effect. Furthermore, the Russian economy's high dependency on raw materials forced the government to cut public spending.

### INDUSTRY DEVELOPMENT: STRONGLY DIFFERING DEVELOPMENT ACROSS THE REGIONS, EUROPE AS A PILLAR OF GROWTH

The global commercial vehicles markets were once again characterized by diverging influencing factors and therefore also demonstrated strongly varying tendencies. Whilst the Western European truck and trailer market was able to continue the good development of the previous year, the noticeable market correction in heavy trucks (class 8) in the USA, which began in the third quarter of 2015, continued at the same level. No clear trend can be deduced in the emerging countries. The important transport markets in Brazil and Russia demonstrated weak

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Economy and  
Industry Environment

development at an already low level and did not show any tendency towards imminent upswing. Signs of stabilization were identified in China.

In the countries of the European Union, the commercial vehicles market was able to continue the positive development of the previous year in the first quarter of 2016. Following growth of 12.4% in new registrations of commercial vehicles of all kinds in 2015, a further increase of 12.1% compared with the same period of the previous year was recorded in the first three months of 2016. In the segment of heavy duty trucks over 16 tons, which is the relevant vehicle class for SAF-HOLLAND, new registrations increased by 18.0%, according to industry association ACEA. The positive trend of the previous year also continued in the European trailer market. Despite the continued weak demand from Russia, the manufactured unit volumes at SAF-HOLLAND, driven by strong domestic demand, among other things, continued to improve in the first quarter of 2016.

The weakness of the Russian commercial vehicles market continued. According to information from AUTOSTAT, registration figures for heavy trucks decreased by a further 23.7% in the first three months of 2016.

The market for medium duty and heavy duty trucks in India showed strong growth of 25.5% respectively 34.7% in the first quarter of 2016.

In North America, the weakness in the truck market recorded since mid-2015 continued. Both the production and new vehicle registrations of heavy trucks (class 8) decreased in the first quarter of 2016. In comparison with the same month of the previous year, deliveries in this vehicle class decreased by 7.2% in the first three months of 2016.

In comparison, the North American trailer market was significantly more stable. Although the production figures decreased slightly in the first three months of 2016 compared with the previous year development, orders received showed a more positive period. In March 2016, 26,800 orders were received by trailer manufacturers. This allowed the strong level of the previous year to be exceeded by 4.0%.

Brazil offered little cause for hope in the first quarter of 2016. Following a drop of around 60% in the market for heavy duty trucks in 2015, the number of new registrations of heavy duty trucks decreased by a further 4.0% in the first quarter of 2016 to 4,223 vehicles. In February and March 2016, new registration figures increased by 10.8% respectively 12.9%. However, this stabilization occurred at an extremely low level.

Following significant sales declines in the previous year, the Chinese commercial vehicles market stabilized in the reporting period. Truck sales increased slightly by 3.3%, whilst heavy duty trucks increased by 8.4%. In contrast, buses recorded a decrease in sales of 26.0%. Electric buses continued to be in demand in this segment and were able to demonstrate high growth rates.

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## SIGNIFICANT EVENTS IN THE FIRST QUARTER OF 2016

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### Large order for truck suspension systems in China

In February 2016, SAF-HOLLAND announced that it had been awarded a large order for truck suspension systems through Chinese subsidiary Corpco. After primarily focusing on the production of bus suspension systems, this large order represents an important milestone in the expansion of the product offer into suspension systems for medium duty and heavy duty trucks. Corpco's expertise in weight-reduced and energy saving concepts, which also increase comfort and reduce the strain on roads, was decisive in winning the order. Corpco had already received an initial reference contract from the same customer in December 2015.

Production will begin in 2018. The contract is expected to have a total period of ten years and is a key part of the achievement of the sales targets set for China as part of the growth strategy 2020. After production begins, a sales contribution of up to EUR 23 million from both contracts is expected each year.

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### Award as „outstanding supplier“

At the beginning of 2016, SAF-HOLLAND was awarded with the coveted „Outstanding Supplier Award“ by its customer Vanguard National Parts. The basis of the award was the exceptional performance of SAF-HOLLAND in the categories of accuracy, availability, alignment and advice. SAF-HOLLAND met or exceeded expectations in all categories. Furthermore, Vanguard National Parts also acknowledged the marketing strategies and product innovations of SAF-HOLLAND, which further strengthened the customer relationship.

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### Presentation of the HDT Top 20 Product Award 2016

In February 2016, American specialist magazine Heavy Duty Trucking (HDT) awarded SAF-HOLLAND with the prestigious „HDT Top 20 Product Award 2016“ for the ATLAS FastGear landing gear. With this award, HDT honors the 20 new-product launches in the North American market each year which set standards for innovation and customer benefits in the industry. Additional criteria include effects on the economic efficiency of fleet operation and safety. All of the nominated products are evaluated by both the HDT editorial team as well as by a panel of fleet operators. The ATLAS FastGear landing gear which was launched in March 2015 distinguished itself from the competitor's products with the highest extending speed, saving important time in loading and unloading.

## SALES AND EARNINGS PERFORMANCE, NET ASSETS AND FINANCIAL POSITION

### SALES AND EARNINGS PERFORMANCE

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#### Group sales nearly constant organically

In a continuing difficult market environment, SAF-HOLLAND generated Group sales of EUR 259.9 million in the first quarter of 2016 (previous year: EUR 271.0 million). This corresponds to a decrease of 4.1% as compared to the same period in the previous year, which was influenced by high positive currency exchange effects. Organically, i.e. excluding currency exchange effects and changes in the consolidated group, Group sales only slightly decreased by 2.2% to EUR 262.3 million (previous year: EUR 268.3 million). Exchange rate development had a negative

Significant Events in the  
First Quarter of 2016  
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impact on sales totaling EUR 2.3 million in the first three months. The agricultural product line AerWay was sold at the end of 2015 and no longer contributed to group sales in the first quarter of 2016. This resulted in a sales-reduction effect in the amount of EUR 2.7 million. It should also be considered that at the Chinese subsidiary Corpco, sales revenues in the amount of EUR 3.0 million were not invoiced in the first quarter for billing reasons. Organic sales would have otherwise nearly reached the level of the previous year.

Sales development in the individual sales markets varied greatly. The very weak start to the year in the North American market for heavy trucks also had an impact on the sales development of SAF-HOLLAND in this region. In addition, important markets like Russia, Brazil and Australia remained under pressure. In China, business continued to develop well. SAF-HOLLAND benefited from the continued pleasing market development in Western Europe and the strong positioning in the Middle East. In this regard, sales growth in Europe largely compensated for the decrease in North America.

SALES DEVELOPMENT BY BUSINESS SEGMENT

EUR million	Q1/2016		Q1/2015	
Original equipment business	196.1	75.5%	204.9	75.6%
Spare parts business	63.8	24.5%	66.1	24.4%
<b>Total</b>	<b>259.9</b>	<b>100.0%</b>	<b>271.0</b>	<b>100.0%</b>

**Original equipment business influenced by weak US truck business**

In the original equipment business, sales in the first three months of 2016 decreased by 4.3% to EUR 196.1 million (previous year: EUR 204.9 million). This corresponds to a slightly lower share of Group sales of 75.5% (previous year: 75.6%). Development of demand for components for trucks and trailers was pleasing, especially in Europe, where SAF-HOLLAND benefited from ongoing sound market development. Growth was also recorded in the markets of the Middle East.

By contrast, sales in the region Americas, which in addition to the North American markets USA and Canada also includes Central America and the currently very economically weak region South America, were well below the strong figures from the previous year. This is a reflection of the already described significant drop in demand for heavy trucks (class 8) in North America, which primarily impacted the sales volume for fifth wheels in the series business. In Brazil, it was necessary to cope with a further drop in sales from an already low level in the first quarter of 2016. In the region APAC/China, sales in the first quarter of 2016 were below the comparable figures from the previous year and were influenced, among other things, by a special effect (see region APAC/China).

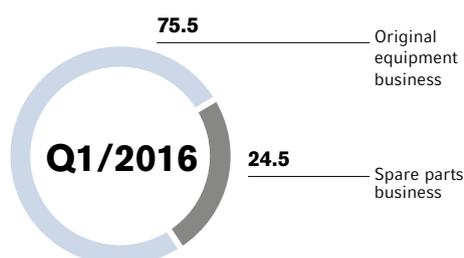
**Sales in the spare parts business slightly below the strong prior-year level**

In the first quarter of 2016, sales in the spare parts business of EUR 63.8 million were slightly below the previous year figure (EUR 66.1 million). This corresponds to a generally stable share of 24.5% (previous year: 24.4%) of Group sales. While business in the Region EMEA / India was stable at a high level and reported noticeable increases in a number of countries, sales in the region Americas were below the level of the previous year quarter. It should be considered here that positive currency exchange effects as a result of the strong US dollar in the first

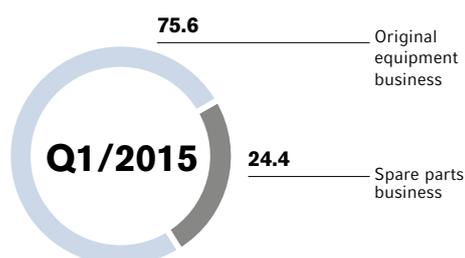
quarter of the previous year 2015 had an appreciable contribution to the increase in sales. The spare parts business currently finds itself in a market environment that is shaped by the high number of new registrations over the past three years, which has meant that demand for spare parts is still relatively limited. These fleets, however, form a good foundation for the future spare parts business. Market researchers also expect an upward movement in the North American spare parts market over the course of the next twelve months. At the same time, the number of trucks and trailers with a greater need for spare parts as a result of their advanced age is still relatively low because this relates to a generation of vehicles that was sold during the recession caused by the financial market crisis of 2008/2009. This effect, which at the moment is a burden, should, however, become gradually positive with the increasing sales figures of the following years.

In the region APAC/China, sales revenues in the spare parts business slightly exceeded the previous year level. In this Region, however, the spare parts business is still of only modest importance for SAF-HOLLAND because the initial focus is on growth in the customer base in the original equipment business and on expansion of the product population in the market.

BUSINESS SEGMENTS' SHARE OF GROUP SALES in %



BUSINESS SEGMENTS' SHARE OF GROUP SALES in %



### Good development of operational earnings

#### INCOME STATEMENT

EUR million	Q1/2016		Q1/2015	
Sales	259.9	100.0%	271.0	100.0%
Cost of sales	-206.7	-79.5%	-220.0	-81.2%
<b>Gross profit</b>	<b>53.2</b>	<b>20.5%</b>	<b>51.0</b>	<b>18.8%</b>
Other operating income	0.1	0.0%	0.4	0.2%
Selling expenses	-15.5	-6.0%	-14.5	-5.4%
Administrative expenses	-12.3	-4.7%	-11.2	-4.1%
Research and development costs	-5.1	-2.0%	-5.4	-2.0%
<b>Operating result</b>	<b>20.4</b>	<b>7.8%</b>	<b>20.3</b>	<b>7.5%</b>
Finance result	-4.9 <sup>1)</sup>	-1.9%	6.6 <sup>2)</sup>	2.4%
Share of net profit of investments accounted for using the equity method	0.4	0.2%	0.3	0.1%
<b>Result before tax</b>	<b>15.9</b>	<b>6.1%</b>	<b>27.2</b>	<b>10.0%</b>
Income tax	-4.8	-1.8%	-9.1	-3.3%
<b>Result for the period</b>	<b>11.1</b>	<b>4.3%</b>	<b>18.1</b>	<b>6.7%</b>
Number of shares <sup>3)</sup>	45,361,112		45,361,112	
<b>Undiluted earnings per share in EUR</b>	<b>0.25</b>		<b>0.40</b>	
<b>Diluted earnings per share in EUR</b>	<b>0.22</b>		<b>0.34</b>	

<sup>1)</sup> From 2016, unrealized foreign exchange gains/losses from the valuation of inter-company foreign currency loans are no longer recognized in the finance result. Unrealized foreign exchange losses in the amount of EUR 1.9 million from the valuation of inter-company foreign currency loans were recognized in other comprehensive income for the first time on the balance sheet date.

<sup>2)</sup> The finance result includes EUR 8.8 million of unrealized foreign currency exchange gains from the valuation of inter-company foreign currency loans at the balance sheet date.

<sup>3)</sup> Weighted average number of ordinary shares.

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### Gross margin significantly improved

Despite the slight sales decrease and the low capacity utilization at the North American plants with products for the truck market, the Group was able to increase gross profit in the first quarter of 2016 by EUR 2.2 million to EUR 53.2 million (previous year: EUR 51.0 million). The gross margin thus increased by 170 base points to 20.5% (previous year: 18.8%).

The improvement of the gross margin is based on a range of measures: in addition to the already effective cost reductions from the plant consolidation in Germany, savings effects from the accelerated bundling of procurement activities as well as efficiency enhancements at the plant in Warrenton, USA, among other things, also contributed. The quickly implemented adjustment of manufacturing capacities to the lower truck production figures in North America limited the negative effects on the earnings side to as great an extent as possible.

Other operating income of EUR 0.1 million (previous year: EUR 0.4 million) was EUR 0.3 million lower than in the comparable period from the previous year. Selling expenses rose to EUR 15.5 million (previous year: EUR 14.5 million) in the first quarter of 2016, their share of Group sales increased to 6.0% (previous year: 5.4%). The general administrative costs increased to EUR 12.3 million in the reporting period (previous year: EUR 11.2 million), which led to an increase in the expense ratio to 4.7% (previous year: 4.1%). The reasons for the increases in general administrative expenses and selling expenses included, among other things, the establishment of the regional organizational structure in connection with the growth preparations of Strategy 2020. Selling expenses include, among other things, to a large extent the expenses for the trade fair appearance of the company at this year's leading international exhibition BauMa in April and the IAA Commercial Vehicles trade fair in September 2016. In the first three months of 2016, research and development costs totaled EUR 5.1 million (previous year: EUR 5.4 million). The R&D ratio (not including development costs capitalized) was unchanged at 2.0% (previous year: 2.0%). In the first quarter of 2016, EUR 0.9 million was capitalized (previous year: EUR 0.5 million). This was countered by corresponding regular depreciation in the amount of EUR 0.2 million (previous year: EUR 0.1 million) so that no appreciable earnings effect was recorded. Including the capitalized development costs, R&D expenses increased slightly to EUR 6.0 million (previous year: EUR 5.9 million), which corresponds to an R&D ratio of 2.3% (previous year: 2.2%).

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### Operating result increases despite slight decrease in sales

Although sales revenues were below the level of the previous year, operating result improved slightly in the first three months of the financial year 2016, reaching EUR 20.4 million (previous year: EUR 20.3 million). By contrast, there was, as expected, a noticeable decrease in the finance result to EUR -4.9 million (previous year: EUR 6.6 million). The swing in earnings was primarily attributable to unrealized foreign exchange gains in the amount of EUR 8.8 million included in the finance result in the comparable period from the previous year. These were mainly due to the valuation of inter-company foreign currency loans and were non-cash. In the first quarter of 2016 on the other hand, there was no appreciable effect in the finance result from this position because, from 2016, the inter-company foreign currency loans, in accordance with IFRS, are treated as part of a net investment in a foreign operation. As a result, the translation effects from the valuation of inter-company foreign currency loans as of the balance sheet date will now be disclosed in other comprehensive income (OCI). Accordingly, the EUR 8.8 million in net unrealized exchange rate gains from foreign currency loans and dividend receivables from the comparable period in the previous year are countered in the first quarter of 2016 by still unrealized exchange rate losses from foreign currency loans and dividends in the amount of EUR 0.4 million.

On the interest side, there was an effect from the additional interest expenses from the promissory note loan issued in November 2015 which, as expected, exceeded earnings from the investment of excess liquidity. In total, the balance of interest income and expenses from

interest bearing loans and bonds thus increased to EUR -3.0 million (previous year: EUR -2.1 million). In the first quarter of 2016, finance expenses relating to derivative financial instruments also increased in connection with the issue of the promissory note loan to EUR 1.0 million (previous year: EUR 0.0 million).

### Net earnings impacted by non-cash exchange rate effects

The increase in operating result was countered by the already described negative swing of EUR 8.8 million in the non-cash exchange rate effects that were previously included in the finance result. Result before tax in the first quarter of 2016 was therefore EUR 11.3 million lower, reaching EUR 15.9 million (previous year: EUR 27.2 million). With a tax rate of 30.10% (previous year: 33.40%), the result for the period of EUR 11.1 million was EUR 7.0 million below the figure from the previous year of EUR 18.1 million. Based on an unchanged figure of 45.4 million issued ordinary shares, this results in undiluted earnings per share of EUR 0.25 (previous year: EUR 0.40). Taking into consideration the impact on profit and loss as well as the share equivalents for the convertible bonds issued in 2014, this resulted in diluted earnings per share of EUR 0.22 (previous year: EUR 0.34).

<sup>1)</sup> From 2016, unrealized foreign exchange gains/losses from the valuation of inter-company foreign currency loans are no longer recognized in the finance result. Unrealized foreign exchange losses in the amount of EUR 1.9 million from the valuation of inter-company foreign currency loans were recognized in other comprehensive income for the first time on the balance sheet date.

<sup>2)</sup> To allow for a better comparison, the finance result – recorded from the adjusted EBITDA – in Q1/2015 has been presented in accordance with Q1/2016, as a result of which unrealized foreign exchange gains in the amount of EUR 7.4 million in Q1/2015 were recognized in other comprehensive income.

<sup>3)</sup> The finance result includes EUR 8.8 million of unrealized foreign currency exchange gains from the valuation of inter-company foreign currency loans at the balance sheet date.

<sup>4)</sup> A uniform tax rate of 30.10% was assumed for the adjusted result for the period.

<sup>5)</sup> A uniform tax rate of 30.60% was assumed for the adjusted result for the period.

<sup>6)</sup> Weighted average number of ordinary shares.

<sup>7)</sup> The calculation of the undiluted adjusted earnings per share also includes the minority result in the amount of EUR -0.1 million (previous year: EUR 0.1 million)

<sup>8)</sup> Calculation under consideration of 8.1 million share equivalents (previous year: 8.1 million) and EUR 0.3 million (previous year: EUR 0.3 million) earnings contribution for convertible bonds issued in 2014.

#### RECONCILIATION OF ADJUSTED EARNINGS FIGURES

EUR million	Q1/2016	Q1/2015 <sup>2)</sup>	Q1/2015
Result for the period	11.1	18.1	18.1
Income tax	4.8	9.1	9.1
Finance result	4.9 <sup>1)</sup>	-6.6	-6.6
Depreciation and amortization from PPA	1.6	1.6	1.6
Restructuring and integration costs	0.3	0.4	0.4
<b>Adjusted EBIT</b>	<b>22.7</b>	<b>22.6</b>	<b>22.6</b>
in % of sales	8.7	8.3	8.3
Depreciation and amortization	4.1	3.6	3.6
<b>Adjusted EBITDA</b>	<b>26.8</b>	<b>26.2</b>	<b>26.2</b>
in % of sales	10.3	9.7	9.7
Depreciation and amortization	-4.1	-3.6	-3.6
Finance result	-4.9 <sup>1)</sup>	-0.8	6.6 <sup>3)</sup>
<b>Adjusted earnings before tax</b>	<b>17.8</b>	<b>21.8</b>	<b>29.2</b>
Income tax	-5.4	-6.7	-8.9
<b>Adjusted result for the period</b>	<b>12.4<sup>4)</sup></b>	<b>15.1<sup>5)</sup></b>	<b>20.3<sup>5)</sup></b>
in % of sales	4.8	5.6	7.5
Number of shares <sup>6)</sup>	45,361,112	45,361,112	45,361,112
<b>Undiluted adjusted earnings per share in EUR<sup>7)</sup></b>	<b>0.27</b>	<b>0.33</b>	<b>0.45</b>
<b>Diluted adjusted earnings per share in EUR<sup>8)</sup></b>	<b>0.24</b>	<b>0.29</b>	<b>0.38</b>

### Adjusted EBIT margin of 8.7% 40 base points above previous year

EBIT of the SAF-HOLLAND Group, adjusted for effects from the purchase price allocation as well as restructuring expenses totaling EUR 1.9 million (previous year: EUR 2.0 million), increased slightly in the first quarter of 2016 to EUR 22.7 million (previous year: EUR 22.6 million). The adjusted EBIT margin improved by 40 base points in a difficult market environment to 8.7% (previous year: 8.3%).

In comparison to the previous year, unrealized exchange rate gains/losses from the valuation of inter-company foreign currency loans of EUR -1.9 million (previous year: EUR 7.4 million) are now recognized directly in other comprehensive income (OCI).

Sales and Earnings Performance,  
Net Assets and Financial Position

The finance result in the first quarter of 2016 thus amounted to EUR -4.9 million (previous year: EUR -0.8 million). The difference of EUR 4.1 million over the previous year figure results from the valuation of derivative financial instruments in the amount of EUR -1.2 million (previous year: EUR 0.3 million), unrealized exchange rate gains/losses from inter-company dividend receivables of EUR -0.4 million (previous year: EUR 1.4 million) and from interest expenses due to interest bearing loans and bonds of EUR -3.0 million (previous year: EUR -2.1 million).

After depreciation and amortization as well as the finance result, adjusted result before tax was EUR 17.8 million (previous year: EUR 21.8 million). Following deduction of income tax, the adjusted profit for the period was accordingly EUR 12.4 million in the first quarter of 2016 as compared to EUR 15.1 million in the previous year.

The undiluted earnings per share adjusted on this basis would have totaled EUR 0.27 (previous year: EUR 0.33) and the diluted adjusted earnings per share EUR 0.24 (previous year: EUR 0.29).

**Business development in the regions: strong business in EMEA compensates for weakness in Americas**

OVERVIEW OF REGIONS

EUR million	EMEA <sup>1)</sup>		Americas <sup>2)</sup>		APAC/China <sup>3)</sup>		Total	
	Q1/2016	Q1/2015	Q1/2016	Q1/2015	Q1/2016	Q1/2015	Q1/2016	Q1/2015
Sales	145.2	135.7	100.2	117.7	14.5	17.6	259.9	271.0
Cost of sales	-116.7	-110.3	-79.0	-96.0	-11.0	-13.7	-206.7	-220.0
<b>Gross profit</b>	<b>28.5</b>	<b>25.4</b>	<b>21.2</b>	<b>21.7</b>	<b>3.5</b>	<b>3.9</b>	<b>53.2</b>	<b>51.0</b>
in % of sales	19.6	18.7	21.1	18.5	24.1	22.2	20.5	18.8
Other operating income and expense	-14.7	-13.2	-12.9	-12.5	-2.9	-2.7	-30.5	-28.4
<b>Adjusted EBIT</b>	<b>13.8</b>	<b>12.2</b>	<b>8.3</b>	<b>9.2</b>	<b>0.6</b>	<b>1.2</b>	<b>22.7</b>	<b>22.6</b>
in % of sales	9.5	9.0	8.3	7.8	3.8	6.9	8.7	8.3

<sup>1)</sup> Includes Europe, Middle East, Africa and India.

<sup>2)</sup> Includes Canada, the USA as well as Central and South America.

<sup>3)</sup> Includes Asia/Pacific and China.

**EMEA/India: clear growth in sales and earnings**

The EMEA/India segment recorded sales growth in the first quarter of 2016 to EUR 145.2 million (previous year: EUR 135.7 million), an increase of 7.0%. The share of Group sales increased to 55.9% (previous year: 50.1%). Adjusted for exchange rate effects, sales increased by 8.1% to EUR 146.7 million (previous year: EUR 135.7 million).

The European zone continued to represent the largest regional market for the SAF-HOLLAND Group. Solid growth in the first three months of 2016 was buoyed by higher demand in the original equipment business for trailer components in Europe. Business development benefited from the ongoing economic recovery in the important markets of the Eurozone and the continuing relatively advanced age of the fleets. This leads to continued investments on the part of customers in the modernization of their trailer fleets. It must be kept in mind here that the majority of sales for original equipment in the region is made with trailer components. Further growth in the region in the first three months of 2016 was also recorded for fifth wheels for heavy trucks. As expected, the situation in Russia by contrast, as well as in a number of neighboring Scandinavian markets remained difficult.

Despite the partially difficult framework conditions in the area, the region Middle East showed a pleasing development. Capacities of the Parts Distribution Center in Dubai, which SAF-HOLLAND had only significantly expanded in the past year, are already nearly fully-utilized. We are therefore planning to initiate additional expansion measures in the course of 2016. Business expansion developed as planned in the region North Africa.

Gross profit in the EMEA/India segment increased by 12.2% to EUR 28.5 million (previous year: EUR 25.4 million). The gross margin thus rose to 19.6% (previous year: 18.7%). In addition to economy of scale effects from the increase in sales, the margin improvement resulted primarily from trailing effects from the plant consolidation in Germany which was completed in the previous year. Efficiency enhancement measures at other locations in the region as well as the central bundling of needs in material procurement also had an impact on the earnings side. Adjusted EBIT for the region thus grew by 13.1% and reached EUR 13.8 million (previous year: EUR 12.2 million). The adjusted EBIT margin rose moderately to 9.5% (previous year: 9.0%).

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#### **Americas: sales and earnings performance solid despite weak markets**

In the Americas segment, SAF-HOLLAND recorded a sales decline of 14.9% to EUR 100.2 million (previous year: EUR 117.7 million) in the first quarter of 2016. The business segment's share in Group sales decreased slightly to 38.6% (previous year: 43.4%). On an organic basis, i.e. adjusted for currency effects and the sale of the AerWay product line, sales fell by 12.7% to EUR 100.4 million (previous year: EUR 115.0 million).

The sales decrease was primarily attributable to the very weak market condition in North America for trucks. In light of the substantial decline in orders received for class 8 trucks, many manufacturers have reduced their production considerably. As already mentioned, demand in the truck area was shaped by the record level of new registrations in the previous two years, and these trucks therefore require a limited amount of spare parts, but in future they will provide the foundation for spare parts volume. In Brazil, the market for SAF-HOLLAND subsidiary do Brasil, despite the extremely low level that has now been reached, once again declined so that sales revenues lost further ground and earnings remained significantly negative. Business development in the first three months in Mexico and Central America, on the other hand, was pleasing both in terms of sales and on the earnings side.

Despite the challenging market environment and the lower capacity utilization in the original equipment business with truck components, the gross margin in the Americas segment improved to 21.1% (previous year: 18.5%). This is primarily attributable to the early initiation of measures to adjust capacities, cost savings as a result of efficiency enhancement measures at the plant in Warrenton, USA, among other things, and a generally strict cost discipline. Furthermore, the product mix was generally improved over the previous year. Gross profit therefore declined at a lower rate than sales revenues and, with a minus of 2.3% or EUR 21.2 million (previous year: EUR 21.7 million), was only slightly below the figure from the same period in the previous year. Adjusted EBIT fell by 9.8% to EUR 8.3 million (previous year: EUR 9.2 million). With the help of the measures described already, the adjusted EBIT margin improved to 8.3% (previous year: 7.8%).

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#### **Business development in APAC/China**

The APAC/China segment recorded a sales decline of 17.6% in the first quarter of 2016 to EUR 14.5 million (previous year: EUR 17.6 million) and was influenced by the weak economic development in most ASEAN markets and the difficult situation in Australia's raw materials and transport sectors. Development in China, by contrast, remained good overall. A 5.5% share of Group sales (previous year: 6.5%) was accounted for by the region APAC/China in the reporting period. Exchange rate development had a generally burdening effect on sales develop-

Sales and Earnings Performance,  
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ment. Due to exchange rates development, sales in the region APAC/China declined by 14.0% – a lower rate than previously. It should also be considered that at the Chinese subsidiary Corpco, sales revenues in the amount of EUR 3.0 million were not invoiced in the first quarter for billing reasons. Sales for the segment would have otherwise been close to the level of the previous year.

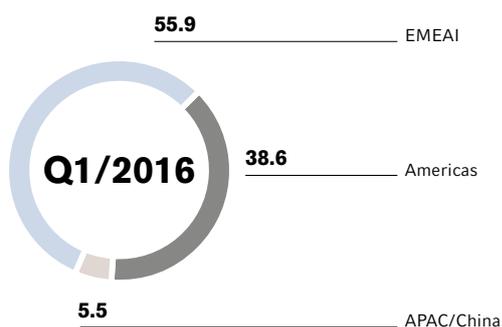
The traditional China business with axle systems for trailers and components at the Xiamen location continued to show good capacity utilization and benefited from the ongoing strong export demand for trailer chassis as well as increasing domestic sales. Corpco continues to see itself well-positioned with its air suspension systems for buses. At the turn of the year 2015/2016, it was also possible to win two considerable major orders for truck suspension systems which represent important reference projects and which should begin from 2018.

In Australia, the second important sales market in the region APAC/China, demand, primarily from the mining sector as well as for truck components, remained at a very weak level.

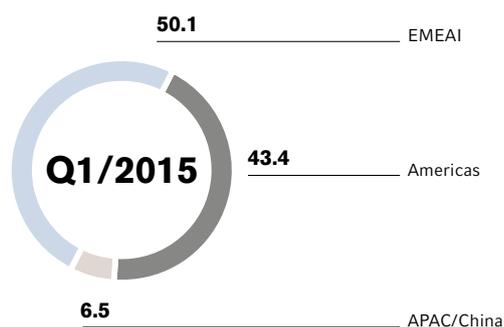
The organizational development of the region was moved further forward in the reporting period. The fact that this year’s international management meeting of the SAF-HOLLAND Group took place in Shanghai at the end of April underscores the major importance the Group has given to this region within the scope of the growth Strategy 2020.

The gross margin of the APAC/China segment reached 24.1% (previous year: 22.2%). Gross profit decreased at a disproportionately low rate compared to sales development by 10.3% to EUR 3.5 million (previous year: EUR 3.9 million). Improved productivity at the plant in Xiamen had a positive influence here. In light of the upfront expenses and investments in the further expansion of the business in the region, other expenses increased at a disproportionately high rate. In combination with the lower sales level this led to a decrease in adjusted EBIT to EUR 0.6 million (previous year: EUR 1.2 million). The adjusted EBIT margin was 3.8% (previous year: 6.9%).

SHARE OF GROUP SALES BY REGION in %



SHARE OF GROUP SALES BY REGION in %



## NET ASSETS

### Increase in balance sheet total due to seasonal expansion of working capital

There was an increase in the balance sheet total as of March 31, 2016 to EUR 924.7 million (December 31, 2015: EUR 888.5 million), which was buoyed exclusively by current assets. Non-current assets on the other hand decreased to EUR 374.4 million (December 31, 2015: EUR 380.3 million). This was mainly a result of the slightly declining intangible assets and property, plant and equipment because their depreciation and amortization exceeded the corresponding inflows.

Current assets increased overall to EUR 550.2 million (December 31, 2015: EUR 508.2 million), primarily as a result of the seasonal expansion of working capital. Inventories thus increased to EUR 127.2 million (December 31, 2015: EUR 118.0 million), and the days of inventory outstanding as of the end of the first quarter 2016 was thus at 55 days (December 31, 2015: 53 days). The days of inventory outstanding was nevertheless slightly lower than on March 31, 2015 when the figure was 56 days. The increase in days of inventory outstanding is attributable, in addition to the seasonal pattern, to the delay with which the American subsidiaries were able to adjust their inventories to the lower business volume. Our medium term objective for days of inventory outstanding remains unchanged at 45 days, but this can only be achieved in the medium term due to the higher inventories in a number of peripheral markets as well as due to the expansion of the Parts Distribution Centers.

Trade receivables recorded an increase to EUR 134.4 million in the reporting period (December 31, 2015: EUR 116.5 million). This increase is also seasonal in nature. The days sales outstanding at the end of the first quarter 2016 were in line with this development at 47 days (December 31, 2015: 43 days). In the previous year's quarter, the increase in trade receivables was, however, much stronger and the days sales outstanding was at 51 days on March 31, 2015.

#### OVERVIEW OF NET ASSETS

EUR million	03/31/2016	12/31/2015
Balance sheet total	924.7	888.5
Equity	293.8	287.8
Equity ratio	31.8%	32.4%
Adjusted equity ratio <sup>1)</sup>	44.7%	45.3%
Net debt <sup>2)</sup>	111.5	122.4

<sup>1)</sup> Adjusted for cash and cash equivalents and other short-term investments that go beyond the figure targeted by SAF-HOLLAND of approximately EUR 7 million.

<sup>2)</sup> Including cash and cash equivalents as well as other short-term investments of EUR 75.0 million (December 31, 2015: EUR 115.0 million).

### Equity ratio at a stable level

As of the balance sheet date, equity rose to EUR 293.8 million (December 31, 2015: EUR 287.8 million). This corresponds to a nearly unchanged equity ratio of 31.8% (December 31, 2015: 32.4%). On both March 31, 2016 and on December 31, 2015, the equity ratio for the Group was influenced by the retention of excess liquidity. If the balance sheet total is adjusted for cash and cash equivalents as well as other short-term investments which exceed the figure of approximately EUR 7 million that is targeted by SAF-HOLLAND, this would result in a mathematical equity ratio for March 31, 2016 of 44.7% (December 31, 2015: 45.3%). This remains well above the target figure for the Group of around 40%.

Sales and Earnings Performance,  
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### Net debt reduced further

On the liabilities side, non-current liabilities amounted to EUR 478.7 million (December 31, 2015: EUR 475.4 million). This increase was mainly attributable to growth in other provisions (primarily provisions for guarantees and provisions for success-based remuneration components). Current liabilities increased at a much higher rate and amounted to EUR 152.2 million on March 31, 2016 (December 31, 2015: EUR 125.3 million). The increase is primarily the result of the increase in trade payables to EUR 110.7 million (December 31, 2015: EUR 89.9 million). Parallel to the increase in inventories and trade receivables, this rise also primarily reflects the seasonal pattern.

Non-current and current liabilities from interest bearing loans and bonds as of the end of the quarter amounted to EUR 386.1 million (December 31, 2015: EUR 383.2 million). Subtracting cash and cash equivalents and available-for-sale financial assets this results in a lower net debt of EUR 111.5 million (December 31, 2015: EUR 122.4 million). At the same time, total liquidity increased from EUR 409.2 million at the end of the year 2015 to EUR 420.9 million as of March 31, 2016.

## FINANCIAL POSITION

### Cash flow development reflects improvement in operating income

Because the non-cash currency exchange effects had an impact only on the operating results but not on the cash flow, the cash flow development in the first quarter of 2016 clearly reflects the improvement in operating income at the SAF-HOLLAND Group.

### Net cash flow from operating activities improves by EUR 19 million

The improvement in net working capital was, on the one hand, attributable to the positive effects from the plant consolidation in Germany which was completed in the previous year and, on the other hand, to an optimized working capital management. Particularly the funds tied up in trade receivables and in other assets showed improvement. Compared to the first quarter of the previous year 2015, the increase in the first three months of 2016 was EUR 23.3 million lower. Calculated based on sales over twelve months, the resulting net working capital ratio improved to 11.4% (previous year: 11.6%).

Cash flow from operating activities before income tax thus significantly exceeded the comparable period from the previous year, reaching EUR 22.5 million (previous year: EUR 2.3 million). The net cash flow from operating activities increased accordingly by EUR 19.0 million to EUR 18.4 million (previous year: EUR -0.6 million).

#### OVERVIEW OF FINANCIAL POSITION

EUR million	Q1/2016	Q1/2015
Cash flow from operating activities before income tax paid	22.5	2.3
Cash conversion rate	99.1%	10.2%
Net cash flow from investing activities	35.9	-5.6
Investments in property, plant, and equipment and intangible assets	5.4	5.8
in % of sales	2.1%	2.1%
Net cash flow from financing activities	0.1	-0.4
Free cash flow	13.0	-6.4

### Cash flow from investing activities marked by sale of financial assets

Cash flow from investing activities was mainly influenced by the sale of financial assets in the amount of EUR 40.0 million (previous year: EUR 0.0 million). The original acquisition of these financial assets was carried out within the scope of the placement of the promissory note loan and served as an investment of excess liquidity. Without this effect, cash flow from investing activities would have amounted to EUR -4.1 million. Investments in property, plant and equipment totaled EUR 4.0 million (previous year: EUR 5.1 million) and was within the range of normal investing activities. The increase of intangible assets of EUR 1.4 million (previous year: EUR 0.7 million) primarily includes the capitalization of development costs in the amount of EUR 0.9 million. Overall, the investment ratio was thus unchanged at 2.1% (previous year: 2.1%).

### Free cash flow increases by nearly EUR 20 million as compared to previous year

The free cash flow defined as net cash flow from operating activities less investments in property, plant and equipment and intangible assets, increased significantly in the first quarter of 2016 and amounted to EUR 13.0 million (previous year: EUR -6.4 million).

Cash flow from financing activities amounted to EUR 0.1 million in the reporting period (previous year: EUR -0.4 million). Overall, in the first quarter there was a net increase in cash and cash equivalents of EUR 54.4 million (previous year: EUR -6.6 million). Including exchange rate effects, cash and cash equivalents increased to EUR 199.6 million after EUR 145.7 million at the end of 2015.

## EMPLOYEES

### Number of employees slightly lower

As of the reporting date March 31, 2016, SAF-HOLLAND employed 3,216 people worldwide (previous year: 3,370) including temporary employees. This represents a decrease of 4.6% in comparison to the previous year. The reduction in the number of employees relates primarily to the region Americas, which nonetheless still has the largest share with 42% (previous year: 47%). The number of employees in the companies in EMEA/India remained nearly unchanged and corresponded to 40% (previous year: 38%) of the total number of employees at the end of the reporting period. As planned, we increased the number of employees in the region APAC/China from 511 to 590; the region's share thus increased to 18% (previous year: 15%). Average sales per employee in the first quarter of 2016 totaled kEUR 80.8 (previous year: kEUR 80.4).

#### DEVELOPMENT OF EMPLOYEE NUMBERS BY REGION

	03/31/2016	03/31/2015
EMEA/India	1,270	1,276
Americas	1,356	1,583
APAC/China	590	511
<b>Total</b>	<b>3,216</b>	<b>3,370</b>

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Opportunities and Risk Report  
Events after the Balance Sheet Date  
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## RESEARCH AND DEVELOPMENT

### Innovation solutions for the success of fleet customers

The overriding objective of our R&D activities is to offer our customers products which ensure efficient fleet operation and which contribute towards the optimization of their total cost of ownership. Furthermore, technological adaptations to special customer wishes or regional market requirements played an important role.

Accordingly, the focus of our activities was on the areas of weight reduction through the use of lightweight components, durability, safety and maintenance friendliness.

Expenses for research and development in the reporting quarter amounted to EUR 5.1 million (previous year: EUR 5.4 million). Due to the continued high number of newly-launched projects, the scope of capitalized development costs increased to EUR 0.9 million (previous year: EUR 0.5 million). In relation to Group sales, this results in an R&D ratio (including capitalized development costs) of 2.3% (previous year: 2.2%).

## OPPORTUNITIES AND RISK REPORT

No significant changes have occurred with regard to opportunities and risk profile of the SAF-HOLLAND Group compared with the situation as described on pages 96 to 109 of the 2015 Annual Report. Overall, the risks are assessed as being manageable. We have made sufficient provisions for known risks

## EVENTS AFTER THE BALANCE SHEET DATE

Mike Kamsickas, who held the position of Chief Operating Officer, has left the SAF-HOLLAND Group for personal reasons effective May 3, 2016. Mr. Kamsickas had initially taken over the role of President of the Powered Vehicle Systems Business Unit at SAF-HOLLAND in June 2015 as successor to Jack Gisinger.

After SAF-HOLLAND's creation of a new regional structure as part of the Growth Strategy 2020 and the organization of the business segments according to regions, Mr. Kamsickas moved to the newly created position of Chief Operating Officer with responsibility for the Group's Central Operational Services division.

The responsibilities in the Global Engineering and Global Product Planning divisions, which are managed centrally for the Group, will be assumed by Steffen Schewerda, President of the Americas region until further notice. The Global Purchasing and Global Operations divisions will be led by Alexander Geis, President EMEA/India.

## OUTLOOK

### Slight downward adjustment in outlook for global economy growth

Despite the turbulence on international financial markets at the beginning of 2016, most economists continue to adhere to their fundamental assessments that the global economy will grow moderately in the current and in the coming year. In its World Economic Outlook from April 2016, however, the International Monetary Fund (IMF) adjusted its expectations for growth of

the world economy downward to 3.2%, after it had in January held out the prospect of 3.4% growth. For 2017, growth of 3.5% (previously 3.6%) is expected.

The main reasons behind this adjustment was the expected weakened growth dynamic in many – primarily Asian – emerging countries.

The important BRIC countries Brazil and Russia remain deep in recession, due on the one hand to the fall in the price of raw materials and, on the other hand, to structural weaknesses and a limited liberal economic policy. In addition to the drop in the price of oil at times to below USD 30 a barrel, the effect of western economic sanctions as well as the substantial devaluation of the national currency have also had an impact in Russia. Although crude oil prices have recovered somewhat, the economic effects for petroleum exporting countries such as the Gulf states as well as Venezuela nevertheless remain clearly noticeable.

In the industrial countries, the economic outlook has dampened slightly in recent months. At its meeting in March 2016, the Open Market Committee of the American Federal Reserve lowered its growth expectations for the US economy in 2016 from 2.4% (December estimate) to 2.2%. Accordingly, the US Federal Reserve held out the prospect of a significantly flatter increase in key interest rate for 2016 and 2017 than previously expected.

In Europe, the economic recovery is progressing without a sweeping dynamic. Deflationary tendencies continue to concern the European Central Bank (ECB). At its meeting in March, the ECB therefore accelerated its already very loose monetary policy, reducing the key interest rate to 0.0% and the deposit rate to -0.4%. An additional source of uncertainty for further economic development in Europe is the referendum on the membership of the United Kingdom in the European Union scheduled for June 23, 2016.

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#### ECONOMIC DEVELOPMENT IN IMPORTANT MARKETS

	2015	2016	2017
Eurozone	1.6%	1.5%	1.6%
Germany	1.5%	1.5%	1.6%
United States	2.4%	2.4%	2.5%
Brazil	-3.8%	-3.8%	0.0%
Russia	-3.7%	-1.8%	0.8%
India	7.3%	7.5%	7.5%
China	6.9%	6.5%	6.2%

Source: IWF (World Economic Outlook April 2016).

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#### Industry economy: Commercial vehicles markets with significantly diverse regional development

In 2016 – as in the previous year – development of the global commercial vehicle markets will vary greatly from region to region. The two key trends are the continued solid growth of trailers in Europe, a development that is countered by a significant reduction of truck production in North America. Because over 75% of demand at SAF-HOLLAND is based on systems and components for trailers, the company is advantageously positioned.

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**Outlook****\_\_ Continued recovery in Western Europe**

The Western European commercial vehicles market should continue its recovery in 2016. The expected growth is partially based on pent-up demand following years of below-average investments on the part of fleet operators and the resulting advanced age of the vehicle fleets. The at least moderate growth in the national economies of most European countries is generating additional momentum.

At the beginning of 2016, many industry experts expected that production of trailers in Europe would expand at a rate in the single-digit percentage range. According to estimates from the market research institute ACT, 3% more trailers and semi-trailers will be shipped in 2016 than in 2015. The industry experts from CLEAR are now showing a more optimistic view, predicting an increase in trailer production for all of Europe of up to 10% in 2016.

The slow recovery of the European truck market should also continue in 2016. SAF-HOLLAND's European fifth wheel business should also be able to benefit from the expected 3 to 5% increase in truck production in Western Europe.

**\_\_ Russian market remains at low level**

According to industry experts, the Russian truck and trailer market will continue to show weakness in 2016 and will remain at a very low level. Because the countries of the Russian Federation and other Eastern European states represent an important sales channel for used trucks and trailers from Western European freight forwarders, development of demand in the Russian Federation at the same time has an indirect impact on demand for new trucks and trailers in Western Europe. Due to the effects of the sanctions and the drop in demand from the Russian market, many Western European fleet operators felt compelled to temporarily postpone the sale of their used vehicles and to use them for a longer period of time. The potential elimination of the sanctions and improved financing conditions should therefore lead not only to the dissolution of pent-up demand in Russia itself, a situation that has been going on for years, but it should also have a positive impact on demand from Western European freight forwarders.

For India – a promising market in which SAF-HOLLAND currently plays a minor role – a continuation of growth in the commercial vehicles market is anticipated in 2016. This applies in particular to the heavy duty truck sector, where demand is expected to increase significantly.

**\_\_ North American truck market shows weakening tendencies, trailer market remains at high level**

Following a series of record years, market research institutes such as FTR and ACT expect a noticeable weakening of the North American market for heavy duty trucks of up to 25% in 2016. Orders received for class 8 trucks in the first quarter of 2016 also indicate a marked weakening. The 3-month average in orders received of approximately 17,000 units corresponds to an annualized rate of slightly more than 200,000 trucks and is thus below the expectations from many market observers who predict for full-year 2016 – on the basis of more than 320,000 vehicles produced in record year 2015 – a decrease of up to 20%. With the help of increasing demand in the profitable business with the public sector as well as intensified efforts to tap into the vocational trucks segment with new suspension systems, SAF-HOLLAND is working to at least partially compensate for market development.

The situation in the North American trailer market is considerably more positive. The catch-up effect among fleet operators in this segment following the crisis was not as strong as with heavy duty trucks, which means that in light of a continued stable economic development in the USA, replacement demand will be noticeably higher among fleet operators than in the class 8 heavy duty truck area. FTR refers to the historically high order backlog and the long

delivery times of manufacturers and anticipates another generally solid financial year for trailers in the North American region in 2016. Following 305,000 trailers produced in 2015, deliveries for 2016 are expected to decline only slightly.

#### **\_\_ Brazil: Extreme market weakness continues**

After the Brazilian market for heavy duty trucks had already dropped by a total of nearly two thirds in the past two years, another slight decline or stagnant market development is anticipated for 2016. The causes for the ongoing extreme market weakness can be found in the country's diverse structural and political problems which, despite the advanced age of the fleets and the current pent-up demand, is an obstacle to the willingness to invest and thus also to demand for trucks. For the Brazilian trailer market, too, another slight decrease in new vehicle registrations cannot be ruled out – despite the lows that have already been reached. At this extremely low comparative basis, however, it should be possible to establish a foundation in the market for trucks and trailers over the course of the current year in South America's largest national economy which should transfer into an at least moderate growth course in 2017.

#### **\_\_ Growth niches in China**

Industry experts expect a slight upturn of up to 5% in deliveries of heavy duty trucks and trailers in China despite the slowdown in the country's overall growth projected for 2016. In this market, SAF-HOLLAND currently offers mainly products for trailers and buses. At the end of 2015 and at the beginning of 2016, SAF-HOLLAND was able to report two major reference orders for suspension systems in the heavy duty truck sector, thus demonstrating SAF-HOLLAND's potential in the Chinese market. Additional opportunities are expected to arise when the legal stipulations for heavy duty commercial vehicles in China, which are currently being reviewed, become mandatory. These also call for a reduction of the maximum weight for the combination of truck and trailer. This would lead to an acceleration in the use of lightweight components and road-friendly air suspension systems and, as a result of the standardization objectives that are under discussion, could necessitate substantial increases in the purchase of new vehicles.

### **GENERAL STATEMENT OF THE MANAGEMENT BOARD ON THE FUTURE DEVELOPMENT OF THE COMPANY**

#### **Continued solid development of sales and operational earnings**

SAF-HOLLAND pursues a medium to long-term oriented business development, which will be implemented as part of the already discussed strategy 2020 and will take advantage of growth opportunities, particularly through a rolling out of the business in additional markets outside of the current core markets, expansion of the product portfolio and complementary joint ventures and acquisitions.

From today's perspective, we expect that the generally stable business development in the first quarter will continue in the course of financial year 2016. In this context, we are faced with a market environment that remains difficult. We do not expect a noticeable improvement of the market situation in Brazil, Russia and Australia, transport markets that are important for us, until the end of 2016. The European economic area is showing solid development in an international comparison, despite the situation in Russia. The high share of sales that are generated in Europe thus offers a favorable foundation for the further business development of the Group.

In order to take advantage of additional cost saving potential, further optimization of the production network in North America will, among other things, be investigated in 2016. The intensified establishment of competence centers as well as the manufacturing focus of the locations are at the forefront of these efforts. In the area of information technology, the data technology networking of the production locations will be further expanded. In North America, the focus is on the introduction of a new software solution, which optimally connects design, flow of materials and production and, once the project is completed, will make a noticeable contribution

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## Outlook

to reducing costs and limiting net working capital requirements. In China, we are implementing SAP as an ERP-system, starting with the Xiamen location, thereby laying the foundation for further process optimization and cost reductions.

Investments planned for the expansion or intensification of business activities in the new regions are allocated primarily to the area of engineering and the establishment of regional development and application capacities, especially testing centers. Overall, the Group anticipates payments for investments in property, plant and equipment and intangible assets of around EUR 28 million in 2016. Investments will thus be of a similar magnitude to 2015.

Our planning is based on the expectation that the world economy will grow by around 3% in 2016 and that economic development in our current core markets of North America and Europe will continue at a moderate rate. Some regional markets that are important for SAF-HOLLAND such as Brazil, Russia or Australia, on the other hand, continue to be seen at an extremely low level in 2016. Provided that the industry trend in the markets does not cool down further, management of the SAF-HOLLAND Group continues to assume that constant or slightly increased organic sales, i.e. before currency exchange rate and consolidation effects, can be achieved for the Group in financial year 2016 as compared to the previous year. It should be kept in mind here that the agricultural product line AerWay was sold in December 2015 and that it will no longer contribute to the sales and earnings of the Group in the current financial year 2016. In full-year 2015, AerWay had contributed approximately EUR 7 million to Group sales. Despite the expected significant weakening in the US market for heavy duty trucks on a full-year basis of up to 25% as compared to the high level of the previous year on the one hand and the sale of the AerWay activities on the other hand, the Group aims to achieve an organic sales level of between EUR 1,050 and EUR 1,070 million for 2016.

In view of the projected upfront expenses for business expansion under strategy 2020, the Group is budgeting for an adjusted EBIT margin of between 8 and 9% in 2016 compared to 7.4% in 2014 and 8.9% in 2015.

In accordance with the objectives of our strategy 2020, additional Group sales and earnings contributions can occur through cooperations, joint ventures or acquisitions concluded over the course of the year. This requires corresponding opportunities arising that can be achieved at reasonable purchase prices and with a manageable risk profile. Through the emission of the promissory note loan in the past year, SAF-HOLLAND has resolutely laid the financial foundations for strategy 2020, particularly for external growth aspects. For full-year 2016, this will result initially in an increase in the interest expense of around EUR 3.5 million, which will not yet be overcompensated by operating earnings.

Overall, management board expects a continued solid development of the sales and earnings performance, net assets and financial position of the Group for financial year 2016 despite the economically difficult market situation in a number of key markets. The SAF-HOLLAND Group considers itself to be in a promising position to reach the sales, earnings and profitability targets established as part of the medium-term strategy 2020.

## 24 **Consolidated Interim Financial Statements**

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**Notes to the Consolidated Interim  
Financial Statements:**

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**30 1 Corporate Information**

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**30 2 Significant Accounting Policies**

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**31 4 Scope of Consolidation**

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**31 5 Segment Information**

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**32 6 Finance Result**

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**33 7 Income Taxes**

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**33 8 Other Short-Term Investment**

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**33 9 Cash and Cash Equivalents**

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**33 10 Equity**

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**34 11 Interest Bearing Loans and Bonds**

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**35 12 Financial Assets and Other Financial Liabilities**

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**36 13 Related Party Disclosures**

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**37 14 Statement of Cash Flows**

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**37 15 Events after the Balance Sheet Date**

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kEUR	Notes	Q1/2016	Q1/2015
Sales	(5)	259,933	271,004
Cost of sales		-206,742	-219,988
<b>Gross profit</b>		<b>53,191</b>	<b>51,016</b>
Other income		89	377
Selling expenses		-15,482	-14,524
Administrative expenses		-12,287	-11,214
Research and development costs		-5,094	-5,433
<b>Operating result</b>	(5)	<b>20,417</b>	<b>20,222</b>
Finance income	(6)	396	9,411
Finance expenses	(6)	-5,320	-2,847
Share of net profit of investments accounted for using the equity method		430	346
<b>Result before tax</b>		<b>15,923</b>	<b>27,132</b>
Income tax	(7)	-4,787	-9,065
<b>Result for the period</b>		<b>11,136</b>	<b>18,067</b>
<b>Attributable to</b>			
Equity holders of the parent		11,285	18,000
Non-controlling interests		-149	67
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of foreign operations	(10)	-4,254	10,895
Changes in fair values of derivatives designated as hedges, recognized in equity	(10)/(12)	-1,223	-
Income tax effects on items recognized directly in other comprehensive income	(10)	332	-
<b>Other comprehensive income</b>		<b>-5,145</b>	<b>10,895</b>
<b>Comprehensive income for the period</b>		<b>5,991</b>	<b>28,962</b>
<b>Attributable to</b>			
Equity holders of the parent		6,202	28,675
Non-controlling interests		-211	287
<b>Basic earnings per share in EUR</b>		<b>0.25</b>	<b>0.40</b>
<b>Diluted earnings per share in EUR</b>		<b>0.22</b>	<b>0.34</b>

Consolidated Statement of  
Comprehensive Income  
Consolidated Balance Sheet

## CONSOLIDATED BALANCE SHEET

kEUR	Notes	03/31/2016	12/31/2015
<b>Assets</b>			
<b>Non-current assets</b>			
		<b>374,433</b>	<b>380,252</b>
Goodwill		52,027	52,985
Intangible assets		142,448	145,372
Property, plant and equipment		126,114	127,750
Investments accounted for using the equity method		14,518	14,102
Financial assets		1,152	1,368
Other non-current assets		3,381	3,668
Deferred tax assets		34,793	35,007
<b>Current assets</b>			
		<b>550,249</b>	<b>508,260</b>
Inventories		127,209	118,008
Trade receivables		134,368	116,535
Income tax assets		1,419	1,611
Other current assets		10,892	8,279
Financial assets		1,775	3,079
Other short-term investments	(8)	75,000	115,000
Cash and cash equivalents	(9)	199,586	145,748
<b>Total assets</b>			
		<b>924,682</b>	<b>888,512</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>			
	(10)	<b>293,791</b>	<b>287,800</b>
<b>Equity attributable to equity holders of the parent</b>			
		<b>292,020</b>	<b>285,818</b>
Subscribed share capital		454	454
Share premium		268,644	268,644
Legal reserve		45	45
Other reserve		436	436
Retained earnings		47,623	36,338
Accumulated other comprehensive income		-25,182	-20,099
<b>Shares of non-controlling interests</b>			
		<b>1,771</b>	<b>1,982</b>
<b>Non-current liabilities</b>			
		<b>478,678</b>	<b>475,417</b>
Pensions and other similar benefits		36,773	37,336
Other provisions		10,200	8,042
Interest bearing loans and bonds	(11)	380,443	379,276
Finance lease liabilities		1,341	1,509
Other financial liabilities		2,655	707
Other liabilities		876	838
Deferred tax liabilities		46,390	47,709
<b>Current liabilities</b>			
		<b>152,213</b>	<b>125,295</b>
Other provisions		6,825	7,202
Interest bearing loans and bonds	(11)	5,643	3,917
Finance lease liabilities		461	465
Trade payables		110,704	89,940
Income tax liabilities		2,612	756
Other financial liabilities		222	178
Other liabilities		25,746	22,837
<b>Total equity and liabilities</b>			
		<b>924,682</b>	<b>888,512</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Q1/2016									
Attributable to equity holders of the parent									
kEUR	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount	Shares of non-controlling interests	Total equity (Note 10)
As of 01/01/2016	454	268,644	45	436	36,338	-20,099	285,818	1,982	287,800
Result for the period	-	-	-	-	11,285	-	11,285	-149	11,136
Other comprehensive income	-	-	-	-	-	-5,083	-5,083	-62	-5,145
<b>Comprehensive income for the period</b>	-	-	-	-	11,285	-5,083	6,202	-211	5,991
As of 03/31/2016	454	268,644	45	436	47,623	-25,182	292,020	1,771	293,791

Q1/2015									
Attributable to equity holders of the parent									
kEUR	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount	Shares of non-controlling interests	Total equity (Note 10)
As of 01/01/2015	454	268,644	45	436	-773	-22,213	246,593	2,004	248,597
Result for the period	-	-	-	-	18,000	-	18,000	67	18,067
Other comprehensive income	-	-	-	-	-	10,675	10,675	220	10,895
<b>Comprehensive income for the period</b>	-	-	-	-	17,227	-11,538	28,675	287	28,962
As of 03/31/2015	454	268,644	45	436	17,227	-11,538	275,268	2,291	277,559

Consolidated Statement of Changes in Equity  
Consolidated Cash Flow Statement

## CONSOLIDATED CASH FLOW STATEMENT

kEUR	Notes	Q1/2016	Q1/2015
<b>Cash flow from operating activities</b>			
<b>Result before tax</b>		<b>15,923</b>	<b>27,132</b>
- Finance income	(6)	-396	-9,411
+ Finance expenses	(6)	5,320	2,847
+/- Share of net profit of investments accounted for using the equity method		-430	-346
+ Amortization/depreciation of intangible assets and property, plant and equipment		5,719	5,213
+ Allowance of current assets		1,810	1,167
+/- Loss/Gain on disposal of property, plant and equipment		43	-34
+ Dividends from investments accounted for using the equity method		19	18
<b>Cash flow before change of net working capital</b>		<b>28,008</b>	<b>26,586</b>
+/- Change in other provisions and pensions		2,101	-2,356
+/- Change in inventories		-12,353	-6,891
+/- Change in trade receivables and other assets		-21,538 <sup>1)</sup>	-44,802 <sup>1)</sup>
+/- Change in trade payables and other liabilities		26,243	29,718
<b>Cash flow from operating activities before income tax paid</b>		<b>22,461</b>	<b>2,255</b>
- Income tax paid	(7)	-4,022	-2,874
<b>Net cash flow from operating activities</b>		<b>18,439</b>	<b>-619</b>
<b>Cash flow from investing activities</b>			
+ Sales of other short term investments		40,000	-
- Purchase of property, plant and equipment		-4,028	-5,084
- Purchase of intangible assets		-1,436	-657
+ Proceeds from sales of property, plant and equipment		1,254	171
+ Interest received		107	11
<b>Net cash flow from investing activities</b>		<b>35,897</b>	<b>-5,559</b>
<b>Cash flow from financing activities</b>			
- Payments for finance lease		-109	-106
- Interest paid		-853	-1,002
+/- Change in drawings on the credit line and other financing activities	(11)	1,031	708
<b>Net cash flow from financing activities</b>		<b>69</b>	<b>-400</b>
<b>Net increase in cash and cash equivalents</b>		<b>54,405</b>	<b>-6,578</b>
+/- Effect of changes in exchange rates on cash and cash equivalents		-567	1,093
<b>Cash and cash equivalents at the beginning of the period</b>	(9)	<b>145,748</b>	<b>44,165</b>
<b>Cash and cash equivalents at the end of the period</b>	(9)	<b>199,586</b>	<b>38,680</b>

<sup>1)</sup>As of March 31, 2016, trade receivables in the amount of EUR 26.5 million (previous year: EUR 22.9 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.

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# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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*For the period January 1 to March 31, 2016*

## 1 \_ CORPORATE INFORMATION

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

## 2 \_ SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries (the "Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and in effect as of the closing date.

The consolidated interim financial statements for the first quarter of 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting". Unless expressly indicated otherwise, the same accounting policies and consolidation methods were applied as in the Group's annual financial statements for the financial year 2015. Therefore, the consolidated interim financial statements should be read in conjunction with the Group's annual financial statements as of December 31, 2015.

In preparing the consolidated interim financial statements, management has to make assumptions and estimates which 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.

Expenses and income incurred irregularly during the financial year were anticipated or deferred if it would also be appropriate to take them into account at the end of the financial year.

The consolidated interim financial statements and the Group Interim Management Report have neither been audited nor reviewed by an auditing firm.

## 3 \_ SEASONAL EFFECTS

Seasonal effects during the year can result in variations in sales and the resulting profits. Please see the Group Interim Management Report for further details regarding earnings development.

Corporate Information
Significant Accounting Policies
Seasonal Effects
Scope of Consolidation
Segment Information

## 4 \_ SCOPE OF CONSOLIDATION

There were no changes to the scope of consolidation compared to the consolidated financial statements as of December 31, 2015.

## 5 \_ SEGMENT INFORMATION

Effective January 1, 2016 a new organization was introduced in the management and reporting in order to better achieve the goals defined in the corporate strategy 2020. The previous business units "Trailer Systems", "Powered Vehicle Systems" and "Aftermarket" were dropped. As part of the regionally-focused repositioning of the SAF-HOLLAND Group, from the reporting period 2016, management and Group reporting will be carried out via the "EMEA/India", "America" and "APAC/China" regions.

Management assesses the performance of the operating segments based on adjusted EBIT. The reconciliation from operating result to adjusted EBIT is provided as follows:

kEUR	Q1/2016	Q1/2015
Operating result	20,417	20,222
Share of net profit of investments accounted for using the equity method	430	346
<b>EBIT</b>	<b>20,847</b>	<b>20,568</b>
Additional depreciation and amortization from PPA	1,601	1,607
Restructuring and integration costs as well as non-period expenses	232	403
<b>Adjusted EBIT</b>	<b>22,680</b>	<b>22,578</b>

Information on segment sales and earnings for the period from January 1 to March 31, 2016:

kEUR	Q1/2016			
	Business Units			Consolidated
	Americas	EMEA/India	APAC/China	
Sales	100,244	145,222	14,467	<b>259,933</b>
Adjusted EBIT	8,341	13,791	548	<b>22,680</b>
Adjusted EBIT margin	8.3%	9.5%	3.8%	<b>8.7%</b>

kEUR	Q1/2015			
	Business Units			Consolidated
	Americas	EMEA/India	APAC/China	
Sales	117,700	135,689	17,615	<b>271,004</b>
Adjusted EBIT	9,152	12,204	1,222	<b>22,578</b>
Adjusted EBIT margin	7.8%	9.0%	6.9%	<b>8.3%</b>

Please see the Group Interim Management Report regarding earnings development of the segments.

## 6 \_ FINANCE RESULT

Finance income and expenses consist of the following:

kEUR	Q1/2016	Q1/2015 <sup>1)</sup>
Finance income due to derivatives	147	308
Interest income	138	23
Realized foreign exchange gains on foreign currency loans and dividends	77	22
Unrealized foreign exchange gains on foreign currency loans and dividends	30	8,818
Other	4	240
<b>Total</b>	<b>396</b>	<b>9,411</b>

<sup>1)</sup> Change in the disclosure compared to the presentation in the interim financial statements 2015.

kEUR	Q1/2016	Q1/2015 <sup>1)</sup>
Interest expenses due to interest bearing loans and bonds	-3,002 <sup>2)</sup>	-2,054 <sup>2)</sup>
Finance expenses due to derivatives	-1,360	-44
Unrealized foreign exchange losses on foreign currency loans	-395	-12
Finance expenses due to pensions and other similar benefits	-294	-260
Amortization of transaction costs	-63	-130
Other	-206	-347
<b>Total</b>	<b>-5,320</b>	<b>-2,847</b>

<sup>1)</sup> Change in the disclosure of the exchange losses compared to the presentation in the interim financial statements 2015.

<sup>2)</sup> Includes the non-cash interest expense of kEUR 158 (previous year: kEUR 155) for the convertible bond.

The amortization of transaction costs of kEUR -63 (previous year: kEUR -130) represents the contract closing fees recognized as expenses in the period in accordance with the effective interest method.

Finance expenses due to derivatives mainly resulted from the valuation of a derivative embedded in the contract of the promissory note loan, issued in November 2015. The variable interest bearing tranches of the promissory note loan include a so-called zero floor cap. This means that the development of the Euribor has a lower limit of 0%. As a so-called embedded derivative, the zero floor cap is assessed separately from the promissory note loan and has no impact on payments.

Unrealized foreign exchange gains on foreign currency loans and dividends of the previous year primarily comprise unrealized foreign exchange gains on inter-company foreign currency loans translated at the period-end exchange rate.

From the first quarter of 2016, the inter-company foreign currency loans are considered part of a net investment in a foreign operation. The exchange rate effects from the measurement of inter-company foreign currency loans at the closing rate are therefore included in other comprehensive income.

Finance Result
Income Taxes
Other Short-Term Investment
Cash and Cash Equivalents
Equity

## 7 \_ INCOME TAXES

The major components of income taxes are as follows:

kEUR	Q1/2016	Q1/2015
Current income taxes	-5,989	-7,351
Deferred income taxes	1,202	-1,714
<b>Income tax reported in the result for the period</b>	<b>-4,787</b>	<b>-9,065</b>

The effective income tax rate in the first quarter of 2016 was 30.06% and is thereby close to the Group income tax rate of 30.10% (previous year: 30.60%).

## 8 \_ OTHER SHORT-TERM INVESTMENT

Other short-term investment resulted from the short-term deposit of liquid funds as a consequence of the issue of the promissory note loan in November 2015.

## 9 \_ CASH AND CASH EQUIVALENTS

kEUR	03/31/2016	12/31/2015
Cash on hand, cash at banks and checks	199,582	145,742
Short-term deposits	4	6
<b>Total</b>	<b>199,586</b>	<b>145,748</b>

## 10 \_ EQUITY

The Company's subscribed share capital is unchanged from December 31, 2015 and still amounted to EUR 453,611.12 on March 31, 2016. It consists of 45,361,112 ordinary shares with a par value of EUR 0.01 and is fully paid-in.

The company's reserves – namely the share premium, the legal reserve and other reserves – are unchanged from December 31, 2015.

Changes in accumulated other comprehensive income consist of the following:

kEUR	Before tax amount		Tax (income)/expense		Net of tax amount	
	Q1/2016	Q1/2015	Q1/2016	Q1/2015	Q1/2016	Q1/2015
Exchange differences on translation of foreign operations	-4,254	10,895	–	–	-4,254	10,895
Changes in fair values of derivatives designated as hedges, recognized in equity	-1,223	–	332	–	-891	–
<b>Total</b>	<b>-5,477</b>	<b>10,895</b>	<b>332</b>	<b>–</b>	<b>-5,145</b>	<b>10,895</b>

Payment of a dividend of EUR 0.40 per share will be recommended for financial year 2015, corresponding to a total dividend distribution – in terms of the 45,361,112 shares – of kEUR 18,144.

A dividend of EUR 0.32 per share was paid for fiscal year 2014. Total dividend distribution amounted to kEUR 14,516.

## 11 \_ INTEREST BEARING LOANS AND BONDS

kEUR	Non-current		Current		Total	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Bonded loan	200,000	200,000	–	–	200,000	200,000
Convertible bond	97,227	97,069	–	–	97,227	97,069
Bond	75,000	75,000	–	–	75,000	75,000
Interest bearing bank loans	10,111	9,305	–	–	10,111	9,305
Accrued interests	–	–	6,125	4,209	6,125	4,209
Financing costs	-2,055	-2,249	-658	-540	-2,713	-2,789
Other loans	160	151	176	248	336	399
<b>Total</b>	<b>380,443</b>	<b>379,276</b>	<b>5,643</b>	<b>3,917</b>	<b>386,086</b>	<b>383,193</b>

The following table summarizes the determination of overall liquidity defined as available undrawn credit lines measured at the period-end exchange rate plus available cash and cash equivalents as well as short-term freely disposable financial assets:

kEUR	03/31/2016				
	Amount drawn valued as at the period-end exchange rate	Agreed credit lines valued as at the period-end exchange rate	Cash and cash equivalents	Other short-term investments	Total liquidity
Facility A	5,734	120,000	–	–	114,266
Facility B	41	30,936	–	–	30,895
Other Facility	4,337	5,467 <sup>1)</sup>	199,586	75,000	275,716
<b>Total</b>	<b>10,112</b>	<b>156,403</b>	<b>199,586</b>	<b>75,000</b>	<b>420,877</b>

<sup>1)</sup> Bilateral credit line for the activities of the Group in China.

kEUR	12/31/2015				
	Amount drawn valued as at the period-end exchange rate	Agreed credit lines valued as at the period-end exchange rate	Cash and cash equivalents	Other short-term investments	Total liquidity
Facility A	5,923	120,000	–	–	114,077
Facility B	42	32,088	–	–	32,046
Other Facility	3,339	5,648 <sup>1)</sup>	145,748	115,000	263,057
<b>Total</b>	<b>9,304</b>	<b>157,736</b>	<b>145,748</b>	<b>115,000</b>	<b>409,180</b>

Overall liquidity is calculated with consideration of other short-term investments. Other short-term investments are highly liquid and are to be viewed as cash equivalents in economic terms. In accordance with accounting policies, these are, however, to be presented separately from cash and cash equivalents.

Interest Bearing Loans and Bonds  
 Financial Assets and other  
 Financial Liabilities

## 12 \_ FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

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

kEUR	03/31/2016		12/31/2015	
	Fair value	Book value	Fair value	Book value
<b>Financial assets measured at cost or amortized costs</b>				
Cash and cash equivalents	199,586	199,586	145,748	145,748
Trade receivables	134,368	134,368	116,535	116,535
Other short-term investments	75,000	75,000	115,000	115,000
Other financial assets				
Other financial assets	2,526	2,526	3,334	3,334
Derivatives without hedging	401	401	839	839
Derivatives with hedging	–	–	274	274
<b>Financial liabilities measured at cost or amortized costs</b>				
Interest bearing loans and bonds	405,212	386,086	413,304	383,193
Trade payables	110,704	110,704	89,940	89,940
Finance lease liabilities	1,802	1,802	1,974	1,974
Other financial liabilities				
Derivatives without hedging relationship	1,926	1,926	885	885
Derivatives with hedging relationship	951	951	–	–

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

kEUR	03/31/2016			Total
	Level 1	Level 2	Level 3	
Bonds	190,022	–	–	190,022
Promissory note loan	–	198,892	–	198,892
Interest bearing loans and borrowings	–	16,298	–	16,298
Derivative financial assets	–	401	–	401
Derivative financial liabilities	–	2,877	–	2,877

kEUR	12/31/2015			Total
	Level 1	Level 2	Level 3	
Bonds	200,707	–	–	200,707
Promissory note loan	–	198,970	–	198,970
Interest bearing loans and borrowings	–	13,627	–	13,627
Derivative financial assets	–	1,113	–	1,113
Derivative financial liabilities	–	885	–	885

As of March 31, 2016, the derivative financial assets and liabilities contain forward exchange transactions and are used to hedge the risk position arising from the currency fluctuation of the US dollar, Russian rubel, South African rand and Turkish lira.

### 13 \_ RELATED PARTY DISCLOSURES

The Board of Directors mandate of Richard W. Muzzy ended as planned with the Annual General Meeting of April 23, 2015. In order to ensure continuity, Martina Merz had already been elected to the Board in the previous year.

Since April 23, 2015, the Board of Directors has consisted of the following members:

- Bernhard Schneider (Chairman)
- Sam Martin (Vice Chairman)
- Detlef Borghardt
- Dr. Martin Kleinschmitt
- Anja Kleyboldt
- Martina Merz

Transactions with related parties and companies in which the key management personnel of the Group hold key management positions:

kEUR	Sales to related parties		Purchases from related parties	
	Q1/2016	Q1/2015	Q1/2016	Q1/2015
SAF-HOLLAND Nippon, Ltd.	455	391	1,462	–
Castmetal FWI S.A.	–	–	5,628	8,576
<b>Total</b>	<b>455</b>	<b>391</b>	<b>7,090</b>	<b>8,576</b>

kEUR	Amounts owed by related parties		Amounts owed to related parties	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
SAF-HOLLAND Nippon, Ltd.	384	300	207	207
Castmetal FWI S.A.	–	–	1,750	953
<b>Total</b>	<b>384</b>	<b>300</b>	<b>1,957</b>	<b>1,160</b>

## 14 \_ STATEMENT OF CASH FLOWS

Please see the Group Interim Management Report for further explanations of the cash flow statement.

## 15 \_ EVENTS AFTER THE BALANCE SHEET DATE

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### Dividend payment

At the Annual General Meeting of SAF-HOLLAND S.A. on April 28, 2016, shareholders approved the recommendation of the Board of Directors to distribute a dividend of EUR 0.40 per share for financial year 2015. The total dividend distribution amounts to EUR 18.1 million.

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### Change of auditors

Furthermore, at the Annual General Meeting of SAF-HOLLAND S.A. on April 28, 2016, shareholders resolved to change auditors and appointed PricewaterhouseCoopers as auditors for financial year 2016.

In accordance with the directive of the European Union as of April 16, 2014, which requests a rotation of the auditors after ten years, and due to Corporate Governance aspects, Ernst & Young S.A., who had been the auditors for the past nine financial years, has not been elected as auditors for financial year 2016.

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### Change of the Management Board

Mike Kamsickas, who held the position of Chief Operating Officer with responsibility for the Group's Central Operational Services division, has left the SAF-HOLLAND Group for personal reasons effective May 3, 2016. The responsibilities in the Global Engineering and Global Product Planning divisions, which are managed centrally for the Group, will be assumed by Steffen Schewerda, President of the Americas region until further notice. The Global Purchasing and Global Operations divisions will be led by Alexander Geis, President EMEA/India.

No further material events have occurred since the reporting date.

# FINANCIAL GLOSSARY

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## A

### Actuarial gains and losses

Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

### Adjusted EBIT

Earnings before interest and taxes (EBIT) is adjusted for special items, such as depreciation and amortization from purchase price allocations, impairment of goodwill and intangible assets, reversal of impairment of intangible assets as well as restructuring and integration costs.

---

## B

### Business Units

For management purposes, the Group is organized into customer-oriented Business Units (Trailer Systems, Powered Vehicle Systems, and Aftermarket).

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## C

### Cash-generating unit

Cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

### Clearing house

An institution connected to or integrated into a derivatives exchange, which offsets all exchange transactions and acts as counterparty to the buyer and the seller after each transaction.

### Coverage

Analysts at renowned banks and investment houses regularly observe and evaluate the development of SAF-HOLLAND S.A.'s shares.

---

## D

### Days inventory outstanding

Inventory / cost of sales per day  
(cost of sales of the quarter / 90 days)

### Days payable outstanding

Trade payables / cost of sales per day  
(cost of sales of the quarter / 90 days)

### Days sales outstanding

Trade receivables / sales per day  
(sales of the quarter / 90 days)

---

## E

### Effective income tax rate

Income tax / earnings before tax x 100.

### Equity ratio

Equity / total assets x 100.

---

## F

### Fair value

Amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties.

### Free cash flow

Operating cash flow minus capital expenditures.

---

## G

### Gross margin

Gross profit / sales x 100.

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## H

### Hybrid financial instrument

Financial instrument that, depending on its economic substance, contains both a liability and an equity component.

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**I****IFRS/IAS**

(International Financial Reporting Standards/ International Accounting Standards): The standard international accounting rules are intended to make company data more comparable. Under the EU resolution, accounting and reporting at exchange-listed companies must be done in accordance with these rules.

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**J****Joint venture**

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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**M****MDAX**

The mid-cap-Dax (MDAX) comprises 50 companies that rank immediately below DAX securities in terms of market capitalization and order book volume.

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**N****Net working capital**

Current assets less cash and cash equivalents less current and non-current other provisions less trade payables less other current liabilities less income tax liabilities.

**Net working capital to sales**

Net working capital / (sales for the fourth quarter / 3 x 12)

**Non-recourse factoring**

Factoring where the factor takes on the bad debt risk.

**Novation**

Cancellation of a contractual obligation and establishment of a new contractual obligation in place of the old one.

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**P****Personnel expenses per employee**

Personnel expenses (not including restructuring and integration costs) / average number of employees (not including temporary employees)

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**Prime Standard**

Prime Standard is a market segment of the German Stock Exchange that lists German companies which comply with international transparency standards.

**Purchase price allocation (PPA)**

Distribution of the acquisition costs of a business combination to the identifiable assets, liabilities and contingent liabilities of the (acquired) company.

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**R****R&D ratio**

R&D cost and capitalized development cost / sales x 100

**Recoverable amount**

The recoverable amount is the higher of the fair value less cost to sell and the value in use.

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**S****Sales per employee**

Sales / average number of employees (including temporary employees)

**SDAX**

The small-cap-Dax (SDAX) comprises 50 companies that rank immediately below mid-cap-DAX (MDAX) securities in terms of market capitalization and order book volume. As is the case with DAX, TecDAX and MDAX, the SDAX belongs to the Prime Standard.

**Structured entity**

An entity has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

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**T****Total cost of ownership**

Total cost relating to acquisition, operating and maintenance of an asset.

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**V****Value in use**

Present value of future cash flows from an asset.

# LIST OF ABBREVIATIONS

<b>A</b>		<b>F</b>	
APO	Advanced Planer & Optimizer (IT-System to utilize supply-chain-management)	FAHfT	Financial assets held for trading
<b>B</b>		FEM	Finite element method; numerical technique for finding approximate solutions for partial differential equation; often used in industrial engineering
BRIC	Brasil, Russia, India, and China	FLAC	Financial liabilities measured at amortized cost
B.S.	Bachelor of Science (academic degree)	FLHfT	Financial liabilities held for trading
<b>C</b>		<b>G</b>	
CAD	IT-System often used in engineering/ product development	GDP	Gross domestic product
Cap	Derivative to hedge against rising interest rates	<b>I</b>	
CEO	Chief executive officer	IAS	International Accounting Standards
CFO	Chief financial officer	IASB	International Accounting Standards Board
COO	Chief operating officer	IFRIC	International Financial Reporting Interpretations Committee
<b>D</b>		IFRS	International Financial Reporting Standards
DAX	Deutscher Aktienindex (German stock index)	IfW	Institut für Weltwirtschaft (German economic organization)
DBO	Defined Benefit Obligation	IR	Investor Relations
DIN	Deutsches Institut für Normung (German Institute for Standardization)	ISIN	International securities identification number
<b>E</b>		ISO	International Organization for Standardization
EBIT	Earnings before interest and taxes	IT	Information technology
EBITDA	Earnings before interest, taxes and depreciation/amortization		
EURIBOR	Euro interbank offered rate		

## List of Abbreviations

<hr/>		<hr/>	
<b>K</b>		<b>S</b>	
kEUR	Thousand Euro	SDAX	Small-cap-DAX
<hr/>		SWAP	Hedging instrument in which two counterparties agree to exchange contractual rights and obligations against another (to swap) to a definite existing period of time in the future and to defined conditions
<b>L</b>		<hr/>	
LaR	Loans and receivables	<b>U</b>	
LIBOR	London interbank offered rate	US	United States of America
<hr/>		USA	United States of America
<b>M</b>		USD	US-Dollar
MATS	Mid-America Trucking Show	<hr/>	
MBA	Master of Business Administration	<b>V</b>	
MDAX	Mid-cap-DAX	VDA	Verband der Automobilindustrie (German Automotive Industry Association)
Mio.	Million	<hr/>	
M.S.	Master of Science (academic degree)	<b>W</b>	
<hr/>		WACC	Weighted average cost of capital
<b>N</b>		WKN	Wertpapierkenn-Nummer (security identification number)
n.a.	Not applicable	WpHG	Wertpapierhandelsgesetz (German Securities Trading Act)
<hr/>		<hr/>	
<b>O</b>		<hr/>	
OEM	Original equipment manufacturer	<hr/>	
OES	Original equipment service	<hr/>	
<hr/>		<hr/>	
<b>P</b>		<hr/>	
PDM	Product data management	<hr/>	
PIK	Pay-in-kind	<hr/>	
PPA	Purchase price allocation	<hr/>	
p.a.	per annum	<hr/>	
<hr/>		<hr/>	
<b>R</b>		<hr/>	
ROI	Return on investment	<hr/>	
R&D	Research and development	<hr/>	

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# **FINANCIAL CALENDAR AND CONTACT INFORMATION**

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## **Financial Calendar**

**August 11, 2016**.....Report on Half-year 2016 Results

**November 10, 2016**.....Report on Q3 2016 Results

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# IMPRINT

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