

Quarterly Report of SAF-HOLLAND S.A. as of March 31, 2017



KEY FIGURES

Results of operations

EUR million		
	Q1/2017	Q1/2016
Sales	287.3	259.9
Gross profit	57.2	53.2
Gross profit margin in %	19.9	20.5
EBIT	21.0	20.8
EBIT margin in %	7.3	8.0
Adjusted EBIT	25.1	22.7
Adjusted EBIT margin in %	8.7	8.7
Result for the period	11.3	11.1
Adjusted result for the period	14.5	12.4
Undiluted earnings per share	0.26	0.25
Adjusted undiluted earnings per share	0.32	0.27

Net Assets

EUR million		
	03/31/2017	12/31/2016
Balance sheet total	1,052.1	1,014.7
Equity	315.9	305.6
Equity ratio in %	30.0	30.1
Cash and cash equivalents	231.7	344.6
Net debt	116.0	97.1
Net Working Capital	144.8	111.9
Net Working Capital/sales	12.6	11.1

Financial position

EUR million		
	Q1/2017	Q1/2016
Cash flow from operating activities before income tax paid	-5.2	22.5
Cash Conversion Rate in %	-20.7	99.1
Net cash flow from operating activities	-9.8	18.4
Cash flow from investing activities	-100.4	35.9
Purchase of property, plant and equipment and intangible assets	5.8	5.4
Free Cash Flow	-15.6	13.0

Employees

	Q1/2017	Q1/2016
Employees (on average)	3,508	3,216
Sales per employee (kEUR)	81.9	80.8

TABLE OF CONTENTS

4

- 4 — Highlights Q1 2017
- 6 — Key Events during the First Quarter of 2017
- 6 — Economy and Industry Environment
- 8 — Sales and Earnings Performance,
Net Assets and Cash Flows
- 14 — Outlook
- 15 — Events after the Balance Sheet Date

16

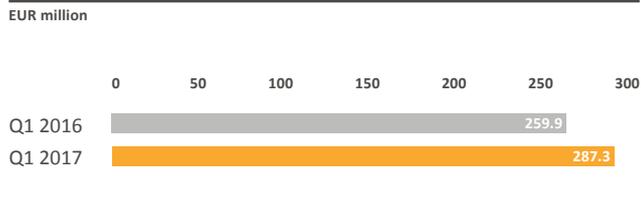
- 16 — Consolidated Statement of Comprehensive Income
- 17 — Consolidated Balance Sheet
- 18 — Consolidated Statement of Changes in Equity
- 19 — Consolidated Statement of Cash Flows
- 20 — Notes to the Interim Consolidated Financial Statements

28

- 28 — Financial Calendar and Contact Information
- 29 — Imprint

HIGHLIGHTS Q1 2017

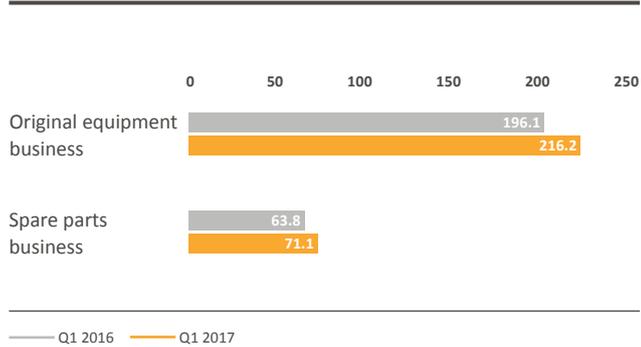
Development of sales Q1 2017



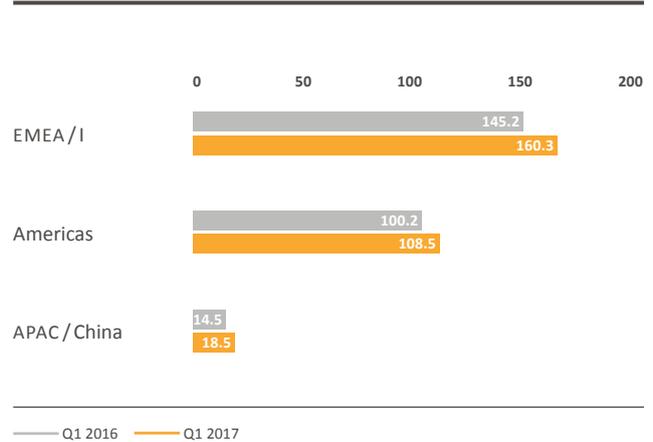
Effects on group sales

	in EUR Mio.	Share in %
Sales in Q1 2016	259.9	—
Organic growth	19.8	7.6 %
Currency effects	5.0	1.9 %
Others (KLL)	2.6	1.0 %
Sales in Q1 2017	287.3	10.5 %

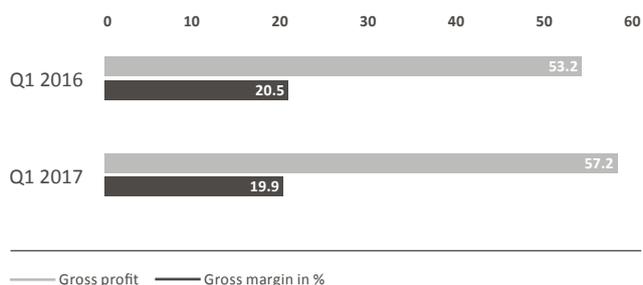
Development of sales by business area Q1 2017



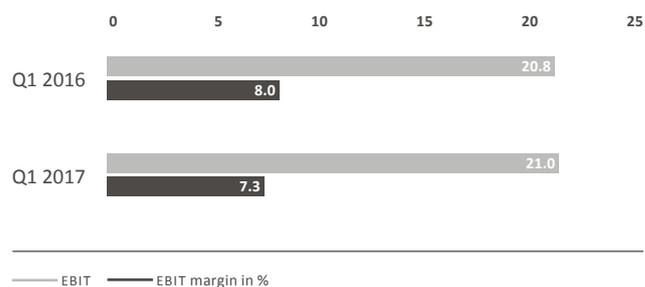
Development of sales by region Q1 2017



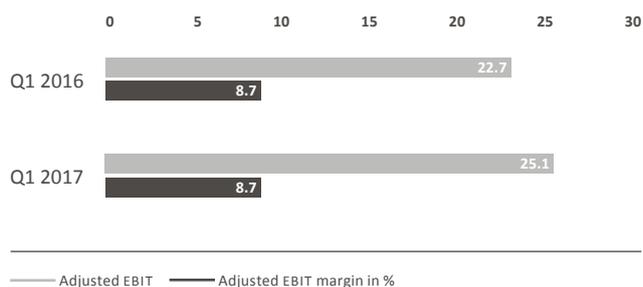
Gross profit and gross margin



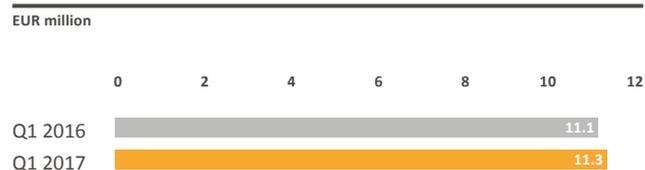
EBIT and EBIT margin



Adjusted EBIT and adjusted EBIT margin



Result for the period Q1 2017



Free cash flow

EUR million

	Q1 2017	Q1 2016
Net cash flow from operating activities	-9.8	18.4
Investments in property, plant and equipment and intangible assets	-5.8	-5.4
Free cash flow	-15.6	13.0

Development of employee numbers by region

	03/31/2017	03/31/2016
EMEA / I	1,393	1,270
Americas	1,614	1,356
APAC / CHINA	501	590
Total	3,508	3,216

KEY EVENTS DURING THE FIRST QUARTER OF 2017

NEW PLANT OPENING IN TURKEY

At the end of March 2017, SAF-HOLLAND opened a new plant in the Turkish city of Düzce. The Company invested a total of roughly EUR 5 million in the new 11,000 square meter plant. Over the next two to three years, the production volume in Turkey is expected to expand to a total of 35,000 axles annually. The range of products produced in Turkey is set to widen over the medium term and will include fifth wheels, among others. SAF-HOLLAND also plans to significantly expand its local spare parts business.

By setting up local production, SAF-HOLLAND does not only aim to increase its market share in the strategically important Turkish market but also plans to develop this location in the medium term into a hub for fast and affordable delivery to the adjacent sales markets in the Middle East and North Africa. With the opening of a new plant in Turkey, SAF-HOLLAND has completed a further step on the road to benefiting from the future growth of the transport industry in new emerging markets, which is one of the Company's stated objectives under its "Strategy 2020."

ECONOMY AND INDUSTRY ENVIRONMENT

THE GLOBAL ECONOMY IS PICKING UP SPEED

According to the latest forecast of the International Monetary Fund (IMF), growth in the global economy will accelerate slightly by 3.5 % in 2017 (January 2017 report: 3.4 %). The main stimulus will come from the United States, where the IMF forecasts a growth rate of 2.3 % compared to 1.6 % in 2016. Europe also had relatively robust economic performance at the beginning of the year, and the indicators suggest that economic performance will continue to be positive, particularly in Germany. The IMF now expects the growth rate in the eurozone as a whole to reach 1.7 % in 2017 (January 2017 report: 1.6 %). Emerging economies are also reporting growing economic momentum. The years of recession appear to be coming to an end in countries such as Russia and Brazil, while the Chinese economy continues to grow at a fast pace (Q1 2017: 6.9 %).

GLOBAL COMMERCIAL VEHICLE MARKETS AT THE START OF THE YEAR PERFORM IN LINE WITH EXPECTATIONS

The global truck and trailer markets continued their mixed performance in the first quarter of 2017. While SAF-HOLLAND's core market of Europe reported robust and steady development, North America endured another decline, although not as strong as expected. On the whole, we are confirming our expectations for the 2017 financial year that were published in the 2016 Annual Report.

SOLID DEMAND FOR TRUCKS AND TRAILERS IN EUROPE

Industry experts are expecting the European commercial vehicle market to report stable performance in the year 2017. The market research institute CLEAR is anticipating a decline in trailer volumes in Western Europe in 2017 (-4.2 %) following the market's steep rise over the past three years (2014: +14.8 %, 2015: +13.2 %, 2016: +6.9 %). CLEAR predicts growth in Eastern Europe to reach 4.3 % in 2017 and trailer production in Europe as a whole to decline 2.5 %.

A similar performance is expected in the European market for heavy trucks. The automotive industry forecaster LMC Automotive, for example, expects production in Western Europe to remain flat year-on-year, whereas Eastern Europe is expected to rise roughly 14 %, mainly supported by growth in Turkey and Russia. The registration figures for the first quarter of 2017 confirm this forecast. According to the European Automobile Manufacturers' Association (ACEA), new registrations for heavy trucks of over 16 tons, which is the vehicle segment relevant for SAF-HOLLAND, increased by 4.8 % in the European Union overall during the period from January to March 2017.

In the first quarter of 2017, the Russian market for medium and heavy trucks continued the stabilization trend that started in the previous year and, based on a low basis of comparison, went on to record an increase in registrations of 32 %. For the full year of 2017, LMC Automotive expects the Russian market to grow around 16 %.

INCREASING SIGNS OF A TURNAROUND FOR COMMERCIAL VEHICLES IN NORTH AMERICA

Production and registrations in the North American truck and trailer markets were down again at the beginning of the year as expected, although not as sharply as predicted at the turn of the year 2016/2017. Markets also appear to have bottomed, at least based on the incoming orders for trucks and trailers, which are showing signs of clear improvement and reflect the growing economic development in the manufacturing industry in the United States. As a result, the forecasts were recently raised slightly for the North American market.

According to estimates by the market research institute ACT Research, the production of Class 8 trucks declined by 21.0 % in the first quarter of 2017, while new orders increased about 31 % year-on-year. ACT Research now expects a sequential increase in production figures for the coming quarters and a decline of only 4.8 % for the year as a whole. At the beginning of the year, ACT Research was projecting a decline in production of around 11 %.

Similar to the truck market, the North American trailer market also recorded a drop in production of about 11 % in the first quarter of 2017, while incoming orders rose by 52 %. The strong growth in order intake caused ACT Research to change their production expectations for the full year from a decline of around 15 % projected at the start of the year to its current forecast of a fall of just roughly 6 %.

Contrary to the development in North America, a turnaround was seen in Brazil in the first quarter of 2017 with heavy truck production rising 16.1 %. LMC Automotive expects an increase in production of 13 % for the whole of 2017.

REGULATION STILL DRIVING DEMAND IN CHINA

According to data from the China Association of Automobile Manufacturers (CAAM), truck sales in China in the first quarter of 2017 jumped 30.1 %. As a result, this boom triggered by the stringent application of the GB1589 transportation law since September 2016, continued at the start of the year. In the bus segment, on the other hand, sales in the first quarter fell sharply by 21.1 %.

In the Australian market, which is an important market for SAF-HOLLAND, registration figures for heavy trucks rose by 11.1 % in the first three months of 2017. LMC Automotive expects registrations to remain stable for the full year (+0 %).

SALES AND EARNINGS PERFORMANCE, NET ASSETS AND CASH FLOWS

SALES AND EARNINGS PERFORMANCE

ORGANIC SALES GROWTH OF 7.6 %

Despite a persistently challenging market environment, SAF-HOLLAND recorded dynamic sales growth in the first quarter of the 2017 financial year. Sales rose by 10.5 % to EUR 287.3 million (previous year: EUR 259.9 million). Excluding positive currency effects of EUR 5.0 million and the sales contribution of EUR 2.6 million from the Brazilian company KLL Equipamentos para Transporte Ltda. (KLL), the majority in which was acquired in October 2016, sales in the first quarter of 2017 rose by 7.6 % on an organic basis to EUR 279.7 million (previous year: EUR 259.9 million).

Effects on group sales

	in EUR Mio.	Share in %
Sales in Q1 2016	259.9	–
Organic growth	19.8	7.6 %
Currency effects	5.0	1.9 %
Others (KLL)	2.6	1.0 %
Sales in Q1 2017	287.3	10.5 %

Much of the growth momentum in the first quarter of 2017 originated again from the EMEA/India and APAC/China regions. After the significant decline in the previous year, SAF-HOLLAND generated renewed sales growth in the Americas region, supported, however, by the aforementioned exchange rate and consolidation effects.

Sales by business area

EUR million	Q1/2017		Q1/2016	
Original equipment business	216.2	75.3 %	196.1	75.5 %
Spare parts business	71.1	24.7 %	63.8	24.5 %
Total	287.3	100.0 %	259.9	100.0 %

ORIGINAL EQUIPMENT BUSINESS ACHIEVES HIGHER SALES IN ALL REGIONS

In the first quarter of 2017, SAF-HOLLAND was able to increase the sales of its original equipment business by 10.2 % to EUR 216.2 million (previous year: EUR 196.1 million). Growth was supported mainly by the EMEA/India region, where demand for truck and trailer components remained strong. SAF-HOLLAND recorded double-digit growth overall in the APAC/China region

driven by a marked resurgence in demand in the Chinese commercial vehicle market. In the Americas region, amid a continued sharp market decline, the original equipment business achieved sales growth benefiting from positive currency effects and the sales contribution from KLL, which was not yet included in the previous year's scope of consolidation.

SPARE PARTS BUSINESS ALSO RECORDS LOW DOUBLE-DIGIT GROWTH

In the spare parts business, sales in the first quarter of 2017 rose by 11.4 % to EUR 71.1 million (previous year: EUR 63.8 million). All three regions contributed to the increase. The EMEA/India region continued to show solid growth, as the increased population of SAF-HOLLAND systems in the market, coupled with the positive trend in transport volumes in most core markets and the fleets' age structure, resulted in an increased need for spare parts from fleet operators. The products of the SAUER GERMANY QUALITY PARTS brand for older trucks and trailers in their "second life" complemented the positive development. After an extremely weak market for spare parts in the commercial vehicle sector in 2016, the moderate recovery in demand which started in the fourth quarter of 2016 continued in the Americas region. The strongest growth in percentage terms was observed in the APAC/China region, starting, however, from a low level. The initial focus of this region's business operations is on building a customer base and an installed base of products in the market to create the foundation for the future aftermarket business.

U.S. RESTRUCTURING COSTS IMPACT GROSS MARGIN; MARGIN IMPROVES ON AN ADJUSTED BASIS

The gross profit of the Group increased by 7.5 % in the first three months of 2017 to EUR 57.2 million (previous year: EUR 53.2 million). The slightly lower increase in gross profit compared to the rise in sales caused the gross margin to decline 60 basis points to 19.9 % (previous year: 20.5 %). This decline resulted exclusively from restructuring costs totaling EUR 2.7 million incurred in the first quarter of 2017 (previous year: EUR 0.3 million), a majority of which was recognized as cost of sales (EUR 2.1 million compared to EUR 0.0 million in Q1/2016). Most of the restructuring costs (EUR 2.1 million) consisted of relocation costs, asset impairments and severance payments attributable to the plant consolidation in North America, which was announced in January 2017 and is already being implemented. In Brazil, SAF-HOLLAND incurred EUR 0.3 million in restructuring costs for the merger of the two production sites at the KLL headquarters in Alvorada, while restructuring costs of EUR 0.3 million were incurred in the APAC/China region.

Excluding the one-time restructuring costs in the United States, on an operating level, the group's gross margin in the first quarter of 2017 would have improved by 10 basis points to 20.6 % (previous year: 20.5 %).

OPERATING EXPENSES INCREASE SLIGHTLY FASTER THAN SALES

Operating expenses, consisting of selling and general administrative expenses and research and development costs, increased by 12.2 % to EUR 36.9 million in the first quarter of 2017 (previous year: EUR 32.9 million). This year-on-year increase was due to specific factors, some of which were non-recurring and essentially related to general administrative expenses. At EUR 15.1 million (previous year: EUR 12.3 million), general administrative expenses were 22.8 % higher in the first quarter, and their ratio to sales increased to 5.3 % (previous year: 4.7 %).

The increase in selling expenses, in contrast, was sharply lower than the rise in sales and amounted to EUR 16.1 million (previous year: EUR 15.5 million). Research and development costs rose by 11.8 % to EUR 5.7 million (previous year: EUR 5.1 million).

EBIT SLIGHTLY HIGHER YEAR-ON-YEAR DESPITE U.S. RESTRUCTURING

The operating result of EUR 20.4 million generated in the first three months of 2017 was unchanged compared to the previous year. This result meant that the Company was able to fully compensate the one-time restructuring costs already described. Group EBIT in the first quarter of 2017 was slightly higher at EUR 21.0 million compared to EUR 20.8 million in the prior year. In contrast to the operating result, EBIT contains the share of net profit of investments accounted for using the equity method. This change makes reported EBIT directly comparable to the adjusted EBIT, which is the Group's key performance indicator.

Reconciliation of the operating result to adjusted EBIT

EUR million	Q1 / 2017	Q1 / 2016
Operating result	20.4	20.4
Share of net profit of investments accounted for using the equity method	0.6	0.4
EBIT	21.0	20.8
Additional depreciation and amortization from PPA	1.4	1.6
Restructuring and transaction costs	2.7	0.3
Adjusted EBIT	25.1	22.7

Impacted by the difficult market environment, some of the SAF-HOLLAND Group's local subsidiaries reported results in the first quarter 2017 that fell below those in the prior year. The Brazilian company KLL, which was acquired in the previous quarter, achieved a slightly positive operating result accompanied by higher sales of EUR 2.6 million compared to EUR 1.8 million in the fourth quarter of 2016. The operating result of the SAF-HOLLAND subsidiary SAF-HOLLAND do Brasil, in contrast, was negative and was adversely impacted by the restructuring and integration costs already mentioned.

STABLE ADJUSTED EBIT MARGIN

SAF-HOLLAND once again achieved the solid level of the previous year's adjusted EBIT margin supported by the effects of restructuring the plant network in Europe, the bundling of purchasing activities and measures to raise efficiency at the Group level. Excluding restructuring and transaction costs totaling EUR 2.7 million (previous year: EUR 0.3 million) and purchase

price allocation effects (depreciation and amortization from PPA) of EUR 1.4 million (previous year: EUR 1.6 million), the adjusted EBIT amounted to EUR 25.1 million (previous year: EUR 22.7 million) and exceeded the prior year's figure by 10.6 %. The adjusted EBIT margin remained stable at 8.7 % (previous year: 8.7 %) staying within the range of 8–9 % targeted for the full year of 2017.

FINANCE RESULT BENEFITS FROM LOWER EXPENSES FOR OTHER FINANCIAL INSTRUMENTS

The finance result for the first quarter of 2017 was EUR –4.3 million (previous year: EUR –4.9 million). The improvement over the previous year's comparable quarter was mainly due to the lower net finance expenses related to derivative financial instruments of EUR 0.0 million (previous year: EUR –1.2 million). These expenses in the first quarter of 2016 resulted from the measurement of a derivative related to a promissory note issued in November 2015.

The balance of interest income and expenses from interest-bearing loans and bonds increased moderately in the first quarter of 2017 to EUR –3.4 million (previous year: EUR –2.9 million) due to the higher level of financial liabilities compared to the previous year. The slight increase in interest expenses originated mainly from the necessity to build the financial resources – requiring SAF-HOLLAND to issue two promissory notes – for last year’s Haldex offer, which was ultimately withdrawn.

THE RESULT FOR THE PERIOD RISES TO EUR 11.3 MILLION

The slightly higher EBIT combined with an improved finance result led to an increase in the result before taxes of 5.0 % to EUR 16.7 million (previous year: EUR 15.9 million). The Group’s tax rate increased to 32.7 % (previous year: 30.1 %) because earnings contributions from companies with higher income tax rates grew disproportionately and could not be offset against losses from some of the subsidiaries. As a result, the Group’s result for the period in the first quarter of 2017 increased at a lower percentage rate than pre-tax profit and came in at EUR 11.3 million (previous year: EUR 11.1 million).

Based on an unchanged number of 45.4 million outstanding shares, basic earnings per share amounted to EUR 0.26 (previous year: EUR 0.25), and diluted earnings per share amounted to EUR 0.22 (previous year: EUR 0.22).

Reconciliation of adjusted earnings figures

EUR million	Q1 / 2017	Q1 / 2016
Result for the period	11.3	11.1
Income taxes	5.4	4.8
Finance result	4.3	4.9
Depreciation and amortization from PPA	1.4	1.6
Restructuring and integration costs	2.7	0.3
Adjusted EBIT	25.1	22.7
in % of sales	8.7	8.7
Adjusted result for the period	14.5²	12.4¹
in % of sales	5.0	4.8
Number of shares ³	45.4	45.4
Adjusted basic earnings per share in EUR⁴	0.32	0.27
Adjusted diluted earnings per share in EUR⁵	0.28	0.24

¹ Adjusted result for the period assumes a uniform tax rate of 30.20 %.

² Adjusted result for the period assumes a uniform tax rate of 30.10 %.

³ Weighted average number of ordinary shares.

⁴ The calculation of adjusted basic earnings per share includes the result attributable to non-controlling interests of EUR –0.3 million (previous year: EUR –0.1 million).

⁵ Calculated taking into account 8.1 million share equivalents (previous year: 8.1 million) and EUR 0.3 million (previous year: EUR 0.3 million) of earnings contribution from the convertible bonds issued in 2014 and non-controlling interests of EUR –0.3 million (previous year: EUR –0.1 million).

ADJUSTED EARNINGS PER SHARE REACH EUR 0.32 (PREVIOUS YEAR: EUR 0.27)

The adjusted result for the period, which was adjusted for restructuring and transaction costs and purchase price allocation effects, was 16.9 % higher at EUR 14.5 million in the first quarter of 2017 (previous year: EUR 12.4 million). The stronger percentage rise in the adjusted result for the period in comparison to the adjusted EBIT stemmed from the improvement in the finance result.

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

SEGMENT REPORTING

Overview of regions

	EUR million							
	EMEA ¹		Americas		APAC / China		Total	
	Q1 / 2017	Q1 / 2016	Q1 / 2017	Q1 / 2016	Q1 / 2017	Q1 / 2016	Q1 / 2017	Q1 / 2016
Sales	160.3	145.2	108.5	100.2	18.5	14.5	287.3	259.9
Cost of sales	-127.6	-116.7	-87.5	-79.0	-15.0	-11.0	-230.1	-206.7
Gross profit	32.7	28.5	21.0	21.2	3.5	3.5	57.2	53.2
in % of sales	20.4 %	19.6 %	19.4 %	21.1 %	18.9 %	24.1 %	19.9 %	20.5 %
Other operating income and expenses ¹	-16.2	-14.7	-13.3	-12.9	-2.6	-2.9	-32.1	-30.5
Adjusted EBIT	16.5	13.8	7.7	8.3	0.9	0.6	25.1	22.7
in % of sales	10.3 %	9.5 %	7.1 %	8.3 %	5.0 %	3.8 %	8.7 %	8.7 %

¹ Other operating income and expenses consisted of selling expenses, general administrative expenses, research and development costs, other operating income and the net profit of investments accounted for using the equity method less restructuring and integration costs in the amount of EUR 2.7 million (previous year: EUR 0.3 million) and depreciation and amortization from PPA in the amount of EUR 1.4 million (previous year: EUR 1.6 million).

EMEA/INDIA: DYNAMIC SALES GROWTH DRIVEN BY FAVORABLE MARKET ENVIRONMENT IN SOUTHERN AND EASTERN EUROPE, AFRICA AND THE MIDDLE EAST

In the first quarter of 2017, the EMEA/India region increased sales by 10.4 % to EUR 160.3 million (previous year: EUR 145.2 million). On a currency-adjusted basis, sales rose by 10.0 % to EUR 159.7 million (previous year: EUR 145.2 million). Due to the region's overall steady economic development, the demand for transportation capacity rose further and had a positive effect on the demand for truck and trailer components from the fleet operators. SAF-HOLLAND recorded strong growth in Southern Europe, particularly in Italy and Spain, as well as in some Eastern European countries, such as Poland and Russia. The solid development continued in the markets of the Middle East and Africa, where significant orders were received by major OEMs in 2016 and the first quarter of 2017.

At the end of March, SAF-HOLLAND opened a new assembly plant in the Turkish town of Düzce for the production of axle systems in close proximity to its customers, thereby strengthening its relationship with local customers. This plant will also supply the adjacent growth markets of the region and the North African markets. The Company intends to expand the production volume up to 35,000 axles annually over a period of 2–3 years.

Adjusted EBIT in the EMEA/India region rose by 19.6 % to EUR 16.5 million (previous year: EUR 13.8 million). The adjusted EBIT margin reached 10.3 % (previous year: 9.5 %). Orders received from outside of Europe, the product mix and economies of scale were the significant contributors to the margin improvement.

AMERICAS: SLIGHT RISE IN ORGANIC SALES AMID A DIFFICULT MARKET ENVIRONMENT

Sales in the Americas region rose by 8.2 % in the first quarter of 2017 to EUR 108.5 million (previous year: EUR 100.2 million). There was also a slight rise in organic sales of 1.6 % to EUR 101.8 million after an adjustment for positive currency effects of EUR 4.1 million and the contribution of EUR 2.6 million from KLL, which was not yet included in the prior-year quarter.

The original equipment business recorded higher sales in the first quarter benefiting from the consolidation effect of the Brazilian subsidiary KLL. The recovery in the truck and trailer markets in North America, which has been visible in the incoming order figures since the end of 2016, has not yet been reflected in the weak production figures reported for the first quarter of 2017. Production continued to decline significantly in the first three months of 2017 (see "Economy and Industry Environment," page 6). SAF-HOLLAND once again outperformed the market as a whole by winning additional market share, the ramping up of significant major orders and higher customer demand for complete axle systems and disc brakes. The spare parts business, which is slowly picking up again after a disappointing 2016, also contributed to this growth.

SAF-HOLLAND began with the consolidation and restructuring of its North American plant network in the first quarter of 2017. By consolidating seven production plants into five, the production network is centralized and geographically located closer to the customer base of the truck and trailer industry to further improve the Company's long-term competitiveness. In addition, the internal logistics processes are also being optimized, which

should result in faster delivery times. SAF-HOLLAND continues to expect one-time restructuring costs of up to US\$ 10 million for the full year 2017. After the restructuring is completed, SAF-HOLLAND expects to achieve an annual reduction in the direct cost base in the mid single-digit million US\$ range. SAF-HOLLAND is also optimizing the structure in Brazil and is combining the activities of its own subsidiary with those of the acquired company KLL.

The adjusted EBIT in the Americas region reached EUR 7.7 million in the first quarter (previous year: EUR 8.3 million). At 7.1 % (previous year: 8.3 %), the adjusted EBIT margin was below the level of the comparable prior-year quarter but showed an improvement versus the fourth quarter of 2016 (6.2 %). The lower margin compared to the previous year was the result of insufficient capacity utilization in the region overall, an unfavorable product mix and a negative contribution to earnings from Brazil.

APAC/ CHINA: VISIBLE RISE IN SALES AT THE START OF THE YEAR

In the first quarter of 2017, the APAC/China region achieved a significant sales increase of 27.6 % to EUR 18.5 million (previous year: EUR 14.5 million) and 26.2 % on a currency-adjusted basis. A key driver of sales was again the growing business with trailer components in China. A resurgence in demand resulted largely from the implementation of the GB1589 standard, which limits the weight and length of truck and trailer combinations. This factor ensured the business with trailer axle systems and components at the Xiamen plant was well utilized and increased sales. In the first three months of the 2017 financial year, the Corpco subsidiary also recorded a slight increase in sales based on weak year-on-year comparison, despite the continued difficult Chinese bus market. Demand in the markets of Thailand and Malaysia continued to be mixed.

In the first quarter of 2017, the region's adjusted EBIT rose to EUR 0.9 million (previous year: EUR 0.6 million). At 5.0 % (previous year: 3.8 %), the adjusted EBIT margin improved both year-on-year and sequentially, but remained below the Group's average. This lower margin resulted from the upfront investments to expand the region's organization within the framework of "Strategy 2020" and the effect of the comparatively high share of original equipment.

NET ASSETS

TOTAL ASSETS INCREASE DUE TO A SEASONAL RISE IN WORKING CAPITAL

As of March 31, 2017 reporting date, total assets had grown by 3.7 % to EUR 1,052.1 million (December 31, 2016: EUR 1,014.7 million). The majority of this increase was attributable to the rise in net working capital. Trade receivables increased to EUR 155.1 million (December 31, 2016: EUR 116.7 million) among others due to the higher number of working days and strong sales in March 2017 and the fact that most of these sales had not yet produced an inflow of cash as of March 31, 2017 reporting date due to the payment due dates. The rise in trade receivables exceeded the usual seasonal pattern occurring in the first quarter of a financial year.

Inventories increased as planned to EUR 145.7 million (December 31, 2016: EUR 131.0 million). In addition to the usual seasonal effects, this rise was also due to the opening of the new plant in Turkey at the end of March 2017 and the plant consolidation underway in North America, which required a temporary increase in inventories. A single-digit million euro amount was accounted for the higher inventory levels in North America alone. Days inventory outstanding of the Group as of March 31, 2017 was 57 days (December 31, 2016: 58 days).

At EUR 326.7 million (December 31, 2016: EUR 344.6 million), the largest single asset item continues to be liquid assets (cash and cash equivalents as well as other short-term investments). This item's decline resulted from the negative free cash flow generated in the first quarter of 2017.

Overview of net assets

EUR million	March 31, 2017	December 31, 2016
Total assets	1,052.1	1,014.7
Equity	315.9	305.6
Equity ratio in %	30.0 %	30.1 %
Net debt ¹	116.0	97.1

¹ Taking into account cash and cash equivalents and other short-term investments (March 31, 2017: EUR 95.0 million; December 31, 2016: EUR 0.0 million)

EQUITY RATIO AT 30 %

Equity amounted to EUR 315.9 million as of March 31, 2017 (December 31, 2016: EUR 305.6 million). This increase was primarily due to the result for the period achieved in the first quarter of 2017. Despite the absolute rise of equity, the equity ratio marginally fell to 30.0% at the End of March 2017 after standing at 30.1% on December 31, 2016. When evaluating the equity ratio, it is important to take into account that the balance sheet ratios are currently characterized by maintaining high liquidity for any acquisitions and investments planned as part of the Company's "Strategy 2020".

NON-CURRENT LIABILITIES BARELY CHANGED

At the end of the first quarter, there was little change in non-current liabilities, which amounted to EUR 558.9 million compared to EUR 555.4 million at the end of 2016. Current liabilities increased to EUR 177.3 million (December 31, 2016: EUR 153.7 million), mainly as a result of higher trade payables (EUR 124.2 million compared to EUR 106.7 million as of December 31, 2016) and helped offset part of the effect of the increase in working capital items on the assets side of the balance sheet.

SLIGHTLY HIGHER NET DEBT

Non-current and current liabilities from interest-bearing loans and bonds totaled EUR 442.7 million as of March 31, 2017 (December 31, 2016: EUR 441.7 million). Net debt (net of cash and cash equivalents and other short-term investments) increased to EUR 116.0 million (December 31, 2016: EUR 97.1 million) at the end of the first quarter. The reduction in the buildup of working capital targeted for the remainder of the year should bring about a decline in net debt.

FINANCIAL POSITION: CASH FLOWS**OPERATING CASH FLOW AFFECTED BY AN INCREASE IN NET WORKING CAPITAL FROM STRONG SALES GROWTH IN MARCH**

The net cash flow from operating activities in the first quarter of 2017 in the amount of EUR –9.8 million (previous year: EUR 18.4 million) was mainly affected by the reporting date-related increase in net working capital, which resulted in a cash outflow of EUR –31.5 million (previous year: EUR –5.5 million) (see explanation in the section "Net Assets" on page 12). The increase in net working capital was particularly related to the increase in trade receivables (EUR –43.5 million compared to EUR –21.5 million), which significantly exceeded the corresponding buildup of trade payables (EUR 24.1 million compared to EUR 26.2 million). The change in inventories, however, led to only a slightly higher cash outflow of EUR –14.1 million (previous year: EUR –12.4 million) compared to the prior year. As of March 31, 2017, the net working capital ratio (the ratio of net working capital to sales in the first quarter extrapolated for the full year) has increased in comparison to year end 2016 (11.1%) and stood at 12.6% (previous year 11.4%). The ratio was nevertheless within the planned range of the outlook for 2017 of 12 to 13%.

At EUR 26.3 million, cash flow before changes in net working capital in the first quarter of 2017 was slightly below last year's level of EUR 28.0 million. The increases in the result before taxes to EUR 16.7 million (previous year: EUR 15.9 million) and depreciation and amortization of intangible assets and property, plant and equipment to EUR 6.2 million (previous year: EUR 5.7 million) were more than offset by lower allowances of current assets in the amount of EUR –0.5 million (previous year: EUR 1.8 million) and net financial income and expenses of EUR 4.3 million (previous year: EUR 4.9 million).

Overview of financial position

EUR million

	Q1 / 2017	Q1 / 2016
Cash flow from operating activities before income taxes paid	–5.2	22.5
Cash conversion rate ¹	–20.7 %	99.1 %
Net cash flow from investing activities	–100.4	35.9
Investments in property, plant and equipment and intangible assets	5.8	5.4
in % of sales	2.0 %	2.1 %
Net cash flow from financing activities	–2.6	0.1
Free cash flow ²	–15.6	13.0

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

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

SLIGHTLY HIGHER INVESTMENT VOLUME

The net cash flow from investing activities in the first quarter of 2017 was EUR –100.4 million compared to EUR 35.9 million in the previous year. Both years, however, are strongly characterized by the acquisition of other financial assets (Q1/2017: EUR –95.0 million) and the sale of other short-term investments (Q1/2016: EUR +40.0 million). Excluding these effects, the net cash flow from investing activities in the first quarter of 2017 would have amounted to EUR –5.4 million (previous year: EUR –4.1 million) mainly reflecting investments in property, plant and equipment and intangible assets in the amount of EUR 5.8 million (previous year: EUR 5.4 million). As a result, the investment ratio amounted to 2.0 % (previous year: 2.1 %).

FREE CASH FLOW IN THE FIRST QUARTER BELOW PREVIOUS YEAR

Due to the sharp rise in net working capital, free cash flow (net cash flow from operating activities less investments in property, plant and equipment and intangible assets) in the first quarter of 2017 fell to EUR –15.6 million (previous year: EUR 13.0 million). Free cash flow is expected to improve noticeably in the coming quarters along with a targeted reduction in the buildup of working capital.

The net cash flow from financing activities for the first quarter of 2017 amounted to EUR –2.6 million (previous year: EUR 0.1 million) and mainly included interest paid and the change in the utilization of the credit lines.

OUTLOOK

SALES AND EARNINGS OUTLOOK

From today's perspective, we believe SAF-HOLLAND's overall solid business development will continue in the current financial year. For 2017, SAF-HOLLAND expects to achieve Group sales in the range of EUR 1,060 million to EUR 1,090 million. This forecast is based on the assumption of an unchanged scope of consolidation and stable currency exchange rates.

The EBIT margin adjusted for special items should again be within a range of 8 % to 9 % in 2017, whereby from today's standpoint, the Company expects the margin to rather tend toward the mid-point of the range due to the upfront investment necessary to achieve the goals of our growth strategy 2020.

In line with our targets under "Strategy 2020," additional Group sales and earnings contributions may result from collaborations, joint ventures or acquisitions that may take place at some point during the year. This assumes the availability and realization of appropriate opportunities at reasonable prices and a manageable risk profile.

ONE-TIME EXPENSES FOR RESTRUCTURING THE NORTH AMERICAN PLANT NETWORK

As already announced, SAF-HOLLAND will be consolidating its North American plant network in 2017. This consolidation is expected to result in a one-time restructuring charge of up to US\$ 10 million. This charge will consist mainly of relocation costs, impairment charges on equipment and severance payments. SAF-HOLLAND expects the vast majority of these charges to be recognized in the 2017 financial year. After recognizing restructuring costs of EUR 2.1 million in the first

quarter of 2017, SAF-HOLLAND expects the charges in the second and third quarters of 2017 to tend to exceed the level in the first quarter and then amount to less in the fourth quarter. Here it should be noted that the Group's key performance indicator – adjusted EBIT – is generally adjusted for restructuring expenses. SAF-HOLLAND expects to achieve an annual reduction in the North American direct cost base in the mid single-digit million US\$ range after the restructuring is completed.

RETURNS TO REMAIN SOLID

The Group's financial strength will remain at a high level based on ongoing disciplined investment spending and the Group-wide optimization of net working capital, whereby payments for investments in property, plant and equipment and intangible assets are expected to rise slightly compared to 2016 and fall in the range of EUR 28 million to EUR 31 million. As of March 31, 2017, the net working capital ratio was 12.6 % (previous year: 11.4 %), which was within the planned range of 12 % to 13 % given in the forecast published in the 2016 Annual Report. The expected increase in sales will lead to higher working capital requirements compared to the 2016 financial year, which nevertheless in the course of 2017 should be lower than in the first quarter of 2017. Depending on the timing of the implementation of the measures to consolidate the plants in the United States, we may see a temporary rise in inventories. Despite the effects mentioned, we continue to expect to generate a solid free cash flow in 2017, which is likely to be below the high level generated in the 2016 financial year due to the factors already mentioned.

EVENTS AFTER THE BALANCE SHEET DATE

DIVIDENDS

The Annual General Meeting on April 27, 2017 resolved to distribute a dividend of EUR 0.44 per share to the shareholders from the net profit for the past financial year. The total dividend payout amounts to a total of EUR 20.0 million.

JACK GISINGER AND CARSTEN REINHARDT ARE NEW MEMBERS OF THE BOARD OF DIRECTORS

With effect at the end of the Annual General Meeting held on April 27, 2017, the SAF-HOLLAND S.A. Board of Director mandates of Mr. Sam Martin and Mr. Bernhard Schneider expired as scheduled. Bernhard Schneider had been a member of the Board since 2007 and the Board's chair since 2009, and Sam Martin had been a member since 2011.

By resolution of the Annual General Meeting on April 27, 2017, Carsten Reinhardt was appointed to the Board of Directors at the proposal of the Board of Directors. Jack Gisinger, who has been an associate member of the Board since December 6, 2016, had his appointment approved by the Annual General Meeting. Both gentlemen are appointed until the Annual General Meeting that resolves on the annual accounts for the 2019 financial year. The Board of Directors elected Martina Merz as the new Chair of the Board of Directors after the Extraordinary General Meeting. Ms. Merz has been serving as the Board's deputy chair already since April 2016. Dr. Martin Kleinschmitt was elected as Vice Chair of the Board of Directors.

EXTRAORDINARY GENERAL MEETING RENEWS THE TERM FOR AUTHORIZED SHARE CAPITAL AND AUTHORIZATION FOR THE SHARE BUY-BACK PROGRAM

The Extraordinary General Meeting, which took place directly after the Annual General Meeting, resolved to renew the period of the Company's Authorized Share Capital. According to this resolution, the authorization for the Remaining Amount of the existing Authorized Share Capital I in the amount of EUR 119,588.52 (corresponding to 11,958,852 shares with a par value of EUR 0.01) was renewed for a period of five years. In addition, the option to exclude the preferential subscription rights was granted for a partial amount of EUR 45,361.11 (4,536,111 shares) of this Remaining Amount. The Extraordinary General Meeting also renewed the Company's authorization for the share buy-back program amounting to up to 10 % of the share capital at the time of the resolution for a period of five years.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kEUR	Notes	Q1 / 2017	Q1 / 2016
Sales	(5)	287,332	259,933
Cost of sales		-230,126	-206,742
Gross profit		57,206	53,191
Other operating income		243	89
Selling expenses		-16,147	-15,482
Administrative expenses		-15,141	-12,287
Research and development costs		-5,747	-5,094
Operating result	(5)	20,414	20,417
Share of net profit of investments accounted for using the equity method		610	430
Earnings before interest and taxes		21,024	20,847
Finance income	(6)	716	396
Finance expenses	(6)	-5,006	-5,320
Finance result	(6)	-4,290	-4,924
Result before tax		16,734	15,923
Income tax	(7)	-5,478	-4,787
Result for the period		11,256	11,136
Attributable to:			
Equity holders of the parent		11,576	11,285
Non-controlling interests		-320	-149
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(10)	-964	-4,254
Changes in fair values of derivatives designated as hedges, recognized in equity	(10)/ (12)	-	-1,223
Income tax effects on items recognized in other comprehensive income	(10)	-	332
Other comprehensive income		-964	-5,145
Comprehensive income for the period		10,292	5,991
Attributable to:			
Equity holders of the parent		10,547	6,202
Non-controlling interests		-255	-211
Basic earnings per share in EUR		0.26	0.25
Diluted earnings per share in EUR		0.22	0.22

CONSOLIDATED BALANCE SHEET

kEUR	Notes	03 / 31 / 2017	12 / 31 / 2016
Assets			
Non-current assets		403,901	406,268
Goodwill		55,619	56,059
Other intangible assets		148,494	149,520
Property, plant and equipment		142,397	144,263
Investments accounted for using the equity method		15,722	15,425
Financial assets	(12)	3	1,243
Other non-current assets		4,831	3,528
Deferred tax assets		36,835	36,230
Current assets		648,222	608,428
Inventories		145,699	130,988
Trade receivables		155,085	116,666
Income tax assets		1,856	1,808
Other current assets		18,541	13,423
Financial assets	(12)	335	975
Other short-term investments	(8)	95,000	–
Cash and cash equivalents	(9)	231,706	344,568
Balance sheet total		1,052,123	1,014,696
Equity and liabilities			
Total equity	(10)	315,869	305,577
Equity attributable to equity holders of the parent		310,946	300,399
Subscribed share capital		454	454
Share premium		268,644	268,644
Legal reserve		45	45
Other reserve		720	720
Retained earnings		56,631	45,055
Accumulated other comprehensive income		–15,548	–14,519
Shares of non-controlling interests		4,923	5,178
Non-current liabilities		558,919	555,436
Pensions and other similar benefits		38,468	38,393
Other provisions		8,888	6,872
Interest bearing loans and bonds	(11)	435,389	435,599
Other financial liabilities	(12)	18,835	18,238
Other liabilities		684	615
Deferred tax liabilities		56,655	55,719
Current liabilities		177,335	153,683
Other provisions		9,381	9,918
Interest bearing loans and bonds	(11)	7,337	6,067
Finance lease liabilities	(12)	1,435	1,587
Trade payables		124,209	106,714
Income tax liabilities		5,971	5,660
Other financial liabilities	(12)	717	972
Other liabilities		28,285	22,765
Balance sheet total		1,052,123	1,014,696

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

kEUR

	Q1 / 2017								
	Attributable to equity holders of the parent							Shares of non-controlling interests	Total equity (Note 10)
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount		
As of 01 / 01 / 2017	454	268,644	45	720	45,055	-14,519	300,399	5,178	305,577
Result for the period	-	-	-	-	11,576	-	11,576	-320	11,256
Other comprehensive income	-	-	-	-	-	-1,029	-1,029	65	-964
Comprehensive income for the period	-	-	-	-	11,576	-1,029	10,547	-255	10,292
As of 03 / 31 / 2017	454	268,644	45	720	56,631	-15,548	310,946	4,923	315,869

	Q1 / 2016								
	Attributable to equity holders of the parent							Shares of non-controlling interests	Total equity (Note 10)
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount		
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
Comprehensive income for the period	-	-	-	-	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

CONSOLIDATED STATEMENT OF CASH FLOWS

kEUR	Notes	Q1 / 2017	Q1 / 2016
Cash flow from operating activities			
Result before tax		16,734	15,923
– Finance income	(6)	– 716	– 396
+ Finance expenses	(6)	5,006	5,320
+/- Share of net profit of investments accounted for using the equity method		– 610	– 430
+ Amortization / depreciation of intangible assets and property, plant and equipment		6,206	5,719
+ Allowance of current assets		– 451	1,810
+/- Loss / Gain on disposal of property, plant and equipment		145	43
+ Dividends from investments accounted for using the equity method		21	19
Cash flow before change of net working capital		26,335	28,008
+/- Change in other provisions and pensions		1,988	2,101
+/- Change in inventories		– 14,148	– 12,353
+/- Change in trade receivables and other assets		– 43,481 ¹	– 21,538 ¹
+/- Change in trade payables and other liabilities		24,139	26,243
Change of net working capital		– 31,502	– 5,547
Cash flow from operating activities before income tax paid		– 5,167	22,461
– Income tax paid		– 4,601	– 4,022
Net cash flow from operating activities		– 9,768	18,439
Cash flow from investing activities			
+ Proceeds from sale of other short tem investments		–	40,000
– Purchase of property, plant and equipment		– 4,578	– 4,028
– Purchase of intangible assets		– 1,199	– 1,436
+ Proceeds from sales of property, plant and equipment		120	1,254
– Purchase of other financial assets	(8)	– 95,000	–
+ Interest received		233	107
Net cash flow from investing activities		– 100,424	35,897
Cash flow from financing activities			
+ Proceeds from foreign currency derivatives		109	–
– Payments for finance lease		– 151	– 109
– Interest paid		– 1,495	– 853
+/- Change in drawings on the credit line and other financing activities	(11)	– 1,098	1,031
Net cash flow from financing activities		– 2,635	69
Net increase / decrease in cash and cash equivalents		– 112,827	54,405
+/- Effect of changes in exchange rates on cash and cash equivalents		– 35	– 567
Cash and cash equivalents at the beginning of the period	(9)	344,568	145,748
Cash and cash equivalents at the end of the period	(9)	231,706	199,586

¹ As of March 31, 2017, trade receivables in the amount of EUR 28.4 million (previous year: EUR 26.5 million) were sold in the context of a factoring contract. Assuming the legal validity of the receivable, no further rights of recourse exist against SAF-HOLLAND from the sold receivables.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period January 1 to March 31, 2017

1. CORPORATE INFORMATION

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

2. SIGNIFICANT ACCOUNTING AND VALUATION POLICIES

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

The interim consolidated financial statements for the first quarter of 2017 were prepared in accordance with IAS 34 “Interim Financial Reporting.” Generally, the same accounting and valuation principles and consolidation methods were applied as those applied to the consolidated financial statements for the 2016 financial year unless explicit reference is made to changes. The interim consolidated financial statements should therefore be read in conjunction with the consolidated financial statements as of December 31, 2016. Amendments to IFRS had no effect on the interim consolidated financial statements as of March 31, 2017.

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

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

The most important functional currencies for the Company’s foreign operations are the US dollar (USD) and the Canadian dollar (CAD). The exchange rates of these currencies as of the balance sheet date were USD / EUR = 1.07357 (previous year:

1.05356) and CAD / EUR = 1.43045 (previous year: 1.41884). The weighted average exchange rates for these two currencies were USD / EUR = 1.06529 (previous year: 1.10263) and CAD / EUR = 1.40944 (previous year: 1.51437).

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

3. SEASONAL EFFECTS

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

4. SCOPE OF CONSOLIDATION

There were no changes to the scope of consolidation compared to the consolidated financial statements as of December 31, 2016.

5. SEGMENT REPORTING

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

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

kEUR	Q1 / 2017	Q1 / 2016
Operating result	20,414	20,417
Share of net profit of investments accounted for using the equity method	610	430
EBIT	21,024	20,847
Additional depreciation and amortization from PPA	1,374	1,601
Restructuring and transaction costs	2,672	232
Adjusted EBIT	25,070	22,680

Information on segment sales and results for the period from January 1 to March 31, 2017:

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

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

² Includes Europe, Middle East, Africa and India.

³ Includes Asia / Pacific and China.

kEUR	Q1 / 2016			
	Regions			
	Americas ¹	EMEA ²	APAC / China ³	Consolidated
Sales	100,244	145,222	14,467	259,933
Adjusted EBIT	8,341	13,791	548	22,680
Adjusted EBIT margin	8.3 %	9.5 %	3.8 %	8.7 %

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

² Includes Europe, Middle East, Africa and India.

³ Includes Asia / Pacific and China.

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

6. FINANCE RESULT

Finance income and expenses consist of the following:

kEUR	Q1 / 2017		Q1 / 2016	
Finance income due to derivatives	348	147		
Interest income	233	138		
Realized foreign exchange gains on foreign currency loans and dividends	109	77		
Unrealized foreign exchange gains on foreign currency loans and dividends	6	30		
Other	20	4		
Total	716	396		
kEUR	Q1 / 2017		Q1 / 2016	
Interest expenses due to interest bearing loans and bonds			-3,598 ¹	-3,002 ¹
Finance expenses due to derivatives			-324	-1,360
Finance expenses due to pensions and other similar benefits			-294	-294
Unrealized foreign exchange losses on foreign currency loans and dividends			-274	-395
Amortization of transaction costs			-173	-63
Other			-343	-206
Total			-5,006	-5,320

¹ Includes the non-cash interest expense of kEUR 160 (previous year: kEUR 158) for the convertible bond.

The increase in interest expenses relating to interest-bearing loans and bonds was mainly a result of the assumption of new loans in June 2016 with a volume of EUR 50 million as well as from the assumption of financial liabilities in connection with the acquisition of KLL Equipamentos para Transporte Ltda. in October 2016.

The unrealized exchange losses on foreign currency loans and dividends mainly consist of unrealized foreign exchange losses on the valuation of intercompany foreign currency loans as of the balance sheet date.

Amortization of transaction costs in the amount of kEUR –173 (previous year: kEUR –63) represent the contract closing fees recognized as an expense for the period according to the effective interest method.

The finance expenses related to derivative financial instruments in the previous year resulted mainly from the valuation of a derivative embedded in the promissory note issued in November 2015. The promissory note's variable interest-bearing tranches include a so-called zero floor cap, which specifies that a decline in the Euribor is limited to 0%. In the previous year, the zero floor cap as a so-called embedded derivative was measured and recognized separately from the promissory note. Due to a clarification of the IFRS IC regarding the separation of interest rate floors from variable rate basic contracts in a negative interest rate environment in 2016, a separate measurement of the zero floor cap was waived.

As of March 31, 2017, finance expenses related to derivative financial instruments consisted mainly of losses from hedging the risk position from currency fluctuations in the US dollar, Russian ruble, South African rand and Turkish lira.

7. INCOME TAXES

The effective income tax rate in the first quarter of 2017 was 32.74% (previous year: 30.06%).

The difference between the effective income tax rate and the Group's income tax rate of 30.20% (previous year: 30.10%) is particularly attributable to non-deductible operating expenses and unrecognized tax loss carryforwards.

8. OTHER CURRENT INVESTMENTS

Other current investments resulted from short-term treasury management in an amount of EUR 95.0 million.

9. CASH AND CASH EQUIVALENTS

kEUR	03/31/2017	12/31/2016
Cash on hand, cash at banks and checks	230,247	344,154
Short-term deposits	1,459	414
Total	231,706	344,568

10. EQUITY

The Company's subscribed share capital was unchanged compared to December 31, 2016 and as of March 31, 2017 amounted to EUR 453,611.12 (previous year: 453,611.12). Subscribed share capital is fully paid-in and consists of 45,361,112 ordinary shares (previous year: 45,361,112) with a nominal value of EUR 0.01 per share.

The Company's reserves, namely the share premium, legal and other reserves, were also unchanged compared to December 31, 2016.

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

kEUR	Before tax amount		Tax (income)/ expense		Net of tax amount	
	Q1/2017	Q1/2016	Q1/2017	Q1/2016	Q1/2017	Q1/2016
Exchange differences on translation of foreign operations	-964	-4,254	-	-	-964	-4,254
Changes in fair values of derivatives designated as hedges, recognized in equity	-	-1,223	-	332	-	-891
Total	-964	-5,477	-	332	-964	-5,145

A dividend payment of EUR 0.44 per share will be proposed for the 2016 financial year, which is equivalent to a total dividend payment of kEUR 19,959 based on 45,361,112 shares.

In the previous year, a dividend of EUR 0.40 per share was paid resulting in a total dividend payment of kEUR 18,144.

11. INTEREST-BEARING LOANS AND BONDS

Interest-bearing loans and bonds consisted of the following:

kEUR	Non-current		Current		Total	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016	03/31/2017	12/31/2016
	Interest bearing bank loans	10,546	10,639	–	–	10,546
Convertible bond	97,873	97,743	–	–	97,873	97,743
Bond	75,000	75,000	–	–	75,000	75,000
Promissory note loan	200,000	200,000	–	–	200,000	200,000
Financing costs	–1,474	–1,668	–716	–722	–2,190	–2,390
Accrued interests	–	–	6,108	4,217	6,108	4,217
Other loans	53,444	53,885	1,945	2,572	55,389	56,457
Total	435,389	435,599	7,337	6,067	442,726	441,666

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

kEUR	03/31/2017				
	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 current investments	Total liquidity
Facility A	5,671	120,000	–	–	114,329
Facility B	–	32,601	–	–	32,601
Other Facilities	4,876	6,083 ¹	231,706	95,000	327,913
Total	10,547	158,684	231,706	95,000	474,843

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

kEUR						12/31/2016
	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 current investments	Total liquidity	
Facility A	5,731	120,000	–	–	114,269	
Facility B	44	33,221	–	–	33,177	
Other Facilities	4,864	5,465 ¹	344,568	–	345,169	
Total	10,639	158,686	344,568	–	492,615	

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

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

12. FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

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

kEUR						03/31/2017		12/31/2016	
	Category in accordance with IAS 39	Fair value	Carrying amount	Fair value	Carrying amount				
Financial assets									
Cash and cash equivalents	LaR	231,706	231,706	344,568	344,568				
Trade receivables	LaR	155,085	155,085	116,666	116,666				
Other financial assets									
Other financial assets	LaR	332	332	1,850	1,850				
Derivatives without a hedging relationship	FAHfT	6	6	368	368				
Other short-term investments	LaR	95,000	95,000	–	–				
Financial liabilities									
Trade payables	FLAC	124,209	124,209	106,714	106,714				
Interest bearing loans and bonds	FLAC	485,532	442,726	475,336	441,666				
Finance lease liabilities	n.a.	1,435	1,435	1,587	1,587				
Other financial liabilities									
Other financial liabilities	FLAC	18,835	18,835	18,238	18,238				
Derivatives without a hedging relationship	FLHfT	717	717	972	972				

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

kEUR	03 / 31 / 2017			
	Level 1	Level 2	Level 3	Total
Bonds	79,161	–	–	79,161
Convertible bond	–	132,315	–	132,315
Promissory note loan	–	199,763	–	199,763
Interest bearing loans and borrowings	–	74,293	–	74,293
Put option for the remaining shares in KLL Equipamentos para Transporte Ltda.	–	–	18,835	18,835
Derivative financial assets	–	6	–	6
Derivative financial liabilities	–	717	–	717

kEUR	12 / 31 / 2016			
	Level 1	Level 2	Level 3	Total
Bonds	79,729	–	–	79,729
Convertible bond	–	121,893	–	121,893
Promissory note loan	–	199,763	–	199,763
Interest bearing loans and borrowings	–	73,950	–	73,950
Put option for the remaining shares in KLL Equipamentos para Transporte Ltda.	–	–	18,238	18,238
Derivative financial assets	–	368	–	368
Derivative financial liabilities	–	972	–	972

Derivative financial liabilities as of March 31, 2017 consisted mainly of forward exchange transactions and serve to hedge the risk position from currency fluctuations in the US dollar, Russian ruble, South African rand and Turkish lira.

13. RELATED PARTY DISCLOSURES

The following tables portray the composition of the Management Board of the SAF-HOLLAND Group, the operative governing body in which selected managing directors of the SAF-HOLLAND Group are represented and of the Board of Directors of SAF-HOLLAND S.A. as of the balance sheet day:

Management Board

Detlef Borghardt	Chief Executive Officer (CEO) & President Region APAC / China
Dr. Martin Kleinschmitt	Interim Chief Financial Officer (CFO) (01 / 01 / 2017 till 02 / 28 / 2017)
Dr. Matthias Heiden	Chief Financial Officer (CFO) (since 03 / 01 / 2017)
Arne Jörn	Chief Operating Officer (COO)
Steffen Schewerda	President Region Americas
Alexander Geis	President Region EMEA / India
Guoxin Mao	President China

Board of Directors

Bernhard Schneider	Chairman of the Board of Directors
Martina Merz	Deputy Chairman of the Board of Directors
Detlef Borghardt	Member of the Board of Directors
Dr. Martin Kleinschmitt	Member of the Board of Directors
Anja Kleyboldt	Member of the Board of Directors
Sam Martin	Member of the Board of Directors

On March 1, 2017, Dr. Matthias Heiden assumed the position of Chief Financial Officer. During the transitional period, Dr. Martin Kleinschmitt temporarily assumed the position of CFO.

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

kEUR	Sales to related party		Purchases from related party	
	Q1 / 2017	Q1 / 2016	Q1 / 2017	Q1 / 2016
	Joint Ventures	466	455	–
Associates	–	–	8,382	5,628
Total	466	455	8,382	7,090

kEUR	Amounts owed by related party		Amounts owed to related party	
	03 / 31 / 2017	12 / 31 / 2016	03 / 31 / 2017	12 / 31 / 2016
	Joint Ventures	283	237	207
Associates	–	–	1,416	1,303
Total	283	237	1,623	1,510

14. EVENTS AFTER THE BALANCE SHEET DATE

DIVIDENDS

The Annual General Meeting on April 27, 2017 resolved to distribute a dividend of EUR 0.44 per share to the shareholders from the net profit for the past financial year. The total dividend payout amounts to a total of EUR 20.0 million.

JACK GISINGER AND CARSTEN REINHARDT ARE NEW MEMBERS OF THE BOARD OF DIRECTORS

With effect at the end of the Annual General Meeting held on April 27, 2017, the SAF-HOLLAND S.A. Board of Director mandates of Mr. Sam Martin and Mr. Bernhard Schneider expired as scheduled. Bernhard Schneider had been a member of the Board since 2007 and the Board's chair since 2009, and Sam Martin had been a member since 2011.

By resolution of the Annual General Meeting on April 27, 2017, Carsten Reinhardt was appointed to the Board of Directors at the proposal of the Board of Directors. Jack Gisinger, who has been an associate member of the Board since December 6, 2016, had his appointment approved by the Annual General Meeting. Both gentlemen are appointed until the Annual General Meeting that resolves on the annual accounts for the 2019 financial year. The Board of Directors elected Martina Merz as the new Chair of the Board of Directors after the Extraordinary General Meeting. Ms. Merz has been serving as the Board's Vice Chair already since April 2016. Dr. Martin Kleinschmitt was elected as Vice Chair of the Board of Directors.

EXTRAORDINARY GENERAL MEETING RENEWS THE TERM FOR AUTHORIZED SHARE CAPITAL AND AUTHORIZATION FOR THE SHARE BUY-BACK PROGRAM

The Extraordinary General Meeting, which took place directly after the Annual General Meeting, resolved to renew the period of the Company's Authorized Share Capital. According to this resolution, the authorization for the Remaining Amount of the existing Authorized Share Capital I in the amount of EUR 119,588.52 (corresponding to 11,958,852 shares with a par value of EUR 0.01) was renewed for a period of five years. In addition, the option to exclude the preferential subscription rights was granted for a partial amount of EUR 45,361.11 (4,536,111 shares) of this Remaining Amount. The Extraordinary General Meeting also renewed the Company's authorization for the share buy-back program amounting to up to 10% of the share capital at the time of the resolution for a period of five years.

No further material events have occurred since the reporting date.

FINANCIAL CALENDAR AND CONTACT INFORMATION

FINANCIAL CALENDAR

August 10, 2017

Report on half-year 2017 results

November 9, 2017

Report on Q3 2017 results

CONTACT INFORMATION

SAF-HOLLAND GmbH
Hauptstraße 26
63856 Bessenbach
Germany

www.safholland.com

Stephan Haas

stephan.haas@safholland.de
Phone: +49 (0) 6095 301-617
Fax: +49 (0) 6095 301-102

IMPRINT

Responsible:

SAF-HOLLAND S.A.
68–70, Boulevard de la Pétrusse
L–2320 Luxembourg
Luxembourg

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