

SAF-HOLLAND SE

Quarterly Statement Q1 2021



KEY FIGURES

Results of operations

in EUR thousands		
	Q1/2021	Q1/2020
Sales	285,620	283,411
Adjusted gross profit	55,985	52,261
Adjusted gross profit margin in %	19.6	18.4
Adjusted EBITDA	31,042	27,508
Adjusted EBITDA margin in %	10.9	9.7
Adjusted EBIT	21,957	18,441
Adjusted EBIT margin in %	7.7	6.5
Adjusted result for the period	14,875	11,288
Adjusted undiluted earnings per share in EUR	0.33	0.25

Net assets

in EUR thousands		
	03/31/2021	12/31/2020
Balance sheet total	998,598	920,486
Equity	325,198	300,463
Equity ratio in %	32.6	32.6
Net working capital	138,434	114,599
Net working capital in % of sales (LTM)	14.4	11.9

NOTE:

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

Net working capital ratio = Ratio of inventories and trade receivables less trade payables to sales of last twelve months.

Operating free cash flow = Net cash flow from operating activities less net cash flow from investing activities (purchase of PP&E and intangible assets less proceeds from sales of PP&E).

ROCE = Adjusted EBIT / (total equity + financial liabilities (excl. refinancing costs, incl. lease liabilities) + pension and other similar benefits - cash and cash equivalents).

Financial position

in EUR thousands		
	Q1/2021	Q1/2020
Cash flow from operating activities	5,698	32,014
Cash flow from investing activities (property, plant and equipment/ intangible assets)	-5,201	-6,323
Operating free cash flow	497	25,691
Total free cash flow	497	4,056
Cash and cash equivalents	179,507	319,393
Net debt	195,614	-256,225

Employees

	Q1/2021	Q1/2020
Employees at the reporting date	3,513	3,744
Employees (on average)	3,440	3,811

Yield

in %		
	Q1/2021	Q1/2020
Return on capital employed (ROCE)*	11.3	12.1

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KEY EVENTS IN THE FIRST THREE MONTHS OF THE YEAR 2021

There have not been any significant events in the first three months of 2021 of relevance for the quarterly statement.

INDUSTRY ENVIRONMENT

SECTOR DEVELOPMENT: GLOBAL TRUCK AND TRAILER MARKETS ON THE ROAD TO RECOVERY

The recovery seen in the production of heavy-duty trucks and trailers that started in the second half of 2020 carried on through to the first quarter of 2021. Most of the relevant regions for SAF-HOLLAND – Europe, North and South America, China and India – recorded continued growth. In China and India, in particular, production figures at the end of March were substantially above previous years' figures.

EUROPEAN TRUCK REGISTRATIONS ABOVE THE LEVEL OF THE PREVIOUS YEAR

According to the European Automobile Manufacturers Association (ACEA), registrations of new heavy-duty trucks (above 16 tons) in the European Union in the first three months of the year 2021 were 15.1 per cent above the level of the previous year. The two largest-volume markets, Germany and France, recorded increases of 10.1 per cent and 11.1 per cent respectively.

EUROPEAN TRAILER MARKET REMAINS ON A GROWTH TRAJECTORY

The European trailer market continued to recover in the first quarter with growth of roughly 12 per cent for the period from January to March.

NORTH AMERICAN TRUCK MARKET SEES SUSTAINED RECOVERY

According to ACT Research, production of Class 8 trucks in the first three months of 2021 lay 12.3 per cent above the comparable figure for the previous year. Thanks to higher order intake (+ 176 per cent in comparison to Q1 2020) the order backlog rose by roughly 137 per cent to almost 238,000 units (Q1 2020: approximately 100,000 units).

IMPROVEMENT IN THE NORTH AMERICAN TRAILER MARKET

The North American trailer market, like the truck market, continued to recover in the first quarter with a rise in production of 7.2 per cent in the first three months of 2021.

HIGHER PRODUCTION IN THE SOUTH AMERICAN TRUCK AND TRAILER MARKET

Boosted by the economic recovery in Brazil (projected GDP growth of 3.7 per cent for 2021, International Monetary Fund, World Economic Outlook April 2021), trailer production grew by 41 per cent and heavy-duty truck production by 25 per cent.

DEMAND FOR TRAILERS IN CHINA SEES STRONG RECOVERY

After a weak first quarter 2020 due to COVID-19, demand for trailers in China continued to recover strongly in the following quarters. The production of trailers in the first three months of 2021 is just over 140 per cent up on the level of the previous year. Truck production is up by almost 100 per cent on the previous year.

RISING PRODUCTION VOLUMES IN INDIA

The nascent economic recovery led to an increase of 110 per cent in truck production and 37 per cent in trailer production in the reporting period from January to March 2021.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

in EUR thousands

	Q1/2021	Total Adjustments	Q1/2021 adjusted	in % of sales	Q1/2020	Total Adjustments	Q1/2020 adjusted	in % of sales
Sales	285,620	–	285,620	100.0%	283,411	–	283,411	100.0%
Cost of sales	–230,159	524	–229,635	–80.4%	–232,454	1,304	–231,150	–81.6%
Gross profit	55,461	524	55,985	19.6%	50,957	1,304	52,261	18.4%
Other income	276	–	276	0.1%	494	–	494	0.2%
Selling expenses	–14,692	1,794	–12,898	–4.5%	–16,249	1,934	–14,315	–5.0%
Administrative expenses	–15,847	–125	–15,972	–5.6%	–16,639	742	–15,897	–5.6%
Research and development costs	–6,034	311	–5,723	–2.0%	–4,567	88	–4,479	–1.6%
Operating profit	19,164	2,504	21,668	7.6%	13,996	4,068	18,064	6.4%
Share of net profit of investments accounted for using the equity method	289	–	289	0.1%	377	–	377	0.1%
EBIT	19,453	2,504	21,957	7.7%	14,373	4,068	18,441	6.5%
Finance income	927	–	927	0.3%	1,222	–	1,222	0.4%
Finance expenses	–2,605	–	–2,605	–0.9%	–4,048	–	–4,048	–1.4%
Finance result	–1,678	–	–1,678	–0.6%	–2,826	–	–2,826	–1.0%
Result before taxes	17,775	2,504	20,279	7.1%	11,547	4,068	15,615	5.5%
Income taxes	–6,508	1,104	–5,404	–1.9%	–2,890	–1,437	–4,327	–1.5%
Income taxes in %	36.6%		26.7%		25.0%		27.7%	
Result for the period	11,267	3,608	14,875	5.2%	8,657	2,631	11,288	4.0%

EXTRAORDINARY ITEMS

SAF-HOLLAND eliminates certain income and expenses for the management of its operations. The adjusted earnings presented below correspond to the management perspective.

The figures in this report have been rounded using commercial principles. In isolated instances, this can lead to rounding differences in the sum totals and percentages.

In the first quarter of 2021 net expenses totalling EUR 2.5 million (previous year: EUR 4.1 million) were eliminated from earnings before interest and taxes (EBIT). These consist of restructuring expenses of EUR 0.2 million (previous year: EUR 1.6 million) and depreciation and amortisation of EUR 2.3 million (previous year: EUR 2.4 million) arising from purchase

price allocations. Restructuring expenses mainly originate from the FORWARD 2.0 restructuring programme as well as the costs of liquidating several Chinese entities that became redundant on account of the successfully completed restructuring measures (see the segment reporting, page 8).

Net expenses totalling EUR 0.5 million were eliminated from the cost of sales in the first quarter of 2021 (previous year: EUR 1.3 million). These consist of restructuring expenses of EUR 0.0 million (previous year: EUR 0.8 million) and depreciation and amortisation of EUR 0.5 million (previous year: EUR 0.6 million) arising from purchase price allocations.

Net expenses totalling EUR 1.8 million were eliminated from selling expenses in the first quarter of 2021 (previous year: EUR 1.9 million).

These consist of restructuring expenses of EUR 0.1 million (previous year: EUR 0.2 million) and depreciation and amortisation of EUR 1.7 million (previous year: EUR 1.8 million) arising from purchase price allocations.

Moreover, an amount of EUR –0.1 million (previous year EUR 0.7 million) was eliminated from general administrative expenses, almost all of which relates to restructuring income.

With regard to research and development costs, an amount of EUR 0.3 million (previous year: EUR 0.1 million) was eliminated, consisting almost solely of depreciation and amortisation arising from purchase price allocations.

RESULTS OF OPERATIONS

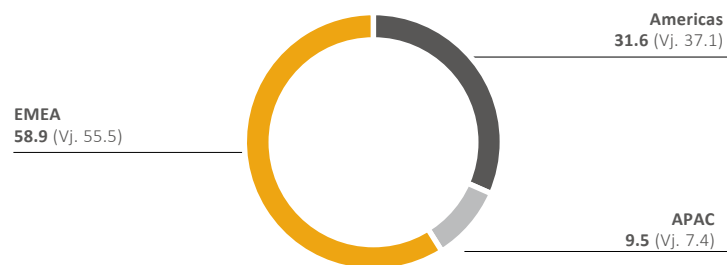
The development presented below describes the changes in the most significant line items of the income statement in the reporting period after eliminating the extraordinary items discussed above.

GROUP SALES UP SLIGHTLY ON THE PREVIOUS YEAR DUE TO MARKET CONDITIONS AND COVID-19

Due to market conditions and COVID-19, Group sales in the first quarter of 2021 came up slightly to EUR 285.6 million, 0.8 per cent above the previous year's level of EUR 283.4 million. Currency effects amounted to EUR –13.7 million and resulted primarily from currency changes of the US dollar, the Turkish lira, the Australian dollar and the Brazilian real against the Euro. Adjusted for currency translation effects, sales increased by 5.6 per cent.

Group sales by segment Q1 2021

in %



SHARE OF SPARE PARTS BUSINESS INCREASES BY 1.2 PERCENTAGE POINTS

Sales in the OE business decreased by 0.8 per cent or EUR 1.8 million to EUR 207.5 million in the reporting period from January to March 2021. The share of Group sales accounted for by the OE business decreased from 73.8 per cent to 72.6 per cent.

in EUR thousands

	Q1/2021	Q1/2020	Change absolute	Change in %
Original equipment business	207,463	209,228	–1,765	–0.8%
Spare parts business	78,157	74,183	3,974	5.4%
Group sales	285,620	283,411	2,209	0.8%
Original equipment business in % of Group sales	72.6%	73.8%		
Spare parts business in % of Group sales	27.4%	26.2%		

By contrast, sales in the spare parts business increased by 5.4 per cent or EUR 4.0 million to EUR 78.2 million. Consequently, the share of the spare parts business in Group sales increased from 26.2 per cent to 27.4 per cent.

ADJUSTED GROSS MARGIN SIGNIFICANTLY ABOVE THE LEVEL OF THE PREVIOUS YEAR

Adjusted gross profit improved to EUR 56.0 million in the first quarter of 2021 due to the sales and cost situation (previous year: EUR 52.3 million). Due to the higher share of the high-margin spare parts business, the adjusted gross margin came to 19.6 per cent, which lies significantly above the gross margin achieved in the comparable period of the previous year of 18.4 per cent.

ADJUSTED EBIT MARGIN AT 7.7 PER CENT

Adjusted EBIT amounted to EUR 22.0 million in the first quarter of 2021 (previous year: EUR 18.4 million). This corresponds to an adjusted EBIT margin of 7.7 per cent (previous year: 6.5 per cent). The lower ratio of selling expenses and administrative expenses to Group sales was slightly margin accretive.

FINANCIAL RESULT SIGNIFICANTLY IMPROVED

The financial result improved in the reporting period from January to March 2021 to a loss of EUR – 1.7 million (previous year: a loss of EUR –2.8 million). In addition to lower interest expenses in association with interest bearing loans and bonds, the main reason was the positive balance of realised/unrealised exchange gains/losses on loans denominated in foreign currencies and dividends.

RESULT FOR THE PERIOD SIGNIFICANTLY IMPROVED BY 30.1 PER CENT COMPARED TO THE PREVIOUS YEAR

With a Group tax rate of 36.6 per cent (previous year: 25.0 per cent) a net profit of EUR 11.3 million was generated in the first quarter of 2021, surpassing the figure of EUR 8.7 million for the previous year by 30.1 per cent.

Based on approximately 45.4 million ordinary shares outstanding, unchanged on the previous year, basic earnings per share for the reporting period from January to March 2021 amounted to EUR 0.24 (previous year: EUR 0.20).

SEGMENT REPORTING**EMEA REGION: ADJUSTED EBIT MARGIN REMAINS STABLE AT A HIGH LEVEL****EMEA**

in EUR thousands

	Q1/2021	Q1/2020	Change absolute	Change in %
Sales	168,318	157,226	11,092	7.1%
EBIT	15,124	14,019	1,105	7.9%
EBIT margin in %	9.0%	8.9%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	1,162	1,162	–	–
Valuation effects from call and put options	–	–	–	–
Restructuring and transaction costs	–88	–347	259	–74.6%
Adjusted EBIT	16,198	14,834	1,364	9.2%
Adjusted EBIT margin in %	9.6%	9.4%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	4,311	4,477	–166	–3.7%
in % of sales	2.6%	2.8%		
Adjusted EBITDA	20,509	19,311	1,198	6.2%
Adjusted EBITDA margin in %	12.2%	12.3%		

Sales in the EMEA region improved by 7.1 per cent to EUR 168.3 million (previous year: EUR 157.2 million) in the first quarter of 2021, primarily on account of a strong upturn in OE business and further gains in market share. Adjusted for currency translation effects, a sales growth of 9.4 per cent was recorded.

The EMEA region generated an adjusted EBIT of EUR 16.2 million in the reporting period from January to March 2021 (previous year: EUR 14.8 million) and an adjusted EBIT margin of 9.6 per cent (previous year: 9.4 per cent). The OE business and spare parts business had a similarly positive impact on the gross margin. A slightly higher ratio of selling expenses, administrative expenses and research and development expenses to segment sales was margin dilutive.

AMERICAS REGION: EBIT MARGIN SIGNIFICANTLY IMPROVED**Americas**

in EUR thousands

	Q1/2021	Q1/2020	Change absolute	Change in %
Sales	90,190	105,113	-14,923	-14.2%
EBIT	4,695	2,860	1,835	64.2%
EBIT margin in %	5.2%	2.7%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	542	619	-77	-12.4%
Valuation effects from call and put options	-	-	-	-
Restructuring and transaction costs	135	641	-506	-78.9%
Adjusted EBIT	5,372	4,120	1,252	30.4%
Adjusted EBIT margin in %	6.0%	3.9%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	3,485	3,880	-395	-10.2%
in % of sales	3.9%	3.7%		
Adjusted EBITDA	8,857	8,000	857	10.7%
Adjusted EBITDA margin in %	9.8%	7.6%		

In the Americas region, sales declined in the first quarter of 2021 by 14.2 per cent to EUR 90.2 million (previous year: EUR 105.1 million) due to streamlining of the product portfolio and the winter storms in Texas. Adjusted for currency translation effects, sales decreased by 5.4 per cent.

In spite of the decline in sales, the Americas region generated an improved adjusted EBIT of EUR 5.4 million in the first quarter of 2021 (previous year: EUR 4.1 million) and a significantly improved adjusted EBIT margin of 6.0 per cent (previous year: 3.9 per cent). The OE business had a slightly negative impact on the gross margin, which, however, was more than compensated for by the spare parts business. In Addition, the significantly lower ratio of selling expenses, administrative expenses and research and development expenses to segment sales was margin accretive.

APAC REGION: OPERATING RESULT BACK IN THE BLACK**APAC**

in EUR thousands

	Q1/2021	Q1/2020	Change absolute	Change in %
Sales	27,112	21,072	6,040	28.7%
EBIT	-366	-2,506	2,140	-85.4%
EBIT margin in %	-1.3%	-11.9%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	586	655	-69	-10.5%
Valuation effects from call and put options	-	-	-	-
Restructuring and transaction costs	167	1,338	-1,171	-87.5%
Adjusted EBIT	387	-513	900	-175.4%
Adjusted EBIT margin in %	1.4%	-2.4%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	1,289	710	579	81.5%
in % of sales	4.8%	3.4%		
Adjusted EBITDA	1,676	197	1,479	750.8%
Adjusted EBITDA margin in %	6.2%	0.9%		

The APAC region generated sales of EUR 27.1 million in the first quarter of 2021 (previous year: EUR 21.1 million). Adjusted for currency translation effects, sales increased by 32.6 per cent compared with the previous year. The main cause for the significant increase in sales was the jump in business in India and the pleasing development of demand in Australia.

Adjusted EBIT improved by EUR 0.9 million to EUR 0.4 million. The adjusted EBIT margin amounted to 1.4 per cent (previous year: -2.4 per cent). The spare parts business had a slightly negative impact on the gross margin, which, however, was more than compensated for by the OE business. The significantly lower ratio of selling expenses, administrative expenses and research and development expenses to segment sales was margin accretive.

NET ASSETS

in EUR thousands				
	03/31/2021	12/31/2020	Change absolute	Change in %
Non-current assets	499,068	495,372	3,696	0.7%
of which intangible assets	241,079	239,900	1,179	0.5%
of which property, plant and equipment	208,171	207,123	1,048	0.5%
of which other (financial) assets	49,818	48,349	1,469	3.0%
Current assets	499,530	425,114	74,416	17.5%
of which inventories	155,777	126,424	29,353	23.2%
of which trade receivables	130,027	95,347	34,680	36.4%
of which liquid assets	179,507	170,982	8,525	5.0%
of which other (financial) assets	34,219	32,361	1,858	5.7%
Balance sheet total	998,598	920,486	78,112	8.5%

TOTAL ASSETS INCREASED BY 8.5 PER CENT

Total assets increased by EUR 78.1 million or 8.5 per cent compared to the end of the 2020 financial year and amount to EUR 998.6 million as of March 31, 2021. This increase is due primarily to the increase in inventories and trade receivables.

EQUITY RATIO AT 32.6 PER CENT

in EUR thousands				
	03/31/2021	12/31/2020	Change absolute	Change in %
Equity	325,198	300,463	24,735	8.2%
Non-current liabilities	448,626	448,896	-270	-0.1%
of which interest-bearing loans and bonds	322,484	322,529	-45	0.0%
Finance lease liabilities	35,372	35,766	-394	-1.1%
of which other non-current liabilities	90,770	90,601	169	0.2%
Current liabilities	224,774	171,127	53,647	31.3%
of which interest-bearing loans and bonds	9,959	1,539	8,420	547.1%
Finance lease liabilities	7,306	7,849	-543	-6.9%
of which trade payables	147,370	107,172	40,198	37.5%
of which other current liabilities	60,139	54,567	5,572	10.2%
Balance sheet total	998,598	920,486	78,112	8.5%

In comparison to December 31, 2020, equity has improved by EUR 24.7 million to EUR 325.2 million. Equity was bolstered by the addition of the result for the period of EUR 11.3 million as well as exchange differences on the translation of foreign operations of EUR 13.5 million. Coupled with the 8.5 per cent increase in the balance sheet, this leads to an unchanged equity ratio of 32.6 per cent.

Non-current liabilities decreased by EUR 0.3 million in comparison to December 31, 2020 to EUR 448.6 million. The main factor in this regard was a slight decline in lease liabilities.

The increase in current liabilities is mainly due to the increase in trade payables.

NET WORKING CAPITAL RATIO UP ON THE PREVIOUS YEAR DUE TO SALES

Net working capital

in EUR thousands

	03/31/2021	03/31/2020	Change 03/31/2020 to 03/31/2021	Change in %
Inventories	155,777	166,767	-10,990	-6.6%
Trade receivables	130,027	135,340	-5,313	-3.9%
Trade payables	-147,370	-142,938	-4,432	3.1%
Net working capital	138,434	159,169	-20,735	-13.0%
Sales (last 12 month)	961,728	1,221,598	-259,870	-21.3%
Net working capital ratio	14.4%	13.0%		

The net working capital ratio, measured as the ratio of net working capital to Group sales over the last 12 months, increased year-on-year from 13.0 per cent to 14.4 per cent. A decrease in inventories and trade receivables was countered by higher trade payables. This was offset by the decline in 12-month sales due to market conditions and COVID-19.

FINANCIAL POSITION

Financial position

in EUR thousands

	Q1/2021	Q1/2020
Cash flow from operating activities	5,698	32,014
Cash flow from investing activities (property, plant and equipment/ intangible assets)	-5,201	-6,323
Operating free cash flow	497	25,691
Cash flow from investing activities (acquisition of subsidiaries)	-	-
Total free cash flow	497	25,691
Other	590	-30,249
Change in net financial liabilities	1,087	-4,558

BALANCED OPERATING FREE CASH FLOW

The net cash flow from operating activities reached a level of EUR 5.7 million in the first quarter of 2021 (previous year: EUR 32.0 million). The decrease can be attributed primarily to changes in net working capital as a consequence of the rapidly increasing business activity. In addition, it should be considered that the volume of factoring increased only slightly from EUR 40.1 million in the previous year to EUR 40.3 million in the reporting period from January to March 2021.

The net cash flow from investing activities in property, plant and equipment and intangible assets of EUR -5.2 million lay EUR 1.1 million, or 17.7 per cent, below the comparable figure for the previous year. The main focus of investment activity lay on the continuing expansion of automation in our production processes at the location in Bessenbach and post-contractual payments for the Chinese location in Yangzhou.

The operating free cash flow and total free cash flow was balanced at EUR 0.5 million (previous year: EUR 25.7 million). In the first quarter of 2020 the line item "Other" was affected to the tune of EUR 21,2 million on account of the purchase of the remaining shares in V.Orlandi.

NET FINANCIAL LIABILITIES SCALED BACK

Net financial debt (including lease liabilities) decreased by EUR 1.1 million to EUR 195.6 million as of March 31, 2021 compared to the reporting date of December 31, 2020. As of March 31, 2021 SAF-HOLLAND carries cash and cash equivalents of EUR 179.5 million (December 31, 2020: EUR 171.0 million).

RISK AND OPPORTUNITY REPORT

With regard to an assessment of the opportunities and risks for the SAF-HOLLAND Group, there have not been any significant changes to the statements made on risks and opportunities in the Annual Report 2020 (pages 74 to 84).

OUTLOOK

SECTOR-SPECIFIC DEVELOPMENT: RECOVERY OF THE GLOBAL COMMERCIAL VEHICLE MARKETS

The prospects for 2021 have further improved on the commercial vehicle markets of most relevance for SAF-HOLLAND – North and South America, Europe, China and India. While the trailer and truck markets were still heavily impacted by the COVID-19 pandemic in the first half of 2020, some markets, such as North and South America and Europe, began to recover as early as the fourth quarter of 2020. According to economic research by ACT Research, slightly higher production figures are expected for North America in 2021 than at the beginning of the year due to the rising order intake and order backlog for Class 8 trucks and trailers at the end of the first quarter of 2021. While a decline in production of trailers was expected to be seen in China at the beginning of the year, the forecast has since shifted to gradual growth. For the European region, higher levels of production of both trucks and trailers are anticipated.

RELEVANCE OF THE MARKETS FOR SAF-HOLLAND

Due to the breakdown by customer segment into the Original Equipment (truck, trailer) and the Aftermarket business, the regions relevant to SAF-HOLLAND vary in their importance. While the EMEA region (approximately 4 per cent of Group sales) and the Americas region (approximately 8 per cent of Group sales) are the most relevant for the truck OE segment, in the trailer OE and aftermarket segments SAF-HOLLAND operates worldwide.

EUROPEAN TRUCK MARKET RECOVERS

Following a decline in the previous year, European production of heavy-duty trucks is expected to recover in 2021, according to analysts at Deutsche Bank. For example, the experts expect to see an increase of 20 per cent (previously 15 per cent) in the production of heavy-duty trucks. It should be noted, however, that the European truck market is only of minor importance for SAF-HOLLAND.

RISING DEMAND FOR TRAILERS IN EUROPE

It is assumed that the production of trailers will return to its growth trajectory in 2021. Consequently, SAF-HOLLAND expects trailer production to rise by roughly 20 per cent.

GROWTH IN THE NORTH AMERICAN TRUCK MARKET

ACT Research expects Class 8 truck production numbers in North America to increase by roughly 42 per cent to approximately 303,000 units in 2021 following the cyclical downturn and COVID-19-related decline in 2020. While Mexico and Canada are expected to see an increase of almost 78 per cent and 71 per cent respectively, growth of around 37 per cent is forecast for the largest market by volume, the United States.

TRAILER MARKET IN NORTH AMERICA – HIGHER ORDER BACKLOG THAN IN PREVIOUS YEAR

The recovery in order intake on the North American trailer market, the first signs of which were seen in the third quarter of 2020, has already had an impact on the order backlog. At the end of 2020, for instance, order backlog was approximately 70 per cent higher than the order backlog at year-end 2019. In the meantime, the order backlog (Q1 2021) is up roughly 10 per cent on the value recorded at the end of 2020. Against this background, SAF-HOLLAND expects approximately 42 per cent more trailers to come off the production lines in 2021 than in the weaker previous year 2020.

POSITIVE OUTLOOK FOR COMMERCIAL VEHICLE MARKETS IN SOUTH AMERICA

After a decline in heavy-duty truck production in 2020, SAF-HOLLAND expects production to increase by around 30 per cent in the current year. The increase in production will be supported by an economic recovery in Brazil. After a contraction of 4.5 per cent in 2020, the International Monetary Fund (IMF) is forecasting economic growth of 3.7 per cent for 2021. For the trailer market, SAF-HOLLAND expects demand to exceed the previous year's level (up approximately 16 per cent).

DEMAND FOR TRAILERS IN CHINA UP ON THE PREVIOUS YEAR

For the current year SAF-HOLLAND is forecasting an increase of up to 5 per cent in trailer production on account of the improving economic recovery. At the beginning of the year, a contraction of 5 to 10 per cent was forecast. However, in contrast to the trailer market, the Chinese truck market has no significance for SAF-HOLLAND. Here, a decline of roughly 5 to 10 per cent is projected for 2021 – after a production increase of around 50 per cent in 2020.

Following last year's decline in new truck and trailer registrations in Australia, SAF-HOLLAND expects the markets of the APAC region, which are important from a Group perspective, to recover in 2021. SAF-HOLLAND is projecting growth in the region of approximately 25 per cent for trailers and roughly 40 per cent for trucks.

With regards to the Indian market, production of trucks is now forecast to rise by 114 per cent and trailer production by 182 per cent due to signs of a much more rapid economic recovery than originally forecast – the IMF has raised its economic growth projection from 8.5 per cent at the beginning of 2021 to 12.5 per cent.

BUSINESS OUTLOOK

In light of the expected macroeconomic environment and the sector-specific framework conditions and after weighing up the risk and opportunity potentials (including the currently foreseeable impact on business from the coronavirus SARS-CoV-2) the Management Board of SAF-HOLLAND SE continues to expect Group sales for the 2021 financial year of between EUR 1,050 million and EUR 1,150 million (2020: EUR 959.5 million).

Under this assumption, SAF-HOLLAND is still expecting an adjusted EBIT margin of around 7 per cent for the 2021 financial year (2020: 6.1 per cent).

In order to support its strategic objectives, the company is planning investments of approximately 2.5 per cent of Group sales once again for the 2021 financial year. This capital expenditure will focus primarily on continuing the introduction of a Global Manufacturing Platform, further automation and the programme FORWARD 2.0 as well as IT.

It should also be noted that the economic impacts on SAF-HOLLAND from the current spread of COVID-19 cannot be suitably determined or reliably measured at present.

EVENTS AFTER THE BALANCE SHEET DATE

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousands		
	Q1/2021	Q1/2020
Sales	285,620	283,411
Cost of sales	-230,159	-232,454
Gross profit	55,461	50,957
Other income	276	494
Selling expenses	-14,692	-16,249
Administrative expenses	-15,847	-16,639
Research and development expenses	-6,034	-4,567
Operating result	19,164	13,996
Share of net profit of investments accounted for using the equity method	289	377
Earnings before interest and taxes	19,453	14,373
Finance income	927	1,222
Finance expenses	-2,605	-4,048
Finance result	-1,678	-2,826
Result before income tax	17,775	11,547
Income tax	-6,508	-2,890
Result for the period	11,267	8,657
Attributable to:		
Equity holders of the parent	10,959	8,857
Shares of non-controlling interests	308	-200
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	256	-
Income tax effects on items recognised in other comprehensive income	-234	-
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	13,446	-8,110
Other comprehensive income	13,468	-8,110
Comprehensive income for the period	24,735	547
Attributable to:		
Equity holders of the parent	24,499	1,280
Shares of non-controlling interests	236	-733
Basic earnings per share in EUR	0.24	0.20
Diluted earnings per share in EUR	0.24	0.17

CONSOLIDATED BALANCE SHEET

in EUR thousands		
	03/31/2021	12/31/2020
Assets		
Non-current assets	499,068	495,372
Goodwill	78,165	77,119
Other intangible assets	162,914	162,781
Property, plant and equipment	208,171	207,123
Investments accounted for using the equity method	16,392	15,400
Financial assets	1,342	1,289
Other non-current assets	2,471	2,483
Deferred tax assets	29,613	29,177
Current assets	499,530	425,114
Inventories	155,777	126,424
Trade receivables	130,027	95,347
Income tax receivables	3,107	3,449
Other current assets	28,610	26,743
Financial assets	2,502	2,169
Cash and cash equivalents	179,507	170,982
Balance sheet total	998,598	920,486

in EUR thousands		
	03/31/2021	12/31/2020
Equity and liabilities		
Total equity	325,198	300,463
Equity attributable to equity holders of the parent	322,318	297,819
Subscribed share capital	45,394	45,394
Share premium	224,104	224,104
Retained earnings	95,382	84,423
Accumulated other comprehensive income	-42,562	-56,102
Shares of non-controlling interests	2,880	2,644
Non-current liabilities	448,626	448,896
Pensions and other similar benefits	32,178	31,415
Other provisions	8,611	8,713
Interest bearing loans and bonds	322,484	322,529
Lease liabilities	35,372	35,766
Other financial liabilities	556	905
Other liabilities	710	1,551
Deferred tax liabilities	48,715	48,017
Current liabilities	224,774	171,127
Other provisions	14,881	11,945
Interest bearing loans and bonds	9,959	1,539
Lease liabilities	7,306	7,849
Trade payables	147,370	107,172
Income tax liabilities	7,015	4,022
Other financial liabilities	10,154	9,950
Other liabilities	28,089	28,650
Balance sheet total	998,598	920,486

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousands		
	Q1/2021	Q1/2020
Cash flow from operating activities		
Result before income tax	17,775	11,547
- Finance income	-927	-1,222
+ Finance expenses	2,605	4,048
+/- Share of net profit of investments accounted for using the equity method	-289	-377
+/- Other non-cash transactions	714	898
+ Amortisation and depreciation of intangible assets and property, plant and equipment	11,374	11,503
+ Allowance of current assets	1,912	2,430
+/- Loss/Gain on disposal of property, plant and equipment	-81	8
+ Dividends from investments accounted for using the equity method	19	21
Cash flow before change of net working capital	33,102	28,856
+/- Change in other provisions and pensions	2,725	-2,054
+/- Change in inventories	-27,833	-5,916
+/- Change in trade receivables and other assets ¹	-34,966	-46,865
+/- Change in trade payables and other liabilities	36,105	62,853
Change of net working capital	-23,969	8,018
Cash flow from operating activities before income tax paid	9,133	36,873
- Income tax paid	-3,435	-4,860
Net cash flow from operating activities	5,698	32,014
Cash flow from investing activities		
- Purchase of property, plant and equipment	-4,701	-5,446
- Purchase of intangible assets	-632	-1,295

in EUR thousands		
	Q1/2021	Q1/2020
+ Proceeds from sales of property, plant and equipment	132	418
+ Proceeds from sales of financial assets	63	-
+ Interest received	124	212
Net cash flow from investing activities	-5,014	-6,109
Cash flow from financing activities		
+ Proceeds from promissory note loan	-	230,000
- Repayments of current and non-current financial liabilities	-	-35,259
- paid transaction costs relating to the issuance of the promissory note loan	-5	-1,627
- Proceeds from foreign currency derivatives	-66	-
- Payments for lease liabilities	-2,333	-2,383
- Interest paid	-3,226	-1,610
+/- Change in drawings on the credit line and other financing activities	9,548	-2,341
+/- Transactions with non-controlling interests	-	-21,635
Net cash flow from financing activities	3,918	165,144
Net increase/decrease in cash and cash equivalents	4,602	191,048
Effect of changes in exchange rates on cash		
+/- and cash equivalents	3,923	-2,821
Cash and cash equivalents at the beginning of the period	170,982	131,166
Cash and cash equivalents at the end of the period	179,507	319,393

¹ As of March 31, 2021, trade receivables in the amount of € 40.3 million (previous year: € 40.1 million) were sold in the context of a factoring contract. Assuming the legal validity of receivables, no further rights of recourse to SAF-HOLLAND exist from the receivables sold.

SEGMENT INFORMATION

in EUR thousands	EMEA ¹		Americas ²		APAC ³		Total	
	Q1/2021	Q1/2020	Q1/2021	Q1/2020	Q1/2021	Q1/2020	Q1/2021	Q1/2020
Sales	168,318	157,226	90,190	105,113	27,112	21,072	285,620	283,411
Adjusted EBIT	16,198	14,834	5,372	4,120	387	-513	21,957	18,441
Adjusted EBIT margin in %	9.6	9.4	6.0	3.9	1.4	-2.4	7.7	6.5
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	4,311	4,477	3,485	3,880	1,289	710	9,085	9,067
in % of sales	2.6	2.8	3.9	3.7	4.8	3.4	3.2	3.2
Adjusted EBITDA	20,509	19,311	8,857	8,000	1,676	197	31,042	27,508
Adjusted EBITDA margin in %	12.2	12.3	9.8	7.6	6.2	0.9	10.9	9.7
Purchase of property, plant and equipment and intangible assets	2,372	2,103	527	3,830	2,434	808	5,333	6,740
in % of sales	1.4	1.3	0.6	3.6	9.0	3.8	1.9	2.4
Employees at the reporting date	1,453	1,474	1,496	1,703	564	567	3,513	3,744

¹ Includes Europe, Middle East and Africa.

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

³ Includes Asia/Pacific, India and China.

FINANCIAL CALENDAR AND CONTACT INFORMATION

FINANCIAL CALENDAR

June 10, 2021

Annual General Meeting

August 12, 2021

Publication of the Half-Year Financial Report 2021

November 15, 2021

Publication of the Quarterly Statement Q3 2021

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The quarterly statement is also available in German.
In cases of doubt, the German version shall prevail.

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