Q3 2019

QUARTERLY STATEMENT OF SAF-HOLLAND GROUP

as of September 30, 2019

KEY FIGURES

Results of operations

in EUR thousands

	Q1-Q3/2019	Q1-Q3/2018	Q3/2019	Q3/2018
Sales	1,008,626	980,853	313,160	340,545
Gross profit	164,241	155,382	45,516	50,795
Gross profit margin in %	16.3	15.8	14.5	14.9
Earnings before interest and tax (EBIT)	38,895	59,299	2,151	22,522
EBIT margin in %	3.9	6.0	0.7	6.6
Adjusted EBIT	66,916	71,146	16,973	27,030
Adjusted EBIT margin in %	6.6	7.2	5.4	8.0
Result for the period	17,280	37,027	-3,488	15,254
Adjusted result for the period	42,871	46,069	9,841	17,859
Undiluted earnings per share	0.36	0.82	-0.09	0.34
Adjusted undiluted earnings per share	0.94	1.01	0.21	0.39

Net assets

in EUR thousands

	09/30/2019	12/31/2018
Balance sheet total	1,035,745	977,416
Equity	345,196	332,550
Equity ratio in %	33.3	34.0
Cash and cash equivalents	126,107	155,009
Net debt	274,695	213,386
Net working capital	195,124	172,468
Net working capital in % of sales	15.6	13.5

Financial position

in EUR thousands

	Q1-Q3/2019	Q1-Q3/2018	Q3/2019	Q3/2018
Cash flow from operating activities before income tax paid	58,342	-12,700	21,845	4,250
Cash conversion rate in %	87.2	-17.9	128.7	15.5
Net cash flow from operating activities	44,721	-33,048	17,116	-2,192
Cash flow from investing activities	-42,794	-26,092	-7,695	-15,029
Purchase of property, plant and equipment and intangible assets	-36,861	-25,262	-12,625	-10,024
Operating free cash flow	7,860	-58,310	4,491	-12,216

Employees

	Q1-Q3/2019	Q1-Q3/2018
Employees (on average)	4,316	4,234
Sales per employee (in EUR thousands)	233.7	231.7

Yield

in %

	Q1-Q3/2019	Q1-Q3/2018
Return on capital employed (ROCE)	7.0	7.5

ROCE = EBIT (annualized) / (total assets – current liabilities)

Due to rounding, the figures presented in this report may not add up precisely to the totals shown and per centages may not precisely reflect the absolute figures. Such differences are not of a material nature.

_Table of Contents

KEY EVENTS IN THE FIRST NINE MONTHS OF 2019

NEW SEGMENTATION SCHEME FOR CORPORATE MANAGEMENT

As of January 1, 2019, a new segmentation scheme was introduced to corporate management and group reporting, reflecting the growing importance of individual regions and the management approach. As a result, the APAC/China region is now divided into the regions "APAC" and "China". As of January 1, 2019, corporate management and group reporting are now conducted under the "EMEA", "Americas", "APAC" and "China" segments. These four regions cover both the original equipment and spare parts businesses.

ACQUISITION OF MAJORITY STAKE IN TRAILER TIRE PRESSURE MANAGEMENT SPECIALIST PRESSUREGUARD™

Effective January 9, 2019, SAF-HOLLAND acquired 51 per cent of the shares in the manufacturer of tire pressure management systems PressureGuard. A purchase option for the remaining outstanding shares in the company was agreed between SAF-HOLLAND and the previous owner, Servitech Industries, Inc. SAF-HOLLAND can exercise this option at a later date. The purchase price for the acquired stake was in the low single-digit million euro range.

SAF-HOLLAND sees great potential in PressureGuard’s proven tire pressure management technology to provide even more comprehensive axle and suspension solutions to its fleet customers in North America. By employing this solution, SAF-HOLLAND is not only expanding its systems expertise but also increasing its added value. This one-stop sourcing approach provides fleet managers with a single point of contact and ensures a fully engineered system design that can address any compatibility issues upfront. This approach also simplifies the warranty and after-sale support needed by today’s fleets.

ACQUISITION OF THE STARA GROUP

Effective February 1, 2019, SAF-HOLLAND acquired all shares in the Finnish Stara Group. SAF-HOLLAND took over the business operations of the two family-owned companies AB Stara Parts Oy, Finland, and Trailax Aktiebolag, Sweden. The purchase price was in the low double-digit million euro range.

The Stara Group was previously the distribution partner of SAF-HOLLAND in Finland and Sweden, focusing primarily on axle and suspension systems for trailers. In addition, the Group has an excellent aftermarket network in the region with a total of three branches.

Through this acquisition, SAF-HOLLAND will be able to strengthen its brand awareness in Northern Europe. With Group-owned sales and service companies having a broader and more intensive coverage of the Finnish and Swedish markets, the Group also intends to further expand its market position and the cross-selling of its Group brands.

CHANGE IN THE COMPANY’S TOP MANAGEMENT: SAF-HOLLAND APPOINTS ALEXANDER GEIS AS NEW CEO

On February 25, 2019, SAF-HOLLAND S.A. and Detlef Borghardt mutually agreed to terminate his mandates at SAF-HOLLAND effective February 26, 2019.

Alexander Geis, who was already responsible for the EMEA region and Global Procurement on the Group Management Board, was appointed as the new Chief Executive Officer effective February 26, 2019.

SAF-HOLLAND AND THE SCHWARZMÜLLER GROUP CONCLUDE 5-YEAR CONTRACT FOR TRAILER AXLES

In mid-April 2019, SAF-HOLLAND announced the conclusion of a contract with the Austrian company Wilhelm Schwarzmüller GmbH for the delivery of trailer axles with a contract value in the low three-digit million range. The contract period of five years is longer than customary. During this time, SAF-HOLLAND will supply more than 75 per cent of the total volume put out for tender by the Schwarzmüller Group.

SAF-HOLLAND RECEIVES THE LARGEST SINGLE ORDER IN ITS HISTORY FROM KÖGEL TRAILER GMBH

At the end of April 2019, SAF-HOLLAND reported it had received another major contract for trailer axles and landing gear. SAF-HOLLAND and the Humbaur Group’s Kögel Trailer GmbH, one of the leading trailer manufacturers in Europe, have concluded a multi-year contract for the delivery of trailer axles and landing gear with a prospective contract value in the low three-digit million range.

ORDINARY ANNUAL GENERAL MEETING APPROVES DIVIDEND PAYMENT OF EUR 0.45 PER SHARE AND EXTRAORDINARY GENERAL MEETING APPROVES THE INTRODUCTION OF AN ADDITIONAL THRESHOLD FOR VOTING RIGHTS NOTIFICATIONS (3 PER CENT)

The thirteenth Annual General Meeting of SAF-HOLLAND S.A. on April 25, 2019 in Luxembourg was met by strong interest from SAF-HOLLAND's shareholders, with an attendance rate of more than 67 per cent. All of the proposed resolutions of the management were approved by a large majority, including the presentation of the annual and consolidated financial statements for the 2018 financial year, the management report and group management report, as well as the discharge of the members of the Board of Directors. The Annual General Meeting also discharged the auditor, PricewaterhouseCoopers Société coopérative, for the 2018 financial year, who was then reappointed as the auditor for the 2019 financial year. The Annual General Meeting also resolved a dividend of EUR 0.45 (previous year EUR 0.45) per share for the 2018 financial year.

The Extraordinary General Meeting, which took place immediately after the Ordinary Annual General Meeting, approved all of the management's resolution proposals by a large majority with one exception. One of the most important items was the increase in Authorized Capital I from EUR 164.9 million to EUR 227.0 million.

In an effort to harmonize with the corresponding provisions of the German Securities Trading Act (Section 33 [1] WpHG), the Extraordinary General Meeting of SAF-HOLLAND S.A. decided by way of an amendment to Article 18 (1) sentence 1 of the Company's Articles of Association, that Company shareholders who reach, exceed or fall below the voting rights' threshold of 3 per cent are required to promptly file a voting rights notification with the Company. The statutory reporting obligations pursuant to Article 8 et seq. of the Transparency Act of the Grand Duchy of Luxembourg (Law of 11 January 2008 on transparency requirements for issuers), as amended, continue to apply.

SAF-HOLLAND AND LOHR INDUSTRIE SEAL STRATEGIC PARTNERSHIP FOR E-AXLES

In May 2019, SAF-HOLLAND signed a contract for a strategic partnership for electric trailer axles with the French world market leader for vehicle transporters LOHR Industrie S.A.

The cooperation is initially set up for 10 years and includes an extension clause. The worldwide distribution rights of the jointly developed AXEAL system are held by SAF-HOLLAND. The first semi-trailers for the transport of passenger cars were equipped with this new application in the first quarter of 2019 for testing purposes. In several weeks, the first LOHR customer vehicles equipped with AXEAL will be delivered to the US company Virginia Transport and the South African company KDG Logistics.

CHANGES IN THE COMPOSITION OF THE GROUP MANAGEMENT BOARD

On May 31, 2019, SAF-HOLLAND GmbH and Mr. Guoxin Mao, President China and member of the Group Management Board, mutually agreed on the termination of his service. Mr. Guoxin Mao resigned from his office with immediate effect. At the same time, Jürgen Knott was appointed as President China effective June 1, 2019. Jürgen Knott is a member of the extended management team and reports directly to Alexander Geis.

Steffen Schewerda, President Americas, resigned from office effective September 6, 2019, after reaching an amicable agreement with SAF-HOLLAND GmbH on terminating his employment. Effective September 9, 2019, Kent Jones was appointed as President Americas and member of the extended management team.

CHANGE IN CHAIRSHIP OF BOARD OF DIRECTORS

Dr. Martin Kleinschmitt, member of the Board of Directors of SAF-HOLLAND S.A. since March 2013 and its vice chair since April 2017, assumed the duties of Martina Merz effective September 19, 2019 as acting chair of the Board of Directors. Martina Merz resigned as chair for personal reasons but remains with the Company as a member of the Board of Directors.

OUTLOOK REVISED FOR 2019 FINANCIAL YEAR

The Group Management Board analysed the course of business and industry-specific framework conditions and adjusted the full-year forecast for 2019 on September 23, 2019.

SAF-HOLLAND now expects Group sales for fiscal year 2019 to range from EUR 1,260 million to EUR 1,300 million (previous year EUR 1,301 million), corresponding to a rate of change of 0 to minus 3 per cent (previous expectation sales growth of 4 to 5 per cent). The Group Management Board now expects the adjusted EBIT margin to range between 6.0 and 6.5 per cent for the full year (previous expectation: around the midpoint of the range of 7 to 8 per cent).

The investment is also anticipated to be lower amounting to between EUR 58 million and EUR 63 million (previous expectation: EUR 68 million to EUR 70 million). SAF-HOLLAND expects the fourth key indicator, net working capital in relation to Group sales, to be in the range of 13 to 14 per cent (previous expectation: 13 per cent).

CHRISTOPH GÜNTER APPOINTED AS PRESIDENT EMEA

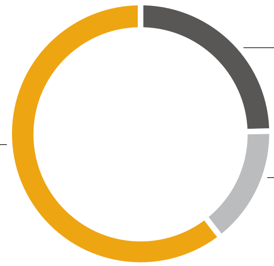
SAF-HOLLAND GmbH appointed Christoph Günter as President EMEA and a member of the extended management team effective October 1, 2019. In this role, he reports directly to Alexander Geis, CEO of SAF-HOLLAND.

SECTOR DEVELOPMENT

The production of trailers in Europe, China and North America, the production of trucks in North America, as well as the global aftermarket business, are all relevant factors when assessing the sector environment for the SAF-HOLLAND Group.

Sales breakdown Q1-Q3 2019

in %



SAF-HOLLAND's truck business breaks down as follows: America (10.4 per cent of Group sales), EMEA (3.4 per cent of Group sales), China (0.6 per cent of Group sales) and APAC (0.4 per cent of Group sales).

DIVERGENT DEVELOPMENTS IN THE TRUCK AND TRAILER MARKETS

The global truck and trailer markets developed very differently during the first three quarter of 2019, partly as a result of uncertainties concerning the future economic outlook. While the production of trailers in North America grew, fewer units were manufactured in Europe and China. At the same time, order intake for trailers and trucks in North America declined compared to the very strong prior-year period. Order backlogs are currently below the record levels achieved at the end of 2018. Overall, our expectations for the sector environment described in the 2018 Annual Report have been confirmed so far in 2019.

HIGH PRODUCTION GROWTH FOR CLASS 8 TRUCKS IN NORTH AMERICA

According to estimates by the market research institute ACT Research, truck production in the first nine months of 2019 increased by roughly 14 per cent year-on-year. A key driver of the higher production was the working down of order backlogs.

CONTINUED UPSWING IN NORTH AMERICAN TRAILER MARKET

The North American trailer market continued its very positive performance in the January through September 2019 period. According to the estimates of FTR Transport Intelligence (FTR), trailer production rose almost 8 per cent to 283,000 units.

LOWER YEAR-ON-YEAR TRAILER PRODUCTION IN EUROPE

After the historical highs achieved in 2018, the somewhat slower economic growth and persistent uncertainties surrounding Brexit led to a 15 to 20 per cent reduction in trailer production in the first three quarters of 2019 versus the prior year.

EUROPEAN TRUCK REGISTRATIONS INCREASE BY 5 PER CENT

According to the European Automobile Manufacturers' Association (ACEA), new registrations of heavy trucks (over 16 tons) increased by 5 per cent in the European Union in the first three quarters of 2019. Despite the underlying concerns about Brexit, the British market also registered growth of around 16 per cent. It is important, however, to view this growth in the context of the low prior-year comparisons. According to LMC Automotive, around 3 per cent more heavy trucks were produced in the first nine months than in the same period of the prior year.

TRAILER MARKET IN CHINA IN DECLINE

In the presence of the escalating trade conflict between China and the United States and the resulting uncertainty concerning China's further economic development, trailer production since the beginning of 2019 has declined by approximately 15 to 20 per cent. As a result, the development of the premium segment, which is relevant for SAF-HOLLAND's business development (disc brake technology and air suspension systems after the imposition of stricter regulatory requirements), could not escape the impact of the negative market trend and recorded a decline in demand.

LOWER ECONOMIC GROWTH AND NEW REGULATION IMPACT INDIA'S MARKET

Lower economic growth and the delayed introduction of the AIS113 regulation (includes requirements for components used to manufacture commercial vehicles), as well as the ongoing effects from the implementation of uniform domestic taxes for goods transportation, led to a decline in the production of trailers of 60 per cent in the first nine months of the year. Market analysts are anticipating a decline in trailer production for the year 2019 as a whole of 60 per cent.

EARNINGS; ASSET AND FINANCIAL POSITION

EARNINGS PERFORMANCE

GROUP SALES SLIGHTLY HIGHER YEAR-ON-YEAR

Group sales in the first nine months of 2019 reached a level of EUR 1,008.6 million and were 2.8 per cent higher than the level of EUR 980.9 million reported in the prior year. The additional contribution to sales from the companies acquired since January 2018 amounted to EUR 38.1 million.

The positive currency effects, resulting primarily from the appreciation of the US dollar versus the euro, amounted to EUR 22.0 million (previous year EUR –32.5 million). Sales adjusted for currency and acquisition effects therefore declined by 3.3 per cent to EUR 948.6 million.

PERCENTAGE OF SALES FROM SPARE PARTS BUSINESS GROWS

Sales from the original equipment business in the January to September 2019 reporting period improved by 1.3 per cent, or EUR 10.1 million, to EUR 759.5 million. The Americas region and acquisitions in the APAC region were the key contributors to this growth. The share of sales from the original equipment business in the reporting period declined slightly from 76.4 per cent to 75.3 per cent.

in EUR thousands	Q1-Q3/2019	Q1-Q3/2018	Change absolute	Change in %
Original equipment business	759,521	749,447	10,074	1.3 %
Spare parts business	249,105	231,406	17,699	7.6 %
Group sales	1,008,626	980,853	27,773	2.8 %
Original equipment business in % of Group sales	75.3 %	76.4 %		
Spare parts business in % of Group sales	24.7 %	23.6 %		

In contrast, sales in the spare parts business increased by EUR 17.7 million, or 7.6 per cent, to EUR 249.1 million. The key drivers of this performance were the Americas and EMEA regions. The share of sales from the spare parts business increased from 23.6 per cent to 24.7 per cent.

SLIGHT IMPROVEMENT IN COST OF SALES RATIO

The cost of sales in the reporting period increased 2.3 per cent from EUR 825.5 million to EUR 844.4 million following a rise in sales of 2.8 per cent. The cost of sales ratio improved slightly from 84.2 per cent to 83.7 per cent. This performance was also positively affected by the contractual passing on of last year's steel price increases, global sourcing savings, as well as by permanent price increases in the North American aftermarket business. Product mix effects and impairments on inventories had a negative effect.

COMPREHENSIVE COST-CUTTING PROGRAMME LAUNCHED

Selling and general administrative expenses grew year-on-year by EUR 24.1 million, or 29.0 per cent, to EUR 107.4 million in the first nine months of the 2019 financial year. As a result, the corresponding cost ratio increased from 8.5 per cent to 10.7 per cent. Beside consolidation effects, higher personnel costs from adjustments in collective wage agreements, as well as strategic new hirings had a particularly negative impact. In addition, there were payments for departing members of the Group Management Board, consultancy costs for the programme FORWARD in the US and the Chinese Greenfield project, as well as impairments on receivables. In the prior year, general administrative expenses included non-recurring income of EUR 4.4 million from the partial settlement of the US medical plan. In the light of the expected market development, Group Management Board launched a comprehensive cost-cutting programme for all sites.

R&D RATIO SLIGHTLY ABOVE PREVIOUS YEAR’S LEVEL

Research and development costs in the first nine months of 2019 amounted to EUR 15.7 million and were slightly higher than previous year’s level of EUR 15.5 million. In addition, a total of EUR 3.4 million (previous year EUR 2.4 million) in development costs were capitalized. The R&D ratio (including capitalized development costs) amounted to 1.9 per cent of sales (previous year 1.8 per cent). The focus of the development activities was on new products and adapting existing solutions to meet specific customer and regional market requirements. The theme “SMART STEEL,” which refers to the combination of mechanical products with sensors and electronics, is increasingly gaining importance.

ADJUSTED EBIT MARGIN UNDER PRESSURE FROM NON-RECURRING EXPENSES

Group earnings before interest and taxes (EBIT) were sharply lower in the first nine months of 2019, falling from EUR 59.3 million in the previous year to EUR 38.9 million. This figure contains non-recurring expenses in the amount of EUR 6.6 million (for more information, please refer to the segment report for the China region) that were not adjusted for.

in EUR thousands	Q1-Q3/2019	Q1-Q3/2018	Change absolute	Change in %
Sales	**1,008,626**	**980,853**	**27,773**	**2.8 %**
EBIT	**38,895**	**59,299**	**-20,404**	**-34.4 %**
EBIT margin in %	3.9 %	6.0 %		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	7,288	5,849	1,439	24.6 %
Impairment of goodwill	6,691	-	6,691	-
PPA step-up from inventory measuring of acquisition	43	766	-723	-94.4 %
Valuation effects from call and put options	-	-	-	-
Restructuring and transaction costs	13,999[1]	5,232	8,767	167.6 %
Adjusted EBIT	**66,916**	**71,146**	**-4,230**	**-5.9 %**
Adjusted EBIT margin in %	6.6 %	7.2 %		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	23,543	15,572	7,971	51.2 %
in % of sales	2.3 %	1.6 %		
Adjusted EBITDA	**90,459**	**86,718**	**3,741**	**4.3 %**
Adjusted EBITDA margin in %	9.0 %	8.8 %		

[1] Restructuring and transaction costs of EUR 14.0 million (previous year EUR 5.2 million) include unscheduled depreciation of property, plant and equipment of EUR 2.1 million (previous year EUR 0.0 million).

The adjusted EBIT includes restructuring and transactions costs of EUR 14.0 million (previous year EUR 5.2 million), purchase price allocation effects of EUR 7.3 million (previous year EUR 6.6 million), as well as the full impairment of the goodwill from the China region (for more information, please refer to the segment report for the China region) and amounted to EUR 66.9 million in the first nine months of 2019 (previous year EUR 71.1 million). The adjusted EBIT margin amounted to 6.6 per cent (previous year 7.2 per cent) in the first nine months of 2019.

IMPROVEMENT IN FINANCE RESULT

The finance result in the first nine months of 2019 improved to a level of EUR –8.7 million (previous year EUR –9.3 million). This improvement was mainly the result of lower average financial debt following the repayment of a bond with a volume of EUR 75.0 million and an interest coupon of 7 per cent in the prior year.

INCOME TAXES

The increase in the effective Group tax rate from 25.9 per cent to 42.7 per cent is due above all to unrecognized deferred tax assets on loss carryforwards from foreign Group companies. The main source of losses year-to-date has been the Group companies in China, which recorded considerable losses because of restructuring measures. These losses are unlikely to be available for offsetting against taxes on future profits due to restrictions on the use of losses under Chinese tax law. As a result, the recognition of a deferred tax asset for the losses incurred in the year 2019 was waived.

RESULT FOR THE PERIOD

Based on the higher effective tax rate, the result for the period in the first nine months of 2019 amounted to EUR 17.3 million (previous year EUR 37.0 million).

Based on approximately 45.4 million ordinary shares issued, basic earnings per share in the first nine months of 2019 amounted to EUR 0.36 (previous year EUR 0.82), and diluted earnings per share amounted to EUR 0.32 (previous year EUR 0.71).

Group

in EUR thousands

	Q1-Q3/2019	Q1-Q3/2018	Change absolute	Change in %
Sales	**1,008,626**	**980,853**	**27,773**	**2.8 %**
EBIT	**38,895**	**59,299**	**-20,404**	**-34.4 %**
EBIT margin in %	3.9 %	6.0 %		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	7,288	5,849	1,439	24.6 %
Impairment of goodwill	6,691	-	6,691	-
PPA step-up from inventory measuring of acquisition	43	766	-723	-94.4 %
Valuation effects from call and put options	-	-	-	-
Restructuring and transaction costs	13,999	5,232	8,767	167.6 %
Adjusted EBIT	**66,916**	**71,146**	**-4,230**	**-5.9 %**
Finance result	-8,747	-9,309	562	-6.0 %
Adjusted earnings before taxes	**58,169**	**61,837**	**-3,668**	**-5.9 %**
Income taxes	-15,298	-15,768	470	-3.0 %
Group tax rate	26.3 %	25.5 %		
Adjusted result for the period	**42,871**	**46,069**	**-3,198**	**-6.9 %**
Number of shares	45,394,302	45,394,302		
Adjusted basic earnings per share in EUR	0.94	1.01	-0.07	-6.9 %
Adjusted diluted earnings per share in EUR	0.80	0.87	-0.07	-8.0 %

Adjusted for restructuring and transaction costs, purchase price allocation effects, the full impairment of the goodwill from the China region and based on an average Group tax rate of 26.3 per cent (previous year 25.5 per cent), the adjusted result for the period amounted to EUR 42.9 million (previous year EUR 46.1 million).

Based on the approximately 45.4 million ordinary shares issued, adjusted basic earnings per share amounted to EUR 0.94 (previous year EUR 1.01) and adjusted diluted earnings per share amounted to EUR 0.80 (previous year EUR 0.87).

SEGMENT REPORTING

EMEA REGION: SALES SLIGHTLY BELOW PRIOR-YEAR LEVEL

EMEA

in EUR thousands

	Q1-Q3/2019	Q1-Q3/2018	Change absolute	Change in %
Sales	**492,485**	**500,555**	**-8,070**	**-1.6 %**
EBIT	**40,518**	**51,007**	**-10,489**	**-20.6 %**
EBIT margin in %	8.2 %	10.2 %		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	3,449	2,766	683	24.7 %
PPA step-up from inventory measuring of acquisition	3	207	-204	-98.6 %
Valuation effects from call and put options	-	-	-	-
Restructuring and transaction costs	2,768	3,071	-303	-9.9 %
Adjusted EBIT	**46,738**	**57,051**	**-10,313**	**-18.1 %**
Adjusted EBIT margin in %	9.5 %	11.4 %		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	11,441	6,861	4,580	66.7 %
in % of sales	2.3 %	1.4 %		
Adjusted EBITDA	**58,179**	**63,912**	**-5,733**	**-9.0 %**
Adjusted EBITDA margin in %	11.8 %	12.8 %		

In the EMEA region, sales in the first nine months of 2019 declined by 1.6 per cent to EUR 492.5 million (previous year EUR 500.6 million). The companies acquired since January 2018 contributed additional sales of EUR 17.3 million. As a result of volume effects, organic sales declined by 4.9 per cent to EUR 476.1 million and outperformed the European sales markets.

In the first nine months of 2019, the EMEA region generated an adjusted EBIT of EUR 46.7 million (previous year EUR 57.1 million) and an adjusted EBIT margin of 9.5 per cent (previous year 11.4 per cent). The above-mentioned volume effects and higher personnel expenses from the currently valid German collective agreement had a negative impact in the first nine months of 2019. A positive effect on earnings in the reporting period came from the companies acquired since January 2018, while the earnings in first nine months of 2018 benefited from the reversal of warranty provisions and foreign currency effects (Turkish lira versus the euro).

AMERICAS REGION: EARNINGS SITUATION STABILISES

Americas

in EUR thousands

	Q1-Q3/2019	Q1-Q3/2018	Change absolute	Change in %
Sales	**416,146**	**353,875**	**62,271**	**17.6 %**
EBIT	**18,567**	**3,317**	**15,250**	**459.8 %**
EBIT margin in %	4.5 %	0.9 %		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	1,912	1,867	45	2.4 %
PPA step-up from inventory measuring of acquisition	-	-	-	-
Valuation effects from call and put options	-	-	-	-
Restructuring and transaction costs	5,571	1,303	4,268	327.6 %
Adjusted EBIT	**26,050**	**6,487**	**19,563**	**301.6 %**
Adjusted EBIT margin in %	6.3 %	1.8 %		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	9,446	7,407	2,039	27.5 %
in % of sales	2.3 %	2.1 %		
Adjusted EBITDA	**35,496**	**13,894**	**21,602**	**155.5 %**
Adjusted EBITDA margin in %	8.5 %	3.9 %		

Sales in the Americas region in the first nine months of 2019 increased by 17.6 per cent to EUR 416.1 million (previous year EUR 353.9 million). Sales adjusted for currency and acquisition effects improved by 11.3 per cent to EUR 393.8 million.

Business with axle systems with integrated disc brake technology performed very well. In addition to the company XTRA Lease, a second well-known major fleet customer and thus market share was gained. In the first nine months of 2019, 56 per cent more axle systems equipped with disc brakes were delivered to customers. To meet the growing demand, additional capacity will be created at the Warrenton site. With the opening of a new aftermarket distribution center in Phoenix, Arizona, at the end of September, orders can be processed much faster.

At EUR 26.1 million, adjusted EBIT was significantly above the prior-year level of EUR 6.5 million. The adjusted EBIT margin was 6.3 per cent (previous year 1.8 per cent). Key contributors to this performance were the improved processes and procedures, contractual passing on of last year's steel price increases, lower purchasing prices for steel and other materials, and a significantly more profitable aftermarket business.

The overall situation at the North American plant network improved during the first nine months of 2019. On March 1, 2019, SAF-HOLLAND launched the programme FORWARD in order to systematically realize the considerable potential for improvements identified and drive forward the region's turnaround. The focus of this project is to optimize the production and supply chains, the product portfolio, the aftermarket business and the procurement of materials.

APAC REGION: ONGOING MARKET WEAKNESS IN INDIA BURDENED-COST-CUTTING PROGRAMME SHOWS FIRST POSITIVE EFFECTS

APAC

in EUR thousands

	Q1-Q3/2019	Q1-Q3/2018	Change absolute	Change in %
Sales	**69,159**	**65,268**	**3,891**	**6.0 %**
EBIT	**3,795**	**3,210**	**585**	**18.2 %**
EBIT margin in %	5.5 %	4.9 %		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	1,883	1,173	710	60.5 %
PPA step-up from inventory measuring of acquisition	40	559	-519	-92.8 %
Valuation effects from call and put options	-	-	-	-
Restructuring and transaction costs	-1,641	469	-2,110	-
Adjusted EBIT	**4,077**	**5,411**	**-1,334**	**-24.7 %**
Adjusted EBIT margin in %	5.9 %	8.3 %		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	1,154	430	724	168.4 %
in % of sales	1.7 %	0.7 %		
Adjusted EBITDA	**5,231**	**5,841**	**-610**	**-10.4 %**
Adjusted EBITDA margin in %	7.6 %	8.9 %		

In the first nine months of 2019, the APAC region increased sales by EUR 3.9 million to EUR 69.2 million. The additional sales contribution from the companies acquired since January 2018 amounted to a total of EUR 20.4 million. Currency- and acquisition-adjusted sales declined 26.2 per cent year-on-year to EUR 48.2 million, primarily because of the ongoing weak market environment in India.

In contrast, adjusted EBIT amounted to EUR 4.1 million and fell short of the previous year's figure of EUR 5.4 million. Restructuring income of EUR 2.2 million from the sale of a building as part of the merger of SAF-HOLLAND Australia and York Transport Equipment Pty. Ltd. (Australia) was eliminated. The adjusted EBIT margin fell from 8.3 per cent to 5.9 per cent. The reason for this was also the persistently weak market environment in India. An initiated cost-cutting programme shows first positive effects.

CHINA REGION: EXTENSIVE REORGANIZATION MEASURES IMPLEMENTED IN A CHALLENGING MARKET ENVIRONMENT

China

in EUR thousands

	Q1-Q3/2019	Q1-Q3/2018	Change absolute	Change in %
Sales	**30,836**	**61,155**	**-30,319**	**-49.6 %**
EBIT	**-23,985**	**1,765**	**-25,750**	**-**
EBIT margin in %	-77.8 %	2.9 %		
Additional depreciation and amortization of property, plant and equipment and intangible assets from PPA	44	43	1	2.3 %
Impairment of goodwill	6,691	-	6,691	-
PPA step-up from inventory measuring of acquisition	-	-	-	-
Valuation effects from call and put options	-	-	-	-
Restructuring and transaction costs	7,301	389	6,912	1776.9 %
Adjusted EBIT	**-9,949**	**2,197**	**-12,146**	**-**
Adjusted EBIT margin in %	-32.3 %	3.6 %		
Depreciation and amortization of property, plant and equipment and intangible assets (excluding PPA)	1,502	874	628	71.8 %
in % of sales	4.9 %	1.4 %		
Adjusted EBITDA	**-8,447**	**3,071**	**-11,518**	**-**
Adjusted EBITDA margin in %	-27.4 %	5.0 %		

The China region generated sales of EUR 30.8 million in the first nine months of 2019 (previous year EUR 61.2 million). This decline was the result of the shrinking export business stemming from the trade dispute between China and the US, as well as from short-notice cyclical cancellations and delays in orders and temporary strikes following the announcement of plant closures.

The China region achieved an adjusted EBIT of EUR –9.9 million in the first nine months of 2019 (previous year EUR +2.2 million). Unadjusted non-recurring expenses totalled EUR 6.6 million, which were evenly spread over the second and third quarter. These expenses are related to impairments on inventories and receivables of EUR 3.9 million and EUR 1.2 million, losses on disposals of assets of EUR 0.8 million and strike-related costs of EUR 0.8 million.

Excursus: In the course of the transition from a business unit structure to a regional group structure, the regions EMEA/India, Americas and APAC/China were defined as cash-generating units in 2016. The allocation of the carrying amounts of goodwill to the cash-generating units was based on the use of future synergies from past company acquisitions.

In a further step, as part of the new segment reporting as of January 1, 2019, the regions APAC and China were defined as cash-generating units. The goodwill allocated to the APAC/China region was allocated to the regions of China and APAC on a relative value approach.

For this reason, it is not possible to allocate goodwill impairment based on past transactions.

The integration of the other Chinese locations into the new plant in Yangzhou is at an advanced stage. The plant in Qingdao ceased operations as of July 31, 2019. The two warehouses in Beijing were also closed as of July 31, 2019. General business activities at the plant in Xiamen as well as the Beijing office are scheduled to terminate by the end of 2019. The commencement of pre-series production at the new Yangzhou plant took place in the fourth quarter.

ASSET POSITION

TOTAL ASSETS INCREASE BY 6.0 PER CENT

At the end of the third quarter of 2019, total assets increased by 6.0 per cent from EUR 977.4 million at the end of the 2018 financial year to EUR 1,035.7 million.

in EUR thousands	09/30/2019	12/31/2018	Change absolute	Change in %
Non-current assets	**522,851**	**472,284**	**50,567**	**10.7 %**
of which intangible assets	262,295	265,765	-3,470	-1.3 %
of which property, plant and equipment	212,122	163,263	48,859	29.9 %
of which other (financial) assets	48,434	43,256	5,178	12.0 %
Current assets	**512,894**	**505,132**	**7,762**	**1.5 %**
of which inventories	183,012	179,368	3,644	2.0 %
of which trade receivables	166,614	138,875	27,739	20.0 %
of which cash and cash equivalents	126,107	155,009	-28,902	-18.6 %
of which other (financial) assets	37,161	31,880	5,281	16.6 %
Total assets	**1,035,745**	**977,416**	**58,329**	**6.0 %**

The rise in property, plant and equipment is primarily attributable to the new IFRS 16 lease standard, amounting to EUR 32.9 million. The level of inventories compared to the end of 2018 rose EUR 3.6 million, or 2.0 per cent, and slightly lagged the rate of sales growth. The increase in trade receivables since the end of 2018 was disproportionately higher than the rate of sales growth as a result of reporting date effects.

The decline of EUR 28.9 million in cash and cash equivalents in the first nine months of 2019 primarily resulted from the purchase price payments for Stara Group and PressureGuard as well as the dividend payment made in May 2019.

EQUITY RATIO AT SOLID 33.3 PER CENT

Equity in comparison to December 31, 2018, increased by EUR 12.6 million respectively 3.8 per cent to EUR 345.2 million. The main drivers of this increase were the net result for the period in the first nine months of 2019, amounting to EUR 17.3 million and positive exchange differences from the translation of foreign operations recognized directly in equity. The rise in total assets of EUR 58.3 million, or 6.0 per cent, to EUR 1,035.7 million - decisive for this was the first-time application of the new leasing standard IFRS 16 - led to a slight decline in the equity ratio from 34.0 per cent to 33.3 per cent.

in EUR thousands

	09/30/2019	12/31/2018	Change absolute	Change in %
Equity	**345,196**	**332,550**	**12,646**	**3.8 %**
Non-current liabilities	**394,381**	**469,912**	**-75,531**	**-16.1 %**
of which interest-bearing loans and bonds	262,308	364,459	-102,151	-28.0 %
of which other non-current liabilities	132,073	105,453	26,620	25.2 %
Current liabilities	**296,168**	**174,954**	**121,214**	**69.3 %**
of which interest-bearing loans and bonds	104,974	3,936	101,038	2567.0 %
of which trade payables	132,303	129,115	3,188	2.5 %
of which other current liabilities	58,891	41,903	16,988	40.5 %
Balance sheet total	**1,035,745**	**977,416**	**58,329**	**6.0 %**

Non-current liabilities decreased by EUR 75.5 million to EUR 394.4 million compared to December 31, 2018. The main factor here was the termination of the variable portion of the promissory notes by the end of November 2019 in the amount of EUR 101.5 million and the associated reclassification to current interest-bearing loans and bonds. On the other hand, finance lease liabilities increased by EUR 25.2 million following the introduction of the new IFRS 16 lease standard. The slight rise in trade payables of 2.5 per cent to EUR 132.3 million is the result of reporting date effects. Current liabilities were also affected by the new IFRS 16 lease standard in the amount of EUR 8.1 million and by the reclassification of the variable portion of the promissory notes in the amount of EUR 101.5 million to current interest-bearing loans and bonds.

SLIGHT IMPROVEMENT IN NET WORKING CAPITAL RATIO

Net working Capital

in EUR thousands

	09/30/2019	09/30/2018	Change absolute	Change in %
Inventories	183,012	193,953	-10,941	-5.6 %
Trade receivables	166,614	206,974	-40,360	-19.5 %
Income tax receivables	3,462	2,459	1,003	40.8 %
Other current assets	31,025	23,116	7,909	34.2 %
Other provisions (non-current)	-7,047	-6,837	-210	3.1 %
Other provisions (current)	-13,287	-8,244	-5,043	61.2 %
Trade payables	-132,303	-159,517	27,214	-17.1 %
Other liabilities	-32,251	-25,366	-6,885	27.1 %
Income tax liabilities	-4,101	-8,646	4,545	-52.6 %
Net working capital	**195,124**	**217,892**	**-22,768**	**-10.4 %**
Net working capital ratio	15.6 %	16.0 %		

The net working capital ratio improved from 16.0 per cent in the previous year to 15.6 per cent. This decline resulted from lower inventories and significantly lower trade receivables partly offset by a sharply lower level of trade payables.

FINANCIAL POSITION

POSITIVE OPERATING FREE CASH FLOW

At EUR 44.7 million, cash flow from operating activities in the first nine months of 2019 was significantly above the previous year's level of EUR –33.0 million. This improvement is attributable, above all, to a lower change in net working capital, despite the continued growth in sales. The main reason for this was the significantly lower change in inventories and receivables.

Financial position

in EUR thousands

	Q1-Q3/2019	Q1-Q3/2018
Cash flow from operating activities	44,721	-33,048
Cash flow from investing activities (property, plant and equipment/intangible assets)	-36,861	-25,262
Operating free cash flow	**7,860**	**-58,310**
Cash flow from investing activities (subsidiaries, financial assets)	-10,886	-58,186
Total free cash flow	**-3,026**	**-116,496**
Other	-58,512	-46,549
Change in net financial liabilities (incl. finance lease)	**-61,080**	**-163,045**

Cash flow from investing activities in property, plant and equipment and intangible assets amounted to EUR 36.9 million, which was EUR 11.6 million or 45.9 per cent above the prior year's level. This rise was primarily attributable to the Chinese Greenfield project, rationalization and expansion investments in the United States as part of the programme FORWARD and a new administrative office building in Germany.

Operating free cash flow improved substantially, rising from EUR –58.3 million to EUR 7.9 million. Total free cash flow, in the amount of EUR –3.0 million, was affected by the cash outflow for the acquisitions of the Stara Group and PressureGuard.

SLIGHT RISE IN NET FINANCIAL LIABILITIES BY IFRS 16

Net financial liabilities (including liabilities from finance leases) increased by EUR 61.1 million to EUR 274.7 million as of September 30, 2019 compared to the balance sheet date of December 31, 2018. This was due to the total free cash flow of EUR -3.0 million and the dividend payment of EUR 20.4 million, in particular the first-time application of the new leasing standard IFRS 16 with EUR 33.3 million in this regard. As of September 30, 2019, the SAF-HOLLAND Group had liquid assets of EUR 126.1 million (December 31, 2018: EUR 155.0 million).

OPPORTUNITIES AND RISK REPORT

In assessing the opportunities and risks for the SAF-HOLLAND Group, there were no significant changes compared to the opportunity and risk-related statements in the 2018 Annual Report (pages 63 to 72) other than the following exception:

The extent of risk associated with the "impairment risks" presented in the section entitled "Operating Risks" has increased in the APAC region from "low" to "high." The reason for this change is the shortfall in sales and earnings versus the expectations.

OUTLOOK

SECTOR ENVIRONMENT: REGIONAL DIFFERENCES IN COMMERCIAL VEHICLE MARKETS

The outlook for the commercial vehicle markets relevant to SAF-HOLLAND remains challenging for 2019. Based on a record backlog for Class 8 trucks and trailers in North America, a relatively high level of production can also be expected for the remainder of the current year. The situation is somewhat different however in the important core market of Europe. After many years of growth, production figures for trailers are expected to decline for the year 2019.

EUROPEAN TRUCK MARKET IS STABLE

According to the estimates of LMC Automotive, the Western European truck market is expected to increase slightly in full-year 2019 (production + 2 per cent). It is worth noting that the European truck market is of only relatively minor importance to SAF-HOLLAND. For Eastern Europe, LMC currently expects a decline in the market of 6 per cent for the year 2019.

TRAILER MARKET IN EUROPE ON THE DECLINE

Following a period of sustained growth from 2013 to 2018, market research institutes are now anticipating a decline in trailer demand for the year 2019. Market researchers are justifying their assessment, arguing that trailer demand received an additional boost over the last several years as a result of pent-up demand. As a result, a decline in trailer production, ranging from 15 to 20 per cent, is currently expected in Europe. This decline, however, follows last year's high comparisons, when more than 9 per cent more trailers were manufactured than on average over the prior three years.

NORTH AMERICAN TRUCK MARKET AHEAD OF ANOTHER RECORD YEAR

The sustained robust growth of the US economy and the resulting higher than average increase in freight volumes and rates led to strong demand for additional transport capacity in North America in 2018. At the same time, the electronic logging device (ELD) introduced by the Federal Motor Carriers Safety Administration (FMCSA) on April 1, 2018, created added bottlenecks for the fleet operators. The ELD requires that truck drivers document their break times which, in practice, results in shorter operating times. Fleet operators reacted to these bottlenecks with a flood of orders for new equipment. However, the limited production capacity of the truck manufacturers meant it was not possible to fill these orders before 2019. In its latest forecast, ACT Research expects North American Class 8 truck production to rise 6 per cent, compared to its forecast at the start of the year of + 4 per cent. Higher growth is now expected, above all, in the US (+ 10 per cent); whereas truck production in Canada (– 2 per cent) is expected to decline.

NORTH AMERICAN TRAILER MARKET OUTLOOK REMAINS POSITIVE

The outlook for the North American trailer market in 2019 continues to be positive, not least due to the continued high level of the order backlog. ACT Research expects roughly 2 per cent more trailers to roll off the assembly lines in 2019 than in the prior year, which was already a strong year. SAF-HOLLAND will also benefit from the growing use of disc brakes on trailers.

TRUCKS AND TRAILERS CONTINUE TO GROW IN BRAZIL

Based on an anticipated moderate economic recovery and political reforms in Brazil, LMC Automotive expects heavy truck production in 2019 to grow by 20 per cent (previous expectation 15 per cent). As a result, the Brazilian truck market would continue the recovery that began in 2017, even though truck production would stay significantly below the level before the last downturn in 2013. After dynamic growth in the year 2018 of more than 60 per cent, CLEAR expects trailer demand to be more restrained and is projecting a rise in trailer production in 2019 of around 5 per cent.

CHINESE PREMIUM SEGMENT FOR TRAILERS UNABLE TO FULLY ESCAPE NEGATIVE MARKET TREND

After recording periods of high growth rates over the past several years, truck demand in China continued to consolidate in 2019, as expected by many market analysts. Heavy truck production in 2019 is currently projected to decline by 3 per cent. It is important to point out, however, that the Chinese truck market has not been of any notable importance to SAF-HOLLAND thus far.

Due to the uncertainties surrounding future economic developments in China, market analysts are foreseeing a 20 per cent decline in trailer production for full-year 2019. The expectation is that even with the recent introduction of load limits and safety regulations for trailers, the premium segment relevant for SAF-HOLLAND will not be able to fully escape the negative market trend.

For Australia, which is an important regional market for SAF-HOLLAND, LMC Automotive expects registrations of heavy and medium-duty trucks to decline by 21 per cent in 2019. After a nearly 7 per cent increase in trailer production in 2018, CLEAR anticipates a decline of 6 per cent in the current year.

CLEAR and LMC Automotive are also forecasting declines in the Indian market. In 2019, trailer production is expected to decline 60 per cent and truck production by 60 per cent.

COMPANY OUTLOOK

Based on the expected macroeconomic and industry-specific conditions and weighing the potential risks and opportunities for the 2019 financial year, the Group Management Board of SAF-HOLLAND unchanged expects to achieve Group sales in the range of EUR 1,260 million to EUR 1,300 million (previous year EUR 1,301 million), corresponding to a rate of change of 0 to minus 3 per cent. According to the Group Management Board's assessment, the adjusted EBIT margin is expected to range from 6.0 to 6.5 per cent for the full year.

EVENTS AFTER THE BALANCE SHEET DATE

INGRID JÄGERING APPOINTED AS A MEMBER OF THE BOARD OF DIRECTORS

In the meeting of the Board of Directors of SAF-HOLLAND S.A. on November 5, 2019 Ingrid Jägering was appointed as a member of the Board of Directors and Chair of the Audit Committee with immediate effect. In the same meeting, Dr. Martin Kleinschmitt was elected as the new Chair of the Board of Directors. Dr. Kleinschmitt succeeds Martina Merz, who resigned from this position for personal reasons in September 2019 and has now been elected as Vice Chair.

ALTERNATIVE PERFORMANCE MEASURES

In addition to the key figures defined or specified in the applicable IFRS financial reporting framework, SAF-HOLLAND also provides key financial ratios derived from or based on the prepared financial statements. These are known as Alternative Performance Measures (APM).

SAF-HOLLAND considers these key financial ratios to be important supplemental information for investors and other readers of the financial reports and press releases. The key financial ratios should therefore be seen as a supplement to rather than a replacement of the information prepared in accordance with IFRS.

With regard to the requirements of the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures (APM), SAF-HOLLAND provides an overview of the Alternative Performance Measures used, their definition and calculation on the SAF-HOLLAND website at https://corporate.safholland.com/en/apm.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousands	Q1-Q3/2019	Q1-Q3/2018[1]	Q3/2019	Q3/2018[1]
Sales	1,008,626	980,853	313,160	340,545
Cost of sales	-844,385	-825,471	-267,644	-289,750
Gross profit	**164,241**	**155,382**	**45,516**	**50,795**
Other income	3,109	1,186	2,394	462
Impairment of Goodwill	-6,691	-	-6,691	-
Selling expenses	-53,181	-44,291	-16,394	-14,153
Administrative expenses	-54,258	-39,011	-18,126	-10,310
Research and development expenses	-15,746	-15,469	-5,018	-4,700
Operating result	**37,474**	**57,797**	**1,681**	**22,094**
Share of net profit of investments accounted for using the equity method	1,421	1,502	470	428
Earnings before interest and taxes	**38,895**	**59,299**	**2,151**	**22,522**
Finance income	1,404	923	703	181
Finance expenses	-10,151	-10,232	-4,325	-3,239
Finance result	**-8,747**	**-9,309**	**-3,622**	**-3,058**
Result before tax	**30,148**	**49,990**	**-1,471**	**19,464**
Income tax	-12,868	-12,963	-2,017	-4,210
Result for the period	**17,280**	**37,027**	**-3,488**	**15,254**
Attributable to:				
Equity holders of the parent	16,135	37,336	-4,200	15,355
Non-controlling interests	1,145	-309	712	-101
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	14,916	-5,540	10,952	-9,037
Other comprehensive income	**14,916**	**-5,540**	**10,952**	**-9,037**
Comprehensive income for the period	**32,196**	**31,487**	**7,464**	**6,217**
Attributable to:				
Equity holders of the parent	31,072	32,065	6,792	6,402
Non-controlling interests	1,124	-578	672	-185
Basic earnings per share in EUR	**0.36**	**0.82**	**-0.09**	**0.34**
Diluted earnings per share in EUR	**0.32**	**0.71**	**-0.07**	**0.30**

[1] Since January 1, 2019, IFRS 16 “Leases” has been applied for the first time. It is applied using the modified retrospective approach, under which the previous year’s figures are not adjusted. As a result, some figures are not comparable with the prior year period. See explanatory notes in section 2 “Significant Accounting and Valuation Policies.”

CONSOLIDATED BALANCE SHEET

in EUR thousands	09/30/2019	12/31/2018[1]
Assets		
Non-current assets	**522,851**	**472,284**
Goodwill	78,805	84,480
Other intangible assets	183,490	181,285
Property, plant and equipment	212,122	163,263
Investments accounted for using the equity method	17,683	16,833
Financial assets	3,071	1,309
Other non-current assets	3,033	2,686
Deferred tax assets	24,647	22,428
Current assets	**512,894**	**505,132**
Inventories	183,012	179,368
Trade receivables	166,614	138,875
Income tax assets	3,462	5,226
Other current assets	31,025	25,149
Financial assets	2,674	1,505
Cash and cash equivalents	126,107	155,009
Balance sheet total	**1,035,745**	**977,416**

in EUR thousands	09/30/2019	12/31/2018[1]
Equity and liabilities		
Total equity	**345,196**	**332,550**
Equity attributable to equity holders of the parent	**332,041**	**321,480**
Subscribed share capital	454	454
Share premium	269,044	269,044
Legal reserve	45	45
Other reserve	720	720
Retained earnings	81,906	86,282
Accumulated other comprehensive income	-20,128	-35,065
Shares of non-controlling interests	13,155	11,070
Non-current liabilities	**394,381**	**469,912**
Pensions and other similar benefits	31,581	30,507
Other provisions	7,047	7,604
Interest bearing loans and bonds	262,308	364,459
Finance lease liabilities	25,207	38
Other financial liabilities	16,193	16,271
Other liabilities	637	626
Deferred tax liabilities	51,408	50,407
Current liabilities	**296,168**	**174,954**
Other provisions	13,287	9,992
Interest bearing loans and bonds	104,974	3,936
Finance lease liabilities	8,313	191
Trade payables	132,303	129,115
Income tax liabilities	4,101	4,007
Other financial liabilities	939	776
Other liabilities	32,251	26,937
Balance sheet total	**1,035,745**	**977,416**

[1] Since January 1, 2019, IFRS 16 “Leases” has been applied for the first time. It is applied using the modified retrospective approach, under which the previous year’s figures are not adjusted.
As a result, some figures are not comparable with the prior year period.

CONSOLIDATED CASH FLOW STATEMENT

in EUR thousands

		Q1-Q3/2019	Q1-Q3/2018[1]
Cash flow from operating activities			
Result before tax		**30,148**	**49,990**
-	Finance income	-1,404	-923
+	Finance expenses	10,151	10,232
+/-	Share of net profit of investments accounted for using the equity method	-1,421	-1,502
+	Amortization/depreciation of intangible assets and property, plant and equipment	39,644	21,421
+	Allowance of current assets	8,279	1,159
+/-	Loss/Gain on disposal of property, plant and equipment	-707	-38
+	Dividends from investments accounted for using the equity method	1,305	20
Cash flow before change of net working capital		**85,995**	**80,359**
+/-	Change in other provisions and pensions	2,011	-2,690
+/-	Change in inventories	-556	-43,372
+/-	Change in trade receivables and other assets	-32,362[2]	-69,427[2]
+/-	Change in trade payables and other liabilities	3,254	22,430
Change of net working capital		**-27,653**	**-93,059**
Cash flow from operating activities before income tax paid		**58,342**	**-12,700**
-	Income tax paid	-13,621	-20,348
Net cash flow from operating activities		**44,721**	**-33,048**
Cash flow from investing activities			
-	Purchase of other short term investments	-	-1,410
+	Proceeds from sale of other short term investments	-	57,006
-	Purchase of property, plant and equipment	-31,935	-20,919
-	Purchase of intangible assets	-4,926	-4,343
+	Proceeds from sales of property, plant and equipment	4,465	1,495
-	Payments for acquisition of subsidiaries net of cash	-10,886	-58,186
+	Interest received	488	265
Net cash flow from investing activities		**-42,794**	**-26,092**
Cash flow from financing activities			
-	Dividend payments to shareholders of SAF-HOLLAND S.A.	-20,427	-20,427
-	Repayments of current and non-current financial liabilities	-	-15,069
-	Payments for repayment of bonds	-	-75,000
-	Proceeds from foreign currency derivatives	-	-193
-	Payments for finance lease	-6,510	150
-	Interest paid	-3,804	-9,576
+/-	Change in drawings on the credit line and other financing activities	-3,290	-2,631
Net cash flow from financing activities		**-34,031**	**-122,746**
Net increase / decrease in cash and cash equivalents		**-32,104**	**-181,886**
+/-	Effect of changes in exchange rates on cash and cash equivalents	3,202	-1,408
Cash and cash equivalents at the beginning of the period		**155,009**	**278,775**
Cash and cash equivalents at the end of the period		**126,107**	**95,481**

[1] Since January 1, 2019, IFRS 16 "Leases" has been applied for the first time. It is applied using the modified retrospective approach, under which the previous year's figures are not adjusted. As a result, some figures are not comparable with the prior year period. See explanatory notes in section 2 "Significant Accounting and Valuation Policies."

[2] As of September 30, 2019, trade receivables in the amount of € 35.2 million (previous year: € 32.4 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.

REGIONAL OVERVIEW

	EMEA		Americas		APAC		CHINA		Total	
in EUR thousands	**Q1-Q3/2019**	**Q1-Q3/2018**	**Q1-Q3/2019**	**Q1-Q3/2018**	**Q1-Q3/2019**	**Q1-Q3/2018**	**Q1-Q3/2019**	**Q1-Q3/2018**	**Q1-Q3/2019**	**Q1-Q3/2018**
Sales	492,485	500,555	416,146	353,875	69,159	65,268	30,836	61,155	1,008,626	980,853
Cost of sales	-394,275	-400,813	-354,519	-315,850	-56,841	-54,308	-38,750	-54,500	-844,385	-825,471
Gross profit	**98,210**	**99,742**	**61,627**	**38,025**	**12,318**	**10,960**	**-7,914**	**6,655**	**164,241**	**155,382**
Gross profit margin in %	19.9	19.9	14.8	10.7	17.8	16.8	-25.7	10.9	16.3	15.8
Sundry operating income and expenses*	-51,472	-42,691	-35,577	-31,538	-8,241	-5,549	-2,035	-4,458	-97,325	-84,236
Adjusted EBIT	**46,738**	**57,051**	**26,050**	**6,487**	**4,077**	**5,411**	**-9,949**	**2,197**	**66,916**	**71,146**
Adjusted EBIT margin in %	9.5	11.4	6.3	1.8	5.9	8.3	-32.3	3.6	6.6	7.2

[1] Sundry operating income and expenses consists of selling expenses, general and administrative expenses, research and development costs, other operating income and net profit of investments accounted for by using the euqity method, less restructuring and transaction costs in the amount of EUR 14. million (previous year: 5.2 million), less depreciation and amortization from PPA in the amount of EUR 7.3 million (previous year: 6.6 million) and less impairment of goodwill in the amount of EUR 6.7 million (previous year: 0.0 million).

FINANCIAL CALENDAR AND CONTACT INFORMATION

FINANCIAL CALENDAR

November 7, 2019
Quarterly Statement of SAF-HOLLAND Group as of September 30, 2019

CONTACT INFORMATION

SAF-HOLLAND Group
Hauptstraße 26
63856 Bessenbach
Germany

www.safholland.com

Michael Schickling
michael.schickling@safholland.de
Phone: + 49 (0) 6095 301-617

Alexander Pöschl
alexander.poeschl@safholland.de
Phone: + 49 (0) 6095 301-117

Klaus Breitenbach
klaus.breitenbach@safholland.de
Phone: + 49 (0) 6095 301-565

IMPRINT

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

Date of publication: November 7, 2019
Editors: Michael Schickling, SAF-HOLLAND Group;
Alexander Pöschl, SAF-HOLLAND Group;
Klaus Breitenbach, SAF-HOLLAND Group

Produced in-house with www.firesys.de

The report is also available in German.

The German version takes precedence.

Legal Disclaimer
This report contains certain statements that are neither reported financial results nor other historical information. This report contains forward-looking statements, which as such are based on certain assumptions and expectations made at the time of publication of the report. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, the achievement of anticipated synergies, and the actions of government regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this publication. SAF-HOLLAND S.A. does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these materials.