

## **SAF-HOLLAND S.A.: First Quarter 2009 Sales Decline Cushioned by Restructuring Efforts**

- **Group sales reach EUR 112.1 million**
- **Adjusted EBIT of EUR -0.5 million**

*Luxembourg, May 28, 2009* – In spite of the negative market trend, SAF-HOLLAND S.A. is realizing initial positive effects from the cost reduction program. As a result, even in light of the decline in sales, it was possible in the first quarter of 2009 to maintain the gross margin at nearly the previous year's level and to achieve an adjusted operating result (EBIT) close to the profit threshold. In the process, the Company has solidified its market position.

Dr. Reiner Beutel, CEO of SAF-HOLLAND GROUP GmbH, explained, "The demand for trucks and trailers continued to decline in the first quarter of 2009. Therefore, we are continuing our course of reducing capacity and costs as well as preserving liquidity. These measures will pay a double dividend when the market recovers. The commercial vehicles industry stands to be one of the first to benefit when the economy improves."

### **Sales Decline Puts Pressure on Earnings**

In the first quarter, sales declined by almost half to EUR 112.1 million (previous year: EUR 219.3 million) as a result of globally weak demand. On an exchange rate-adjusted basis, sales decreased by 52%. The European business' contribution to total sales fell to 50.9% (previous year: 71.4%), driven by a particularly strong market downturn, due mainly to high inventories and under-utilized equipment at fleets, particularly for trailers. In North America, where SAF-HOLLAND generated 45.1% (previous year: 25.9%) of its sales, demand had already dropped significantly in 2007 and 2008. The remaining regions contributed 4.0% (previous year: 2.7%) of sales.

Ansprechpartner  
Barbara Zanzinger  
Investor und Public Relations  
Tel:+49 (0) 6095 301617  
Fax:+49 (0) 6095 301  
ir@safholland.de  
www.safholland.com

Editor  
SAF-HOLLAND GmbH  
Hauptstraße 26  
D-63856 Bessenbach

Cost savings for materials as well as personnel and non-personnel expenses cushioned the impact of the sales decline on earnings. The gross margin of 16.9% almost reached the previous year's value of 17.5%. Adjusted earnings before interest and taxes (EBIT) were EUR -0.5 million (previous year: 18.1 million), and the adjusted profit for the period totaled EUR -5.3 million (previous year: EUR 9.4 million). Adjusted earnings per share amounted to EUR -0.26 (previous year: EUR 0.50).

### **Powered Vehicle Systems Significantly Improves Results**

The Powered Vehicle Systems Business Unit benefited from the business of SAF-HOLLAND Verkehrstechnik GmbH, which was acquired in the fall of 2008, and a government contract in the USA. Sales increased by 50.8% to EUR 26.7 million (previous year: EUR 17.7 million); exchange rate-adjusted it increased by 35.6%. The adjusted gross margin rose to 20.6% (previous year: 13.1%). With these good results, the Business Unit is increasingly proving itself to be an important sales and earnings contributor for the Group. It now accounts for 23.8% (previous year: 8.1%) of total sales.

### **Trailer Systems Particularly Affected by the Decline in Sales**

The Group's previous growth engine is suffering from weak demand triggered by high inventories of new trailers and under-utilized equipment at fleets worldwide but especially in Europe. Only the sale of specialty trailers has remained stable. Sales for the Trailer Systems Business Unit totaled EUR 47.2 million (previous year: EUR 158.7 million) declining on an exchange rate-adjusted basis by 71.4%. The gross margin was -2.1% (previous year: 13.1%), reflecting lingering excess capacity despite the cost reductions implemented to date.

### **Aftermarket a Stabilizing Factor with Improved Margin**

The Aftermarket Business Unit is likewise affected by the market weakness, but to a lesser extent than the OEM business in the truck and trailer sector. In March, SAF-HOLLAND recorded slightly higher order

Ansprechpartner  
Barbara Zanzinger  
Investor und Public Relations  
Tel:+49 (0) 6095 301617  
Fax:+49 (0) 6095 301  
ir@safholland.de  
www.safholland.com

Editor  
SAF-HOLLAND GmbH  
Hauptstraße 26  
D-63856 Bessenbach

entry. Business Unit sales declined to EUR 38.2 million (previous year: EUR 42.9 million), exchange rate-adjusted by 16.6%. The Business Unit improved its gross margin to 38.0% (previous year: 35.7%) due to cost reductions and a changed product mix.

### **Restructuring Plan**

During the period under review, SAF-HOLLAND benefited from the measures initiated in fall 2008 aimed at reducing costs and improving efficiency. The capacity adjustment encompasses not only staff reductions, but also reduced working hours. In addition, executives and the members of the Management Board are foregoing a portion of their salaries, the bonus for 2008 as well as vacation days. Furthermore, inventories were reduced further in the first quarter, which has had a positive effect on liquidity. Measures to stabilize the Group are continuing; a further EUR 43 million is to be saved during the current year, following the EUR 16 million in cost reductions already achieved in 2008. The goal is to continue to lower the profit threshold substantially. A preliminary expert opinion from the auditing firm KPMG from April 20, 2009, and Mai 25, 2009, confirmed the Group's ability to restructure. Based on the expert opinion, external financing should be secured during the current quarter.

### **Outlook for 2009: Initial Positive Signs Perceptible**

In view of the weak demand, which is also characterized by volatility and orders placed at short notice, business development still cannot be forecast with any certainty. Total sales are expected to be well below the previous year's level, accompanied by corresponding pressure on earnings. However, SAF-HOLLAND anticipates a slight recovery of orders in the US truck sector late in the year, the result of pull-forward effects arising from the introduction of new emissions regulations at the beginning of 2010. Initial positive signs of stabilization are perceptible in the US truck business as well as across the Group in the Aftermarket Business Unit. In the past,

Ansprechpartner  
Barbara Zanzinger  
Investor und Public Relations  
Tel:+49 (0) 6095 301617  
Fax:+49 (0) 6095 301  
ir@safholland.de  
www.safholland.com

Editor  
SAF-HOLLAND GmbH  
Hauptstraße 26  
D-63856 Bessenbach



the replacement parts business has been an early indicator of the subsequent development of the truck and trailer market.

Ansprechpartner  
Barbara Zanzinger  
Investor und Public Relations  
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Fax: +49 (0) 6095 301  
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www.safholland.com

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Hauptstraße 26  
D-63856 Bessenbach

**Key Figures:**

in EUR million	01/01/09 – 03/31/09	01/01/08 – 03/31/08
Sales	112.1	219.3
Cost of sales	-93.1	-180.8
Gross profit	19.0	38.5
Adjusted EBITDA	3.1	21.2
Adjusted EBIT	-0.5	18.1
Adjusted profit for the period	-5.3	9.4
Adjusted EPS in Euro	-0.26	0.50
Operating cash flow**	5.5	2.3

**Sales by Region:**

in EUR million	01/01/09 – 03/31/09	01/01/08 – 03/31/08
Europe	57.1	156.6
North America	50.5	56.8
Other	4.5	5.9
Total	112.1	219.3

**Sales by Business Unit:**

in EUR million	01/01/09 – 03/31/09	01/01/08 – 03/31/08
Trailer Systems	47.2	158.7
Powered Vehicle Systems	26.7	17.7
Aftermarket	38.2	42.9
Total	112.1	219.3

**Other Financial Information:**

in EUR million	03/31/09	12/31/08
Total assets	536.3	537.4
Equity ratio (in %)	12.3	13.4

**Employees:**

in EUR million	12/31/08 – 03/31/09	12/31/07 – 03/31/08
Employees (average)	2,256	3,099
Sales per employee (in kEUR)	49.7	70.8

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Barbara Zanzinger  
Investor und Public Relations  
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**Note:**

SAF-HOLLAND reports adjusted earnings figures since costs have accrued as a result of the business combination, the IPO and restructuring that are not directly attributable to the operating business. EBIT has been adjusted for the following effects: depreciation and amortization from the purchase price allocation as well as restructuring and integration costs.

**Company Profile:**

With more than EUR 800 million in sales and over 2,000 employees, SAF-HOLLAND S.A. is one of the worldwide leading manufacturers and suppliers of premium product systems and components primarily for trailers as well as trucks, buses and recreational vehicles. The product range encompasses axle and suspension systems, fifth wheels, couplers, kingpins and landing legs. SAF-HOLLAND customers include the majority of large truck and trailer producers all over the world. The products are sold to Original Equipment Manufacturers (OEMs) and Original Equipment Suppliers (OESs) by means of a global service and distribution network and via aftermarket channels directly to the end users and service garages. SAF-HOLLAND has therefore established itself as one of the few manufacturers in its sector that is internationally positioned with an extensive product range and a broad service network. SAF-HOLLAND S.A. has been listed in the Prime Standard of the Frankfurt Stock Exchange since July 2007.

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