

## SAF-HOLLAND reports jump in sales and earnings in the first half of 2015

- **Half-year sales rise 16% to EUR 558.7 million**
- **Disproportionately high growth of 36% in adjusted EBIT**
- **Adjusted EBIT margin reaches 9%**
- **Full-year outlook raised slightly**

*Luxemburg, August 6, 2015* – After a strong start in the year, the positive performance of the commercial vehicle industry supplier SAF-HOLLAND continued in the second quarter of 2015. Group sales in the first half of 2015 increased 15.9% year-over-year to EUR 558.7 million (previous year: EUR 482.0 million) despite persistent weakness in the considerable markets of Brazil, Russia, and Australia. Increasing demand for trucks and trailers in the USA and Europe also supported growth as did the growing share of new axle modules and suspension systems as well as the accelerated entry into new markets. Currency translation effects – particularly from the strong US dollar – had a positive impact on sales. Business expanded organically by nearly 6%.

Earnings growth outpaced sales growth as a result of high capacity utilization in combination with stringent cost control and ongoing efficiency improvements in production. Adjusted earnings before interest and taxes (EBIT) climbed 35.6% to EUR 49.5 million (previous year: EUR 36.5 million) and resulted in a noticeable improvement in the adjusted EBIT margin to 8.9% (previous year: 7.6%).

### **Sales in the second quarter increase 17%**

In the second quarter of 2015, Group sales increased 16.6% to EUR 287.7 million (previous year: EUR 246.7 million). At 6.2%, organic sales growth was somewhat better than expected. In all business units – Trailer Systems, Powered Vehicle Systems, and Aftermarket – sales picked up in comparison to the second quarter of 2014 as well as sequentially against the first quarter of 2015.

A higher gross margin and a below-average rise in selling, administrative, and R&D expenses resulted in a 41.0% increase in the operating result to EUR 43.7 million (previous year: EUR 31.0 million).

The significantly higher financial result, amounting to EUR 1.4 million (previous year: EUR -6.0 million) in the first half of 2015, was clearly influenced by primarily unrealized gains of EUR 7.1 million (previous year: EUR 1.2 million) from the valuation at the closing date of intercompany loans denominated in foreign

Contact  
Stephan Haas  
Investor und Public Relations  
Tel: +49 (0) 6095 301 617  
Fax: +49 (0) 6095 301 102  
ir@safholland.de  
www.safholland.com

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SAF-HOLLAND GmbH  
Hauptstraße 26  
D-63856 Bessenbach

currencies. Net interest expenses also declined in the first half of 2015, to EUR 4.3 million (previous year: EUR 4.8 million) mainly as a result of the improved financing structure. The net financial result in the second quarter totaled EUR -5.2 million (previous year: EUR -2.7 million).

The higher operating result in combination with the positive swing in the financial result, which was mainly driven by exchange rates, allowed the result before tax to climb by 80.7% to EUR 45.9 million (previous year: EUR 25.4 million) in the first half of 2015. Despite a year-over-year rise in the income tax rate, the result for the period increased to EUR 30.4 million (previous year: EUR 17.5 million). This corresponds to undiluted earnings per share for the first half of 2015 of EUR 0.67 (previous year: EUR 0.39), and diluted earnings per share of EUR 0.58 (previous year: EUR 0.39), which take into account the potentially higher number of shares from the convertible bond issued in 2014.

#### **Second quarter's adjusted EBIT margin of 9.4% within target range**

The adjusted EBIT in the second quarter of 2015 increased 38.7% to EUR 26.9 million (previous year: EUR 19.4 million). This increase sent the adjusted EBIT margin higher to 9.4% (previous year: 7.9%) where it reached the 9 to 10% target range for the first time. Due to the EUR 2.5 million decline in the financial result, the result for the period grew somewhat slower at 32.2% and rose to EUR 12.3 million (previous year: EUR 9.3 million). This result is equivalent to undiluted earnings per share for the quarter of EUR 0.27 (previous year: EUR 0.21) and diluted earnings per share of EUR 0.24 (previous year: EUR 0.21).

#### **Strong growth in emerging markets**

In Europe, SAF-HOLLAND's strongest sales region, half-year sales grew 3.8% to EUR 271.2 million (previous year: EUR 261.2 million) despite persistent pressure from the continued difficulties in the Russian market. Growth in North America was partly exchange-rate driven with sales increasing 28.2% to EUR 224.3 million (previous year: EUR 174.9 million). The strongest percentage sales increase came from other regions where year-over-year sales grew 37.7% and reached a total of EUR 63.2 million (previous year: EUR 45.9 million). Business in both the ASEAN region and China performed exceptionally well. The expansion of the international activities in Mexico and Dubai, particularly in the spare parts business, had a positive effect on the sales performance in the Middle East and Central America.

SAF-HOLLAND's 2020 mid-term growth strategy, formulated in the first half of the year, too, is targeted at seizing the market opportunities in the emerging markets such as the BRIC and Next Eleven countries. The global megatrends of population growth, urbanization and globalization as well as the related sharp rise in the volumes of goods and transportation are driving the demand for trucks and trailers,

Contact  
Stephan Haas  
Investor und Public Relations  
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especially in the emerging markets. Next to the strong expansion in the North American business based on new products, SAF-HOLLAND's strategy is to tap additional growth potential in Central America, Asia, and the Middle East and raise the share of sales from these regions from currently 11% to 30% by the year 2020.

#### **A noticeable surge in sales and earnings of all business units**

In the first half of 2015, all SAF-HOLLAND business units generated double-digit increases in sales and solid rises in earnings. The largest business unit, Trailer Systems, achieved sales of EUR 326.7 million (previous year: EUR 280.8 million). The high level of utilization and the positive impact of efficiency improvements led to exceptional year-over-year growth in adjusted EBIT of more than 80%. Thus the business unit's adjusted EBIT margin improved to 6.5% (previous year: 4.1%). Steffen Schewerda, President Trailer Systems Business Unit & Group Operations puts forward: "Our goal of increasing the unit's adjusted EBIT margin to approximately 6% by the end of 2015 has been achieved in the first half-year."

In light of the solid performance in the truck markets in both North America and Europe during the first six months, the Powered Vehicle Systems business unit increased sales to EUR 94.8 million (previous year: EUR 78.9 million). The unit's adjusted EBIT climbed 35.8% to EUR 7.2 million (previous year: EUR 5.3 million). This performance was not only supported by measures implemented to further enhance flexibility in production but also by high capacity utilization in North America and the improved earnings situation at the bus suspension system specialist Corpco in China. The adjusted EBIT margin rose to 7.6% (previous year: 6.7%).

Despite difficult economic conditions in Russia and Brazil and the North American fleet operators' current inclination to purchase new vehicles, the Aftermarket business unit was still able to increase sales in the first half of 2015 by 12.2% to EUR 137.2 million (previous year: EUR 122.3 million). Higher costs were incurred as a result of preparations for the international expansion of the sales structure and the launch of the new GoldLine brand for the American market. The unit's adjusted EBIT increased by 7.7% to EUR 21.1 million (previous year: EUR 19.6 million) and the adjusted EBIT margin amounted to 15.3% (previous year: 16.0%), reaching the foreseen range of 15 to 16%.

#### **Continued positive sales and earnings performance expected – Outlook for Group sales, adjusted EBIT and earnings per share raised slightly**

The success of the first half of 2015, despite sharp market declines in Brazil, Russia, and Australia, provides a sound basis for the full year. SAF-HOLLAND expects the positive business performance to continue throughout the remainder of the year and the company to report once again profitable growth for the full year of 2015. The strong year-to-date organic growth of almost 6% and the positive exchange rate

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effects already described make us confident that full-year 2015 Group sales will reach at least the upper end of our projected sales range of EUR 980 million to EUR 1,035 million (previous year: EUR 959.7 million) or be slightly higher.

Strict cost control in conjunction with efficiency improvements in production – which over the medium term will also be fueled by the ongoing merging of facilities – and the overall rise in utilization should allow the group to generate disproportionately high earnings growth for the full year. As a result, the company continues to expect the adjusted EBIT margin to reach the lower end of the range of 9 to 10% (previous year: 7.4%). Assuming that economic development and the industry's situation remain stable, the management now foresees adjusted EBIT for the full year of 2015 to be somewhat higher than EUR 90 million (previous expectation was approximately EUR 90 million). Management expects earnings per share to increase year-over-year by a minimum of 30%, even on a fully diluted basis taking into account the share equivalents resulting from the convertible bonds issued in 2014.

**Notes:**

EBIT was adjusted for the following items that are not originally attributable to the operating business: amortization resulting from the purchase price allocation and impairment reversals on goodwill and intangible assets from impairment tests as well as restructuring and integration costs. The table containing the key figures included in the press release can also be found in the quarterly report of SAF-HOLLAND S.A. as of June 30, 2015 accessible at <http://corporate.safholland.com/en/investoren/reports/2015.html>.

**Company Profile:**

With sales of approximately EUR 960 million in 2014 and more than 3,000 employees, SAF-HOLLAND S.A. is one of the world's leading manufacturers and suppliers of premium product systems and components primarily for trailers, trucks, buses, and recreational vehicles. The product range encompasses trailer axle systems, suspension systems, coupling devices, kingpins, and landing legs, among others. SAF-HOLLAND sells its products on six continents to Original Equipment Manufacturers ("OEMs") in the original equipment market and, in the aftermarket business, to the OEM's Original Equipment Suppliers ("OESs") as well as through global service and distribution networks. SAF-HOLLAND also sells its products to end users and service centers using this network. SAF-HOLLAND has 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. is listed in the Prime Standard of the Frankfurt Stock Exchange and in the SDAX (ISIN: LU0307018795).

Contact  
Stephan Haas  
Investor und Public Relations  
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KEY FIGURES

EUR million	Q1-Q2/2015	Q1-Q2/2014	Q2/2015	Q2/2014
Sales	558.7	482.0	287.7	246.7
Cost of sales	-450.0	-391.2	-230.0	-199.9
Gross profit	108.7	90.8	57.7	46.8
as a percentage of sales	19.5	18.8	20.1	19.0
Adjusted result for the period	35.3	21.1	21.1	11.5
as a percentage of sales	6.3	4.4	7.3	4.7
Undiluted adjusted EPS in EUR <sup>1)</sup>	0.78	0.47	0.47	0.26
Adjusted EBITDA	56.8	43.0	30.6	22.7
as a percentage of sales	10.2	8.9	10.6	9.2
Adjusted EBIT	49.5	36.5	26.9	19.4
as a percentage of sales	8.9	7.6	9.4	7.9
Operating cash flow <sup>2)</sup>	14.9	15.0	12.6	11.1

<sup>1)</sup> Adjusted net result / weighted average number of ordinary shares outstanding as of the reporting day.  
<sup>2)</sup> The operating cash flow is the cash flow from operating activities before income tax payments.

SALES BY REGION

EUR million	Q1-Q2/2015	Q1-Q2/2014	Q2/2015	Q2/2014
Europe	271.2	261.2	139.9	128.4
North America	224.3	174.9	113.3	91.9
Other	63.2	45.9	34.5	26.4
<b>Total</b>	<b>558.7</b>	<b>482.0</b>	<b>287.7</b>	<b>246.7</b>

SALES BY BUSINESS UNIT

EUR million	Q1-Q2/2015	Q1-Q2/2014	Q2/2015	Q2/2014
Trailer Systems	326.7	280.8	167.1	139.9
Powered Vehicle Systems	94.8	78.9	49.5	42.4
Aftermarket	137.2	122.3	71.1	64.4
<b>Total</b>	<b>558.7</b>	<b>482.0</b>	<b>287.7</b>	<b>246.7</b>

OTHER FINANCIAL INFORMATION

	06/30/2015	03/31/2015	12/31/2014
Total assets (EUR million)	713.6	724.7	645.2
Equity ratio (%)	38.1	38.3	38.5
	Q1-Q2/2015	Q1-Q2/2014	
Employees (average)	3,408	3,383	
Sales per employee (KEUR)	164.0	142.5	

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