# Press Release · Corporate News

## SAF-HOLLAND records strong organic sales growth and an adjusted EBIT margin of 8.9% in the second quarter

- Group sales increase by 9.7% in the second quarter of 2017
- Adjusted EBIT margin in second quarter amounts to 8.9%
- Outlook: After the strong first half-year, sales in 2017 expected to tend towards the upper end of the planned target range; Company confirms forecast for adjusted EBIT margin

*Luxembourg, August 10, 2017* – In the second quarter of the 2017 financial year, SAF-HOLLAND S.A., the SDAX-listed supplier to the trailer, truck and bus industries, continued the first quarter's strong growth momentum and increased sales in the period from April to June 2017 by 9.7% to EUR 300.3 million (previous year: EUR 273.7 million). Excluding positive currency effects of EUR 3.9 million and the sales contribution of EUR 3.2 million from the Brazilian company KLL Equipamentos para Transporte Ltda. (KLL), in which the majority was acquired in October 2016, sales on an organic basis grew 7.1% to EUR 293.2 million. In the first half of 2017, sales grew 10.1% (organic basis: 7.4%) to EUR 587.6 million (previous year: EUR 533.6 million).

As in the first quarter, SAF-HOLLAND continued to achieve sales growth in all of the Group's reportable regions in the second quarter of 2017. The strongest percentage rise was reported in the APAC/China region where sales grew 41.5% to EUR 23.9 million (previous year: EUR 16.9 million). Business in the Americas region in the second quarter improved with sales rising 11.5% (organic basis: +5.4%) to EUR 116.8 million (previous year: EUR 104.8 million) despite a decline in trailer production and only a slight increase in truck production in the United States. The EMEA/India region in the second quarter continued to grow solidly with an increase of 5.0% to EUR 159.6 million (previous year: EUR 152.0 million) despite a lower number of working days in the quarter due to holidays.

"The SAF-HOLLAND Group's strong 2017 year-to-date growth is the result of our investments and development in the past years. We were able to gain market share in all our key markets and expand our business in new regions. We are winning over our customers with several new product applications, especially with our axle systems and suspensions but also in the area of fifth wheel couplings", said CEO Detlef Borghardt in his comments on the Group's development during the first half of 2017.

### Adjusted EBIT margin in the second quarter at 8.9% – US plant consolidation moves forward as planned

The SAF-HOLLAND Group's solid overall operating result in the first half of 2017 reflects one-off restructuring costs of EUR 7.4 million (previous year: EUR 1.6 million) that are mainly related to the plant consolidation in North America (EUR 6.3 million) that was announced at the beginning of the year and is currently progressing on schedule. Of the total restructuring costs of EUR 4.8 million (previous year: EUR 1.3 million) in the second quarter, EUR 4.3 million resulted from the US plant consolidation. As a result, EBIT in the first half of 2017 reached EUR 41.6 million and was below the previous year's level of

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EUR 44.6 million. EBIT in the second quarter amounted to EUR 20.6 million (previous year: EUR 23.8 million).

**Adjusted EBIT in the second quarter above previous year's level**
Excluding the aforementioned restructuring costs and purchase price allocation effects of EUR 1.3 million (previous year: EUR 1.2 million), adjusted EBIT increased by 1.5% to EUR 26.7 million in the second quarter of 2017 (previous year: EUR 26.3 million), thereby surpassing the strong same quarter of the prior year. The adjusted EBIT margin reached 8.9% (previous year: 9.6%) marking a sequential increase versus the first quarter (8.7%). Adjusted EBIT in the first half of 2017 grew by 5.7% to EUR 51.8 million (previous year: EUR 49.0 million) while the adjusted EBIT margin reached 8.8% (previous year: 9.2%).

**Higher interest expenses in the finance result**
The finance result in the second quarter amounted to EUR -3.9 million (previous year: EUR -2.0 million). In addition to higher net interest expenses (EUR -3.4 million compared to EUR -2.6 million), this decline was primarily the result of the measurement of derivative financial instruments, which produced expenses of EUR 0.4 million in the second quarter of 2017 (previous year: income of EUR 0.4 million). In the first half of 2017, the finance result decreased to EUR -8.2 million (previous year: EUR -6.9 million), above all as a result of the increase in net interest expenses to EUR -6.7 million (previous year: EUR -5.4 million). The rise in net interest expenses was largely due to the issue of a promissory note and the assumption of other interest-bearing loans in the previous year to create the financial basis for joint ventures and acquisitions planned under "Strategy 2020".

**Adjusted result for the period slightly lower in the second quarter**
The one-off restructuring costs in the United States already mentioned combined with higher interest expenses led to a year-on-year decline in the result before taxes in the first half of 2017 of 11.1% to EUR 33.5 million (previous year: EUR 37.7 million). After taxes, the result for the period in the first six months of 2017 amounted to EUR 23.0 million (previous year: EUR 25.7 million). Based on 45.4 million outstanding shares, basic earnings per share amounted to EUR 0.52 (previous year: EUR 0.57). In contrast, the adjusted result for the period in the first half of 2017 increased 3.4% to EUR 30.4 million (previous year: EUR 29.4 million). Accordingly, adjusted basic earnings per share amounted to EUR 0.67 (previous year: EUR 0.65).

In the second quarter of 2017, the Group generated earnings before taxes of EUR 16.7 million (previous year: EUR 21.8 million). Based on a slightly lower tax rate compared to the previous year, the result for the period in the second quarter decreased by 19.2% to EUR 11.8 million (previous year: EUR 14.6 million). This corresponded to basic earnings per share of EUR 0.26 (previous year: EUR 0.32). The adjusted result for the period in the second quarter of 2017 was 6.5% lower than in the same period of the previous year reaching EUR 15.9 million (previous year: EUR 17.0 million) and corresponding to an adjusted basic earnings per share of EUR 0.35 (previous year: EUR 0.38).

**Free cash flow turns positive again in the second quarter**
Despite the strong increase in sales, the Group was able to noticeably reduce the build-up in working capital in the second quarter compared to the first quarter and bring it down to a seasonally average level. This enabled free cash flow in the second quarter to move back into positive territory and improve to EUR 7.5 million (previous year: EUR 6.1 million). The

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disproportionately strong rise in working capital in the first quarter of 2017 meant that the free cash flow for the first half-year has still remained negative at EUR -8.0 million (previous year: EUR +19.0 million).

CFO Dr. Matthias Heiden commented: "Our strong sales growth together with the current plant consolidation underway in the United States has tied up a higher level of working capital in the current year. Continued disciplined investment spending and the Group-wide optimization of net working capital has allowed us to maintain our net working capital ratio in the first half of the year at 11.9%, which is below the target range of 12 to 13% for the full 2017 financial year. These factors also enabled us in the second quarter to once again generate positive free cash flow of EUR 7.5 million as pledged. We also expect to generate solid positive free cash flow for the year as a whole."

**Outlook for 2017: After a strong first half-year, sales now expected to tend towards the upper end of the planned range**

For 2017, SAF-HOLLAND expects to achieve Group sales in the range of EUR 1,060 million to EUR 1,090 million. After a strong first half of 2017, the Group now expects sales to tend towards the upper end of the originally planned sales range. This forecast is based on the assumption of an unchanged scope of consolidation and stable currency exchange rates. SAF-HOLLAND confirms its forecast for an adjusted EBIT margin in the range of 8-9% for the 2017 financial year, whereby we continue to expect the margin to rather tend towards the mid-point of the range taking into account the planned upfront investment for the implementation of the growth strategy 2020.

The consolidation of the North American plant network announced in January is in full swing. For the related measures that have already been taken or are still being implemented, we continue to expect one-off restructuring charges of up to US$ 10 million. After recognizing restructuring costs of EUR 6.3 million in the first half of 2017, SAF-HOLLAND expects the charges in the second half of the year to be lower. It should be taken into account that the Group's key performance indicator – adjusted EBIT – excludes restructuring expenses. After completing the restructuring measures, SAF-HOLLAND expects to achieve an annual reduction in the North American direct cost base in the mid single-digit million US$ range.

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## Key figures for H1 and Q2 2017

| Euro millions | Q2/2017 | Q2/2016 | vs. prior year in % | H1/2017 | H1/2016 | vs. prior year in % |
|---|---|---|---|---|---|---|
| Sales | 300.3 | 273.7 | 9.7 | 587.6 | 533.6 | 10.1 |
| Adjusted EBIT | 26.7 | 26.3 | 1.5 | 51.8 | 49.0 | 5.7 |
| Adjusted EBIT margin in % | 8.9 | 9.6 | -70 bps | 8.8 | 9.2 | -40 bps |
| Earnings before taxes | 16.7 | 21.8 | -23.4 | 33.5 | 37.7 | -11.1 |
| Result for the period | 11.8 | 14.6 | -19.2 | 23.0 | 25.7 | -10.3 |
| Basic EPS in EUR | 0.26 | 0.32 | -18.8 | 0.52 | 0.57 | -8.8 |
| Adjusted EPS in EUR | 0.35 | 0.38 | -7.9 | 0.67 | 0.65 | 3.1 |
| Free cash flow | 7.5 | 6.1 | 23.0 | -8.0 | 19.0 | n.a. |
| Equity ratio in % | -- | -- | -- | 28.5 | 29.8 | -1.3 pp |

Please note: Adjusted EBIT is adjusted for extraordinary items that do not result from the operating business and mainly consist of amortization from purchase price allocation and non-recurring restructuring and integration costs and transaction-related costs. The SAF-HOLLAND S.A. full half-year report as of June 30, 2017 can be downloaded at https://corporate.safholland.com/en/investor-relations/publications/financial-reports/latest-reports.

***About SAF-HOLLAND:***

*SAF-HOLLAND S.A., located in Luxembourg, is the largest independent listed supplier to the commercial vehicle market in Europe delivering mainly to the trailer markets. With sales of approximately EUR 1,042 million in 2016, the Company is one of the world’s leading manufacturers and suppliers of chassis-related systems and components primarily for trailers, trucks, buses, and recreational vehicles. The product range comprises axle and suspension systems, fifth wheels, kingpins, and landing gear marketed under the brands SAF, HOLLAND and Neway. SAF-HOLLAND sells its products to Original Equipment Manufacturers (OEMs) on six continents. The Group’s Aftermarket business supplies spare parts to the service networks of Original Equipment Suppliers (OES), as well as to end customers and service centers through its extensive global distribution network. SAF-HOLLAND is one of the few suppliers in the truck and trailer industry that is internationally positioned in almost all markets worldwide. With the innovation campaign "SMARTSTEEL - ENGINEER BUILD CONNECT", SAF-HOLLAND combines mechanics with sensors and electronics and drives the digital networking of commercial vehicles and logistics chains. A total of 3,200 committed employees worldwide are already working on the future of the transportation industry.*

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