

# Half-year Report of SAF-HOLLAND S.A. as of June 30, 2017



## KEY FIGURES

### Result of operations

EUR million				
	Q1 – Q2 / 2017	Q1 – Q2 / 2016	Q2 / 2017	Q2 / 2016
Sales	587.6	533.6	300.3	273.7
Gross profit	112.2	109.3	55.0	56.1
Gross profit margin in %	19.1	20.5	18.3	20.5
Earnings before interests and taxes	41.6	44.6	20.6	23.8
EBIT margin in %	7.1	8.4	6.9	8.7
Adjusted EBIT	51.8	49.0	26.7	26.3
Adjusted EBIT margin in %	8.8	9.2	8.9	9.6
Result for the period	23.0	25.7	11.8	14.6
Adjusted result for the period	30.4	29.4	15.9	17.0
Basic earnings per share	0.52	0.57	0.26	0.32
Adjusted basic earnings per share	0.67	0.65	0.35	0.38

### Net Assets

EUR million			30/06/2017	31/12/2016
Balance sheet total			1,025.3	1,014.7
Equity			292.4	305.6
Equity ratio in %			28.5	30.1
Cash and cash equivalents			221.0	344.6
Net debt			135.4	97.1
Net working capital			142.8	111.9
Net working capital / sales			11.9	11.1

### Financial position

EUR million				
	Q1 – Q2 / 2017	Q1 – Q2 / 2016	Q2 / 2017	Q2 / 2016
Cash flow from operating activities before income tax paid	15.2	35.8	20.4	13.3
Cash conversion rate in %	29.3	73.1	76.4	50.6
Net cash flow from operating activities	5.5	29.6	15.3	11.2
Cash flow from investing activities	-96.0	92.6	4.4	56.7
Purchase of property, plant and equipment and intangible assets	-13.6	-10.6	-7.8	-5.1
Free cash flow	-8.0	19.0	7.5	6.1

### Employees

			Q1 – Q2 / 2017	Q1 – Q2 / 2016
Employees (average)			3,566	3,203
Sales per employee (kEUR)			164.8	166.6

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

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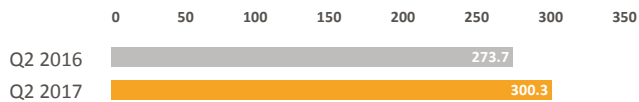
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# HIGHLIGHTS Q2 2017

## Development of sales Q2 2017

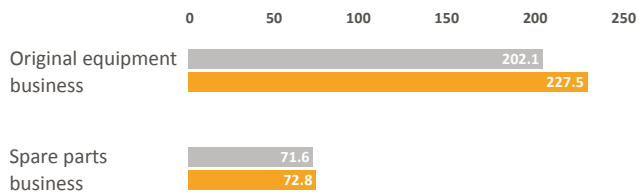
EUR million



## Effects on group sales

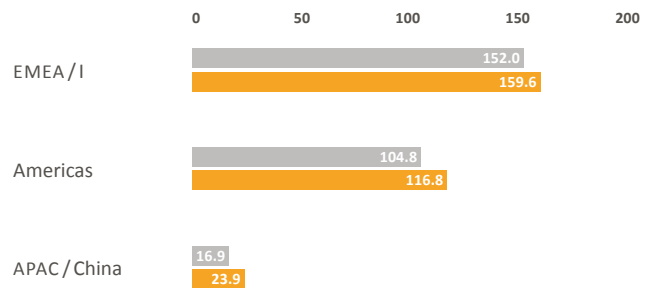
	in EUR Mio.	Shares in %
Sales in Q2 2016	273.7	—
Organic growth	19.5	7.1
Currency effects	3.9	1.4
M&A	3.2	1.2
<b>Sales in Q2 2017</b>	<b>300.3</b>	<b>9.7</b>

## Development of sales by business area Q2 2017



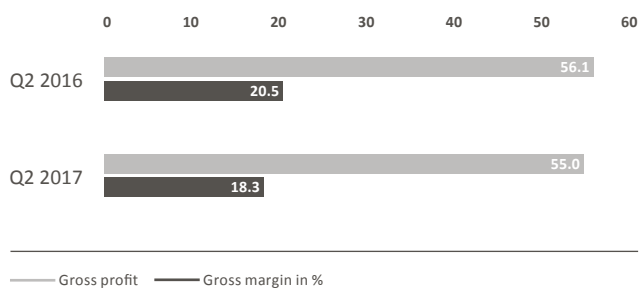
— Q2 2016 — Q2 2017

## Development of sales by region Q2 2017

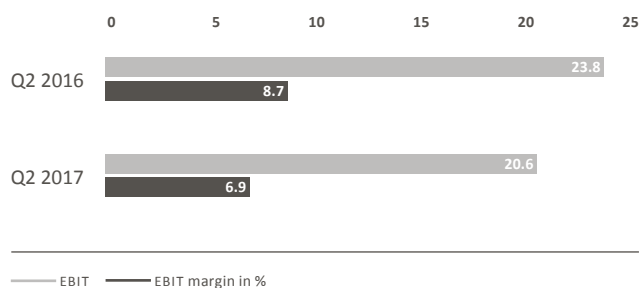


— Q2 2016 — Q2 2017

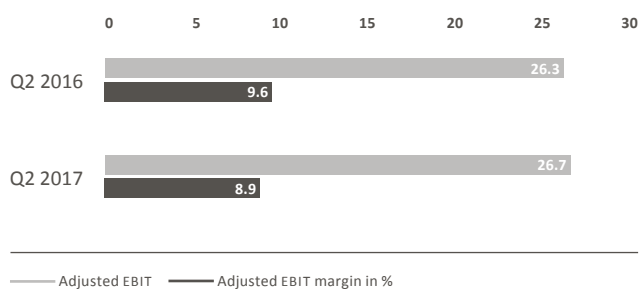
### Gross profit and gross margin



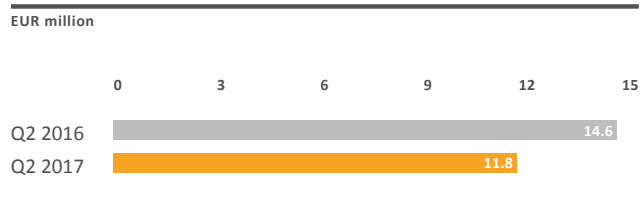
### EBIT and EBIT margin



### Adjusted EBIT and Adjusted EBIT margin



### Result for the period Q2 2017



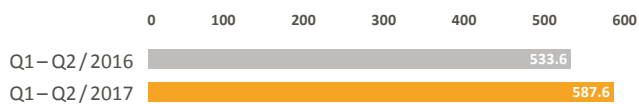
### Free cash flow

EUR million	Q2 2017	Q2 2016
Net cash flow from operating activities	15.3	11.2
Investments in property, plant and equipment and intangible assets	-7.8	-5.1
<b>Free cash flow</b>	<b>7.5</b>	<b>6.1</b>

## HIGHLIGHTS Q1–Q2 / 2017

### Development of sales Q1–Q2 / 2017

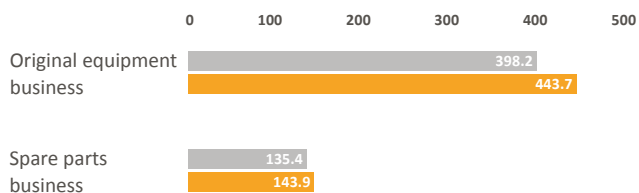
EUR million



### Effects on group sales

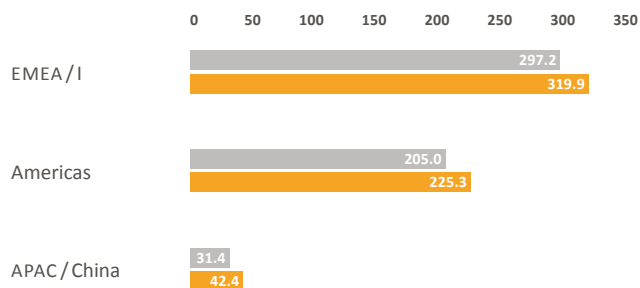
	in EUR Mio.	Shares in %
Sales in Q1–Q2 2016	533.6	–
Organic growth	39.3	7.4
Currency effects	8.9	1.7
M&A	5.8	1.1
<b>Sales in Q1–Q2 2017</b>	<b>587.6</b>	<b>10.1</b>

### Development of sales by business area Q1–Q2 / 2017



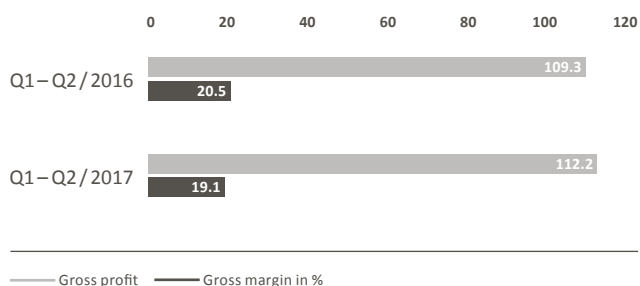
— Q1–Q2/2016 — Q1–Q2/2017

### Development of sales by region Q1–Q2 / 2017

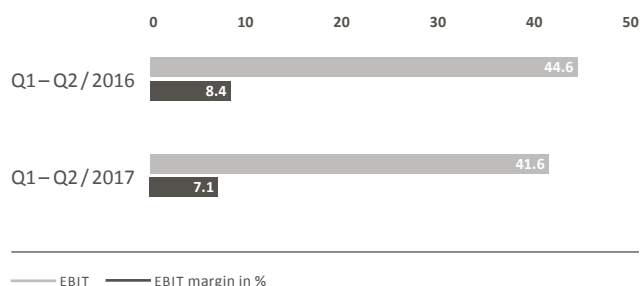


— Q1–Q2/2016 — Q1–Q2/2017

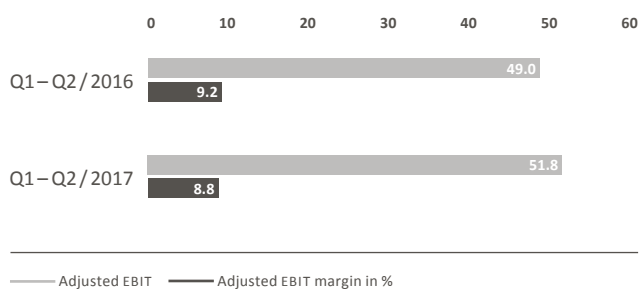
### Gross profit and gross margin



### EBIT and EBIT margin



### Adjusted EBIT and Adjusted EBIT margin



### Result for the period Q1–Q2/2017

EUR million



### Free cash flow

EUR million

	Q1–Q2/2017	Q1–Q2/2016
Net cash flow from operating activities	5.5	29.6
Investments in property, plant and equipment and intangible assets	–13.6	–10.6
<b>Free cash flow</b>	<b>–8.0</b>	<b>19.0</b>

### Development of employee numbers by region

	06/30/2017	06/30/2016
EMEA/I	1,399	1,253
Americas	1,652	1,394
APAC/CHINA	572	542
<b>Total</b>	<b>3,623</b>	<b>3,189</b>

## SAF-HOLLAND ON THE CAPITAL MARKET

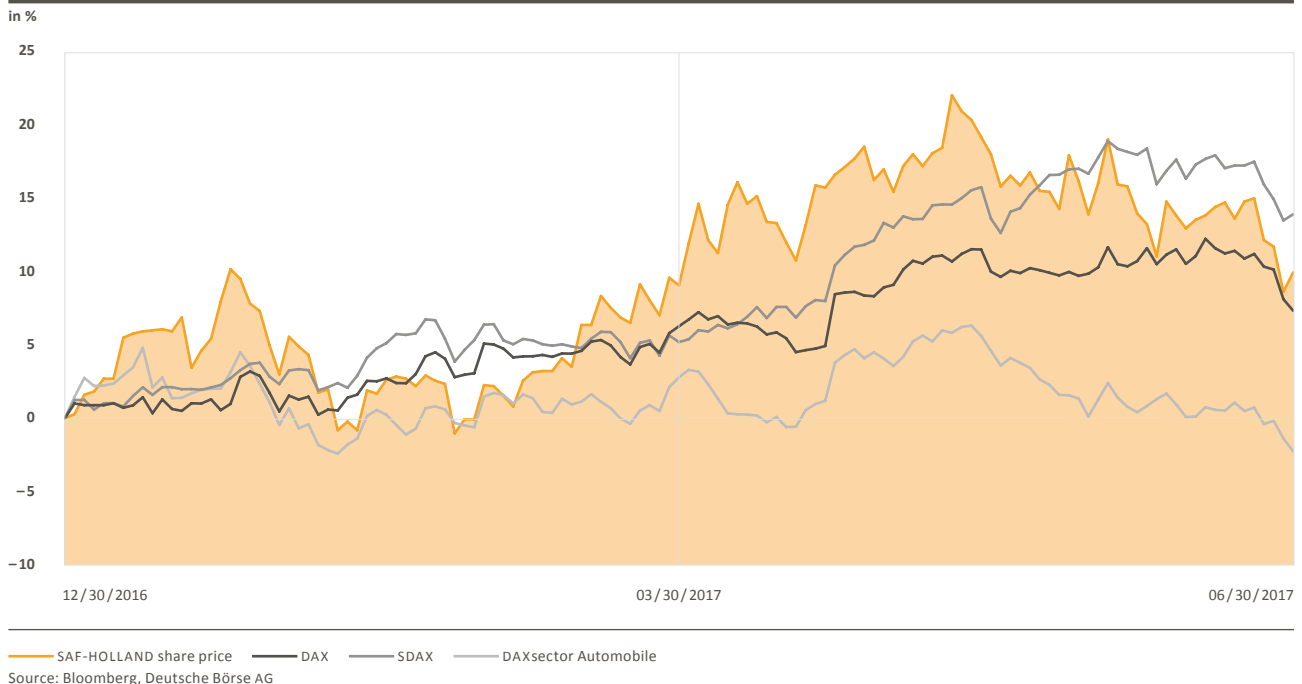
### OVERVIEW OF SHARE PRICE PERFORMANCE

#### SAF-HOLLAND'S SHARE PRICE INCREASES 10 % IN THE FIRST HALF OF 2017

Building on the strong appreciation in SAF-HOLLAND's share price of almost 40 % in the second half of 2016, the shares continued their upward trend in the first half of 2017. The share price was driven higher initially in the year by corporate announcements such as the solid business figures reported for the 2016 financial year and the increase in the dividend. The shares later received a boost from the release of the first quarter 2017 results reaching a high for the year of EUR 16.65 on

May 11 with the release of the quarterly figures. In parallel with the development of the overall stock market, a moderate correction followed. SAF-HOLLAND's shares ended the first half of 2017 at EUR 15.00, for an increase of 10.0 %. Taking into account the dividend payment of EUR 0.44 per share, the total return for SAF-HOLLAND's shareholders in the first half-year was 13.2 %. This was significantly better than the performance of the DAXsector Automobile Index, the industry benchmark index, which suffered a loss of 2.3 % in the first six months of 2017. SAF-HOLLAND's shares also clearly outperformed the DAX Index (+ 7.4 %). Only the SDAX Index (+ 13.9 %) performed better.

SAF-HOLLAND's share price performance relative to the DAX, SDAX and DAXsector Automobile indices



#### SIGNIFICANT PORTION OF TRADING VOLUME ON ALTERNATIVE TRADING PLATFORMS

The average daily trading volume in SAF-HOLLAND shares on all German stock exchanges in the first half of 2017 was 123,500 shares (previous year: 163,200). Due to the significantly higher share price in the first half-year, the daily turnover increased slightly to EUR 1.8 million (previous year: EUR 1.7 million). The shares are highly liquid, which is a major investment criterion, particularly for large institutional investors such as banks, pension funds, and asset managers.

As in previous years, there was a high volume of trading in SAF-HOLLAND shares in the first half of 2017 on alternative trading platforms, or so-called dark pools (including BATS Chi-X Europe, Turquoise, and Chi-X). It is on these platforms that primarily investment banks, brokerage firms, and institutional investors deal directly with one another. In the first six months of 2017, alternative trading platforms accounted for over 43 % (previous year: 52 %) of the volume traded, which was almost as high as the proportion traded on the regular German exchanges.



### STEADY POSITION IN INDEX RANKING

Based on the closing price of SAF-HOLLAND's shares at June 30, 2017, the market capitalization of SAF-HOLLAND was roughly EUR 680 million. In Deutsche Börse AG's most recent index ranking, which determines the composition of the MDAX and SDAX indices, SAF-HOLLAND ranked 66 (year-end 2016: 68) based on market capitalization. In terms of trading volume, SAF-HOLLAND was ranked 72 (year-end 2016: 67), which makes it one of the larger companies in the SDAX.

### INVESTOR RELATIONS AND CAPITAL MARKET ACTIVITIES

#### SAF-HOLLAND WINS AWARD FOR BEST INVESTOR RELATIONS FOR AN SDAX COMPANY

In June 2017, SAF-HOLLAND was awarded the coveted German Investor Relations Prize 2017 by the German Investor Relations Association (DIRK) in cooperation with the magazine WirtschaftsWoche and the company WeConvene Extel. SAF-HOLLAND received two awards: one for the best investor relations and the second for the best IR manager in the SDAX. We see this award as recognition of our efforts in recent years and as an incentive to continue to maintain open and constructive communication with the capital market.

SAF-HOLLAND has also successfully carried out its investor relations activities in the first half of 2017. Within the framework of two roadshows and five investor conferences in Germany and abroad, the management and the IR team presented the Company's current business development, growth prospects, and strategic objectives. As in previous years, the IR activities were not only focused on Germany but also on the major international financial centers such as London and New York.

Further details and up-to-date information on the Company's shares, corporate bond, and convertible bond can be found on the SAF-HOLLAND investor relations website at <http://corporate.safholland.com/en/investor-relations>. In addition to key figures and current financial news, the Company's website also features reports, presentations, and recordings of conference calls as well as all relevant information about the Annual General Meeting.

### PREDOMINATELY POSITIVE ANALYST RECOMMENDATIONS

At the end of the first half of 2017, a total of 13 brokerage firms were covering the share. Eight analysts either recommended buying the shares or expected the shares to outperform the overall market. Four analysts recommended holding the shares, and one analyst recommended selling the shares. The analysts' price targets ranged from EUR 12.50 to EUR 19.00. The average target price was around EUR 16.70.

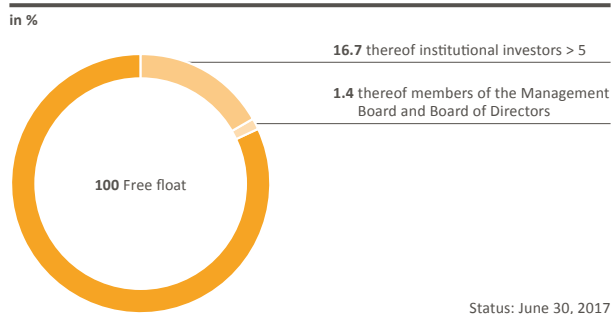
#### Current analyst ratings

05/11/2017	Bankhaus Lampe	Buy
05/23/2017	Berenberg	Buy
05/11/2017	Commerzbank	Hold
05/10/2017	Deutsche Bank	Hold
05/11/2017	equinet	Accumulate
05/11/2017	Hauck & Aufhäuser	Buy
02/13/2017	HSBC	Hold
05/12/2017	Kepler Cheuvreux	Buy
05/11/2017	Macquarie Capital	Outperform
05/11/2017	M.M. Warburg	Buy
05/12/2017	Montega	Hold
01/18/2017	ODDO Seydler	Buy
05/31/2017	Quirinbank	Sell

### STABLE SHAREHOLDER STRUCTURE

SAF-HOLLAND's shares are widely held. According to the definition of Deutsche Börse AG, 100 % of the Company's shares are held in free float. The shareholder base consists primarily of institutional investors such as fund managers, asset managers, banks, and insurance companies, as well as private investors from both Germany and abroad. Major shareholders are primarily capital investment companies from Great Britain, the United States, France, Scandinavia and the Benelux countries. At the end of June 2017, fund managers NN Group N.V., J.P. Morgan Asset Management, and FMR LLC held stakes in SAF-HOLLAND S.A.'s share capital of more than 5 %. Members of the Management Board and the Board of Directors of SAF-HOLLAND S.A. held 1.4 % of the outstanding shares.

### Shareholder structure H1/2017



### ANNUAL GENERAL MEETING 2017 RESOLVES TO INCREASE DIVIDEND TO EUR 0.44 PER SHARE

The Annual General Meeting of SAF-HOLLAND S.A. on April 27, 2017 resolved to increase the dividend by 10 % to EUR 0.44 per share for the 2016 financial year (previous year: EUR 0.40), for a total dividend payment of around EUR 20.0 million (previous year: EUR 18.1 million) and a payout ratio based on available net earnings of 46.4 % (previous year: 38.6 %). Thereby, SAF-HOLLAND continued its sustainable dividend policy, which aims to distribute between 40 % and 50 % of the available net earnings to shareholders. The dividend yield based on the year-end closing price for SAF-HOLLAND shares in 2016 was 3.2 % (previous year: 3.2 %).

#### Key share information

WKN / ISIN	A0MU70 / LU0307018795
Ticker symbol	SFQ
Number of shares	45,361,112
Designated sponsors	Commerzbank AG, ODDO SEYDLER BANK AG, Kepler Cheuvreux
Half-year high / low*	EUR 16.65 / EUR 13.50
Half-year closing price*	EUR 15.00
Market capitalization	EUR 680.4 million

\* XETRA closing price.

Source: Bloomberg, Deutsche Börse AG

## CORPORATE BOND OVERVIEW

### SAF-HOLLAND'S CORPORATE BOND

Since 2012, SAF-HOLLAND has had a corporate bond listed in the Prime Standard segment for corporate bonds of the Frankfurt Stock Exchange. The bond has a total nominal value of EUR 75.0 million, a coupon of 7.0 %, and matures on April 26, 2018.

As of June 30, 2017, the bond was quoted at 104.5 %, which was slightly below its level of 107.0 % at the end of 2016.

### SAF-HOLLAND'S CONVERTIBLE BOND

In the year 2014, SAF-HOLLAND also issued a convertible bond for a total nominal amount of EUR 100.2 million. This convertible bond is traded on the open market on the Frankfurt Stock Exchange. The convertible bond is set to mature on September 12, 2020 and has an annual interest rate of 1.0 %. In the first half of 2017, there were no conversions.

In line with the performance of the SAF-HOLLAND share price, the convertible bond recorded a very gratifying price development in the first half of 2017. After closing the year 2016 at 121.6 %, the convertible bond was quoted at 135.0 % at the end of the half-year reporting period on June 30, 2017, representing a price increase of 11.0 %. In May, the bond reached an interim year high of more than 145 %.

On the basis of the cash dividend payment to SAF-HOLLAND S.A. shareholders resolved by the Annual General Meeting in 2017, the conversion price and conversion ratio have been adjusted in accordance with the bond's terms. Effective April 28, 2017, the adjusted conversion price is EUR 12.0517 (previously EUR 12.1823), and the adjusted conversion ratio is 8,297.5846 (previously 8,208.6306).

The corporate and convertible bond prices, most important key figures and their terms and conditions are available on the Company's investor relations website under the menu item "Share and Bonds".

### COMPANY'S BBB CREDIT RATING AND STABLE OUTLOOK RECONFIRMED

In an analysis dated April 5, 2017, the rating agency Euler Hermes reconfirmed SAF-HOLLAND's "BBB" investment grade rating and stated that it expects SAF-HOLLAND to maintain this rating over the subsequent twelve months. Euler Hermes based its rating on the Company's positive growth outlook given the increase in global transportation volumes and the excellent market position in axle and suspension systems enjoyed by the SAF-HOLLAND Group in the core markets of Europe, as well as its position in fifth wheel couplings in North America. Euler Hermes looked favorably upon the fact that SAF-HOLLAND's profitability and returns have continuously improved and that the capital structure in 2016 had reached "a very good level" with just a minimum of financial risk. The rating agency expects these key ratios to continue to improve in the years to come based, among others, on the growth in the new markets targeted by the Company's "Strategy 2020".

## ECONOMY AND INDUSTRY ENVIRONMENT

### GLOBAL ECONOMY GROWS IN THE FIRST HALF OF 2017

Global economic growth continued to remain on track in the first half of 2017. So far, the economic development in the eurozone in 2017 has been robust. Political uncertainties associated with the elections in many countries have also largely dissipated. Particularly in France, expectations are stronger that the new government can stimulate the economy by implementing important structural reforms, which should have a positive impact on the entire eurozone. After a modest start to the year, the growth rate in the United States in the second quarter of 2017 saw a marked acceleration to an annualized rate of 2.6 % (Q1: 1.4 %). In important emerging markets, on the other hand, economic development continues to be very mixed.

### DIVERGENT PERFORMANCE IN THE WORLD'S COMMERCIAL VEHICLE MARKETS IN THE FIRST HALF OF 2017

In the first half of 2017, the performance of the global truck and trailer markets continued to diverge. Europe, a core market for SAF-HOLLAND, recorded solid performance at a high level, whereas production figures in North America continued to fall in the first half of 2017. A recovery is foreseeable in the North American market in the second half of the year due to the turnaround in the trend in incoming orders for trucks and trailers. The recovery also continued in the first half-year in individual markets such as Brazil, Australia, and Russia, which are also important markets for SAF-HOLLAND. On the whole, we are confirming our expectations for 2017 as set out in the 2016 Annual Report.

### HIGH DEMAND FOR TRUCKS AND TRAILERS IN EUROPE

The solid overall economic development supported the largely stable development of the European commercial vehicle markets in the first half of 2017. According to estimates by the market research institute CLEAR, the Western European trailer market is anticipated to have grown moderately in the first six months of 2017, in contrast to the original expectations.

The European truck market also continued its multi-year upward trend in the first half of 2017. According to the industry association ACEA, new registrations of heavy-duty trucks over 16 tons, which is the vehicle class relevant for SAF-HOLLAND, increased by 2.2 % in the European Union from January to June 2017. After an increase of 4.8 % in the first quarter of 2017, momentum normalized in the second quarter of 2017 (0.3 %) as expected.

The Russian market recorded a substantial recovery in the first half 2017 based on weak comparisons. Registrations of heavy- and medium-duty trucks increased by around 45 % in the first half-year. This high percentage growth rate is put into perspective, however, when considering the still relatively low absolute market volume.

### INCOMING ORDERS SIGNAL A FURTHER RECOVERY IN THE NORTH AMERICAN COMMERCIAL VEHICLE MARKET

The recovery in the North American truck and trailer markets, which was already apparent in the first quarter of 2017, continued in the second quarter of 2017. Orders for both heavy-duty trucks and trailers increased significantly versus the low prior-year figures. Due to the usual time lag between orders and production, the production figures were down again slightly in the second quarter.

The market research institute ACT Research estimates that the production of heavy trucks (Class 8 trucks) in North America in the first half of 2017 fell by approximately 8 %. After a more than 20 % drop in the first quarter of 2017, production in the second quarter rose by 4 %. Incoming orders for Class 8 trucks, in contrast, increased 35 % in the first half of 2017, with a rise in incoming orders in the second quarter of 46 % compared to 30 % in the first quarter of 2017.

The recovery in the trailer market in the second quarter of 2017 was somewhat more subdued. This, however, is based on a much more moderate decline in the previous year. According to ACT estimates, trailer production in the first six months of 2017 was estimated to decline again by around 7 % (Q2 2017: -3 %). Incoming orders, in contrast, rose by 41 % in the first half of 2017 (Q1 2017: +49 %, Q2 2017: +26 %).

The trend towards an improvement in the Brazilian market for heavy trucks has continued since the start of year. Production rose 22 % in the first half-year, but based on extremely low comparable prior-year figures. Despite this increase, production is still around 80 % below Brazil's pre-recession level. The heavy trailer market segment, in contrast, was forced to register a further decline and in the first six months of the year there were again around 25 % less trailers built than in the comparable period of 2016.

### **DEMAND BOOM IN CHINA ON THE BACK OF MORE STRINGENT REGULATORY REQUIREMENTS**

According to data from the CAAM producer association, sales of heavy trucks in China in the first half of 2017 increased by more than 70 %. The sharp increase was not only a result of the generally positive business environment but also based on a boom in demand sparked by the more stringent application of the GB1589 transportation legislation as of September 2016. Sales of trailers, a much more important market segment for

SAF-HOLLAND in China, also remained at a very high level in the first half of 2017. Demand for buses, on the other hand, continued to be weak; especially demand for large buses where sales in the first half of 2017 fell by almost 20 %.

The recovery of the Australian market, which is also an important market for SAF-HOLLAND, continued in the second quarter of 2017. Heavy truck registrations increased by 16 % in the second quarter and 14 % for the first half of 2017 as a whole.

## **KEY EVENTS DURING THE SECOND QUARTER OF 2017**

### **JACK GISINGER AND CARSTEN REINHARDT ARE NEW MEMBERS OF THE BOARD OF DIRECTORS**

Effective at the end of the Annual General Meeting held on April 27, 2017, the SAF-HOLLAND S.A. Board of Director mandates of Mr. Sam Martin and Mr. Bernhard Schneider expired as scheduled. Bernhard Schneider had been a member of the Board since 2007 and the Board's chair since 2009, and Sam Martin had been a member since 2011.

By resolution of the Annual General Meeting on April 27, 2017, Carsten Reinhardt was appointed to the Board of Directors at the proposal of the Board of Directors. Jack Gisinger, who has been an associate member of the Board since December 6, 2016, had his appointment approved by the Annual General Meeting. Both gentlemen are appointed until the Annual General Meeting that resolves on the annual accounts for the 2019 financial year. The Board of Directors elected Martina Merz as the new Chair of the Board of Directors following the Extraordinary General Meeting. Ms. Merz has been serving as the Board's Vice Chair already since April 2016. Dr. Martin Kleinschmitt was elected as Vice Chair of the Board of Directors.

### **EXTRAORDINARY GENERAL MEETING RENEWS THE TERM FOR AUTHORIZED SHARE CAPITAL AND THE AUTHORIZATION FOR THE SHARE BUYBACK PROGRAM**

The Extraordinary General Meeting, which took place directly after the Annual General Meeting, resolved to renew the period of the Company's Authorized Share Capital. According to this resolution, the authorization for the Remaining Amount of the existing Authorized Share Capital I totaling EUR 119,588.52 (corresponding to 11,958,852 shares with a par value of EUR 0.01) was renewed for a period of five years. In addition, the option to exclude preferential subscription rights was granted for a partial amount of EUR 45,361.11 (4,536,111 shares) of this Remaining Amount. As a result, the new total partial amount of EUR 90,722.22 (9,072,222 shares) of the Authorized Share Capital can be used excluding preferential subscription rights. The Extraordinary General Meeting also renewed the Company's authorization for the share buyback program amounting to up to 10 % of the share capital at the time of the resolution for a period of five years.

# SALES AND EARNINGS PERFORMANCE, NET ASSETS AND CASH FLOWS

## SALES AND EARNINGS PERFORMANCE

### GROUP SALES INCREASE BY 10.1 % SUPPORTED BY STRONG ORGANIC GROWTH

In the first half of the 2017 financial year, SAF-HOLLAND increased Group sales by 10.1 % to EUR 587.6 million (previous year: EUR 533.6 million). Excluding positive currency effects of EUR 8.9 million and a sales contribution of EUR 5.8 million from the Brazilian company KLL Equipamentos para Transporte Ltda (KLL), the majority of which was acquired in October 2016, organic sales in the first half of 2017 rose by 7.4 % to EUR 572.9 million (previous year: EUR 533.6 million).

In the second quarter of 2017, sales rose by 9.7 % to EUR 300.3 million (previous year: EUR 273.7 million). Excluding positive currency effects (EUR 3.9 million) and the consolidation effect of KLL (EUR 3.2 million), organic sales growth amounted to 7.1 %. Although there were three less working days in the second quarter of 2017 due to holidays, the second quarter was still able to maintain the strong growth seen in the first quarter (10.5 % reported growth: 7.6 % organic growth).

#### Effect on Group sales

	Q2		Q1–Q2	
	EUR million	Share in %	EUR million	Share in %
Sales in 2016	273.7	–	533.6	–
Organic growth	19.5	7.1	39.3	7.4
Currency effects	3.9	1.4	8.9	1.7
M&A	3.2	1.2	5.8	1.1
<b>Sales in 2017</b>	<b>300.3</b>	<b>9.7</b>	<b>587.6</b>	<b>10.1</b>

The SAF-HOLLAND Group recorded the strongest percentage increase in sales in the APAC/China region in the first half of 2017, albeit from a still relatively low base. The two core regions EMEA/India and the Americas also achieved solid half-year growth rates. Business in the Americas continued to gain momentum in the second quarter of 2017. The EMEA/India region continued to grow solidly but did not quite match the high growth momentum of the first quarter due to the reduced number of working days in the second quarter of 2017 because of holidays.

#### Sales by business area

EUR million	Q1–Q2 / 2017		Q1–Q2 / 2016	
	EUR million	%	EUR million	%
Original equipment business	443.7	75.5 %	398.2	74.6 %
Spare parts business	143.9	24.5 %	135.4	25.4 %
<b>Total</b>	<b>587.6</b>	<b>100.0 %</b>	<b>533.6</b>	<b>100.0 %</b>

### ORIGINAL EQUIPMENT BUSINESS IS KEY GROWTH DRIVER IN THE FIRST HALF OF 2017

In the second quarter of 2017, sales in the original equipment business rose by 12.6 % to EUR 227.5 million (previous year: EUR 202.1 million). As a result, sales growth increased slightly compared to the first quarter (+10.2 %). In the first half of 2017, the overall increase in sales was 11.4 % for a total of EUR 443.7 million (previous year: EUR 398.2 million). All three of the Group's regions contributed to the strong growth of the first six months. SAF-HOLLAND achieved the highest percentage growth in the APAC/China region, where the business benefited not only from strong demand in the Chinese commercial vehicle market but also market share gains, particularly in the premium trailer segment. The Americas region also developed somewhat better. The stabilizing market environment in North America combined with new products in the trailer area contributed to SAF-HOLLAND increasing its sales in the Americas region by slightly more than a double-digit percentage rate. The Americas region benefited from positive currency effects and the sales contribution of the acquired company KLL, Brazil, which was not included in the scope of consolidation in the previous year. The EMEA/India region also achieved positive growth in the first half of 2017, driven by continued high demand for trucks and trailers.

### POSITIVE SALES PERFORMANCE IN SPARE PARTS BUSINESS

Sales in the spare parts business increased 6.3 % in the first half of 2017 to EUR 143.9 million (previous year: EUR 135.4 million). In the second quarter of 2017, growth momentum slowed to 1.6 % generating sales of EUR 72.8 million (previous year: EUR 71.6 million) compared to a very high level of growth in the first quarter of 2017 (+11.4 %). The slower momentum was mainly due to high prior-year comparisons and the comparatively lower number of working days in the second quarter of 2017. The EMEA/India region recorded solid growth overall in the first half-year, driven by the higher installed base of SAF-HOLLAND systems in the market, the age structure of the

fleets and the positive development of transportation volumes in most sub-markets in the region. The products of the SAUER GERMANY QUALITY PARTS brand for older trucks and trailers in their so-called second life also contributed to growth. The subdued recovery in demand for spare parts in the Americas region that had started at the end of 2016, continued in the first half of 2017 but at a moderate pace. Stimulus in the medium-term is expected to come from a gradual pickup in demand for spare parts for Class 8 trucks and trailers that were registered during the record years of 2014 and 2015. The strongest growth in percentage terms was recorded in the APAC/China region in the first half of 2017, albeit from a very low base. The focus of the business in this region is on building the customer base and increasing the installed base in the market, which forms the foundation for the future expansion of the aftermarket business.

#### **EARNINGS IN THE FIRST HALF OF 2017 IMPACTED BY NON-RECURRING EXPENSES FOR US PLANT CONSOLIDATION**

The SAF-HOLLAND Group's solid earnings performance in the first half of 2017 was affected by planned restructuring costs totaling EUR 7.4 million (previous year: EUR 1.6 million). The majority of these expenses (EUR 6.3 million) was attributable to the plant consolidation in North America, which was announced at the beginning of the year and is currently underway as scheduled. These non-recurring expenses mainly include relocation costs, impairment of equipment and severance payments. The restructuring of our Chinese subsidiary Corpco as a result of the difficult market environment for intercity buses and the development of new product segments resulted in one-off restructuring costs of EUR 0.7 million. For combining the two production sites in Brazil, SAF-HOLLAND spent EUR 0.3 million. In the second quarter of 2017, restructuring costs amounted to a total of EUR 4.8 million (previous year: EUR 1.3 million). Of this amount, EUR 4.3 million was attributable to the US plant consolidation. The restructuring costs for the first half-year of 2017 were recognized almost entirely in cost of sales (EUR 6.7 million).

#### **GROSS MARGIN REFLECTS RESTRUCTURING COSTS**

The Group's gross profit increased by 2.6 % to EUR 112.2 million (previous year: EUR 109.3 million) in the first half of 2017. However, due to the one-off restructuring costs for the plant consolidation in North America mentioned above, the increase was lower than the increase in sales.

As a result, the gross margin amounted to 19.1 % (previous year: 20.5 %). Excluding the restructuring costs of EUR 6.7 million (previous year: EUR 0.2 million) included in the cost of sales, the gross margin in the first half of 2017 came in 20.2 % (previous year: 20.5 %). Positive factors were muted by higher steel and steel scrap prices, particularly in North America,

which are passed on to the customer but, in some cases, only with noticeable delays. As a result of the Company's growth, the increase in the number of employees, which is mostly temporary in nature in North America, led to higher personnel costs. The product and customer mixes in the second quarter were less advantageous overall. The strong organic sales growth in the original equipment segment meant that the proportion of higher-margin aftermarket business declined.

In the second quarter of 2017, gross profit amounted to EUR 55.0 million (previous year: EUR 56.1 million), and the gross margin reached 18.3 % (previous year: 20.5 %). Adjusted for the aforementioned restructuring costs, the adjusted gross margin was significantly higher at 19.8 % (previous year: 20.5 %).

#### **GROWTH-DRIVEN INCREASE IN NUMBER OF EMPLOYEES**

As of the June 30, 2017 reporting date, SAF-HOLLAND employed a total of 3,623 employees and temporary workers (previous year: 3,189) resulting in an increase of 13.6 % compared to the previous year. The increase in the number of employees in the Americas region was the result of the majority acquisition of the Brazilian company KLL, which was not yet included in the scope of consolidation as of the previous year's reporting date. The number of employees also increased due to a provisional rise in temporary employees in the course of carrying out the plant consolidation in North America, which is progressing on schedule. In order to avoid production restrictions, appropriate capacities were maintained at the old and new sites during the transitional relocation period. This effect will gradually disappear in the second half of the year.

The increase in the number of employees in the EMEA/India and APAC/China regions compared to the respective prior-year level was mainly due to the increase in sales volumes and the expansion of capacities in the engineering and digitization areas.

#### **Regional development in number of employees**

	06 / 30 / 2017	06 / 30 / 2016
EMEA / I	1,399	1,253
Americas	1,652	1,394
APAC / China	572	542
<b>Total</b>	<b>3,623</b>	<b>3,189</b>

#### **OPERATING EXPENSES DEVELOP IN LINE WITH SALES**

Operating expenses, consisting of selling and general administrative expenses and research and development costs, increased by 9.9 % to EUR 72.2 million (previous year: EUR 65.7 million) in the first half of 2017. This rise was slightly lower than the growth in sales.

Within operating expenses, research and development costs increased by 18.2 % to EUR 11.3 million (previous year: EUR 9.6 million). This increase was mainly due to a series of newly launched development projects and customer applications. However, there was a slightly lower volume of capitalized development costs (EUR 1.7 million compared to EUR 1.9 million). Total R&D expenses (including capitalized development costs) equaled EUR 13.0 million (previous year: EUR 11.5 million) and resulted in an R&D ratio (as a percentage of sales) of 2.2 % (previous year: 2.1 %).

General administrative expenses increased in the first half of 2017, amounting to EUR 28.9 million (previous year: EUR 25.0 million). This development was attributable to a number of factors, some of which were non-recurring and occurred predominantly in the first quarter of 2017. The rise in selling

expenses, on the other hand, was proportionately lower than the rise in sales and amounted to EUR 32.0 million (previous year: EUR 31.2 million).

#### ADJUSTED EBIT MARGIN IN THE SECOND QUARTER AT UPPER END OF FORECAST RANGE OF 8-9 %

The operating result for the first six months of 2017 amounted to EUR 40.4 million (previous year: EUR 43.8 million) and reflects the previously described restructuring costs totaling EUR 7.4 million. Including the share of net profit of investments accounted for using the equity method, EBIT in the first half of 2017 amounted to EUR 41.6 million (previous year: EUR 44.6 million). EBIT in the second quarter of 2017, the quarter in which the majority of the restructuring costs were recognized, amounted to EUR 20.6 million (previous year: EUR 23.8 million).

#### Reconciliation of the operating result to adjusted EBIT

EUR million	Q1 – Q2 / 2017	Q1 – Q2 / 2016	Q2 / 2017	Q2 / 2016
Operating result	40.4	43.8	20.0	23.4
Share of net profit of investments accounted for using the equity method	1.2	0.8	0.6	0.4
<b>EBIT</b>	<b>41.6</b>	<b>44.6</b>	<b>20.6</b>	<b>23.8</b>
Additional depreciation and amortization from PPA	2.7	2.8	1.3	1.2
Restructuring and transaction costs	7.4	1.6	4.8	1.3
<b>Adjusted EBIT</b>	<b>51.8</b>	<b>49.0</b>	<b>26.7</b>	<b>26.3</b>

Adjusted for the aforementioned restructuring costs totaling EUR 7.4 million (previous year: EUR 1.6 million) and the effects of the purchase price allocation (depreciation and amortization from PPA) in the amount of EUR 2.7 million (previous year: EUR 2.8 million), adjusted EBIT in the first half-year totaled EUR 51.8 million (previous year: EUR 49.0 million). As a result, this key performance indicator exceeded the previous year's level by 5.7 %. At 8.8 % (previous year: 9.2 %), the adjusted EBIT margin fell short of the comparatively high level recorded in the first half-year of 2016 but came in above the Company's expected mid-point of the range of 8-9 % for the full year of 2017. Adjusted EBIT in the second quarter of 2017 improved slightly compared to the very strong prior-year quarter and reached EUR 26.7 million (previous year: EUR 26.3 million). This resulted in an adjusted EBIT margin in the second quarter of 8.9 % (previous year: 9.6 %).

#### HIGHER INTEREST EXPENSES IN THE FINANCE RESULT

The finance result in the first half of 2017 amounted to EUR –8.2 million (previous year: EUR –6.9 million). The reason for the decline was primarily higher net interest expenses in the amount of EUR –6.7 million (previous year: EUR –5.4 million).

These higher interest expenses essentially resulted to secure the financial basis for last year's bid for Haldex, which was ultimately withdrawn. In this context, SAF-HOLLAND had issued additional loans as well as a promissory note. The net finance expenses from derivative financial instruments came in lower at EUR –0.4 million (previous year: EUR –0.8 million) in the first half of 2017. This positive effect on the finance result was offset by lower realized foreign exchange rate gains on foreign currency loans and dividends in the amount of EUR 0.1 million (previous year: EUR 0.6 million).

The finance result in the second quarter of 2017 was 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 amount was primarily due to the measurement of derivative financial instruments. In the second quarter of the previous year, the finance result included net finance income from derivative financial instruments amounting to EUR 0.4 million. In contrast, measurement of derivative financial instruments produced net finance expenses of EUR 0.4 million in the second quarter of 2017.

### RESULT FOR THE PERIOD IN THE FIRST HALF-YEAR IMPACTED BY RESTRUCTURING COSTS – INCREASE ACHIEVED ON AN ADJUSTED BASIS

The lower EBIT combined with the weaker finance result led to a 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). Based on a slight decrease in the Group's tax rate to 31.2 % (previous year: 31.9 %), the result for the period decreased by 10.3 % in the first half of 2017 to EUR 23.0 million (previous year: EUR 25.7 million). This decline was attributable to the aforementioned one-off restructuring costs in the first half of

2017. Based on an unchanged number of 45.4 million outstanding ordinary shares, basic earnings per share amounted to EUR 0.52 (previous year: EUR 0.57), and diluted earnings per share amounted to EUR 0.45 (previous year: EUR 0.50).

In the second quarter of 2017, the quarter in which the majority of restructuring costs were recognized, the result for the period amounted to EUR 11.8 million (previous year: EUR 14.6 million). Basic earnings per share amounted to EUR 0.26 (previous year: EUR 0.32), and diluted earnings per share amounted to EUR 0.23 (previous year: EUR 0.28).

### Reconciliation of adjusted earnings figures

EUR million	Q1 – Q2 / 2017	Q1 – Q2 / 2016	Q2 / 2017	Q2 / 2016
Result for the period	23.0	25.7	11.8	14.6
Income taxes	10.4	12.0	5.0	7.2
Finance result	8.2	6.9	3.9	2.0
Depreciation and amortization from PPA	2.7	2.8	1.3	1.2
Restructuring and transaction costs	7.4	1.6	4.8	1.3
<b>Adjusted EBIT</b>	<b>51.8</b>	<b>49.0</b>	<b>26.7</b>	<b>26.3</b>
in % of sales	8.8	9.2	8.9	9.6
Depreciation and amortization	9.6	8.3	4.8	4.2
<b>Adjusted EBITDA</b>	<b>61.4</b>	<b>57.3</b>	<b>31.5</b>	<b>30.5</b>
in % of sales	10.5	10.7	10.5	11.1
Depreciation and amortization	–9.6	–8.3	–4.8	–4.2
Finance result	–8.2	–6.9	–3.9	–2.0
<b>Adjusted result before taxes</b>	<b>43.6</b>	<b>42.1</b>	<b>22.8</b>	<b>24.3</b>
Taxes on income	–13.2	–12.7	–6.9	–7.3
<b>Adjusted result for the period</b>	<b>30.4<sup>1</sup></b>	<b>29.4<sup>2</sup></b>	<b>15.9<sup>1</sup></b>	<b>17.0<sup>2</sup></b>
in % of sales	5.2	5.5	5.3	6.2
Number of shares <sup>3</sup>	45,361,112	45,361,112	45,361,112	45,361,112
<b>Adjusted basic earnings per share in EUR<sup>4</sup></b>	<b>0.67</b>	<b>0.65</b>	<b>0.35</b>	<b>0.38</b>
<b>Adjusted diluted earnings per share in EUR<sup>5</sup></b>	<b>0.58</b>	<b>0.56</b>	<b>0.30</b>	<b>0.32</b>

<sup>1</sup> Adjusted result for the period assumes a uniform tax rate of 30.20 %.

<sup>2</sup> Adjusted result for the period assumes a uniform tax rate of 30.10 %.

<sup>3</sup> Weighted average number of ordinary shares.

<sup>4</sup> The calculation of adjusted basic earnings per share includes the result attributable to non-controlling interests of EUR –0.7 million (previous year: EUR –0.3 million).

<sup>5</sup> Calculated taking into account 8.2 million share equivalents (previous year: 8.1 million) and EUR 0.8 million (previous year: EUR 0.8 million) of earnings contribution from the convertible bond issued in 2014 and non-controlling interests of EUR –0.7 million (previous year: EUR –0.3 million).

### ADJUSTED RESULT FOR THE PERIOD INCREASES 3.4 % IN THE FIRST HALF OF 2017

The adjusted result for the period, excluding one-off restructuring and transaction costs, as well as the effects of the purchase price allocation, increased by 3.4 % to EUR 30.4 million in the first half of 2017 (previous year: EUR 29.4 million). Based on an unchanged number of 45.4 million outstanding ordinary shares, adjusted basic earnings per share amounted to EUR 0.67 (pre-

vious year: EUR 0.65), and adjusted diluted earnings per share amounted to EUR 0.58 (previous year: EUR 0.56).

Despite the improvement in adjusted EBIT, the adjusted result for the period in the second quarter of 2017 declined to EUR 15.9 million (previous year: EUR 17.0 million). This was predominantly due to the higher interest expenses that were reflected in the finance result.



## SEGMENT REPORTING

### Regional overview

EUR million								
	EMEA / I		Americas		APAC / China		Total	
	Q1–Q2 / 2017	Q1–Q2 / 2016	Q1–Q2 / 2017	Q1–Q2 / 2016	Q1–Q2 / 2017	Q1–Q2 / 2016	Q1–Q2 / 2017	Q1–Q2 / 2016
Sales	319.9	297.2	225.3	205.0	42.4	31.4	587.6	533.6
Cost of sales	–253.7	–236.4	–188.0	–164.0	–33.8	–23.9	–475.5	–424.3
<b>Gross profit</b>	<b>66.3</b>	<b>60.8</b>	<b>37.3</b>	<b>41.0</b>	<b>8.6</b>	<b>7.5</b>	<b>112.2</b>	<b>109.3</b>
in % of sales	20.7	20.5	16.6	20.0	20.3	23.9	19.1	20.5
Other operating income and expenses*	–32.5	–29.8	–22.3	–24.7	–5.6	–5.8	–60.4	–60.3
<b>Adjusted EBIT</b>	<b>33.8</b>	<b>31.0</b>	<b>15.0</b>	<b>16.3</b>	<b>3.0</b>	<b>1.7</b>	<b>51.8</b>	<b>49.0</b>
in % of sales	10.6	10.4	6.7	8.0	7.0	5.3	8.8	9.2

\* Other operating income and expenses consisted of selling expenses, general and administrative expenses, research and development costs, other operating income and the net profit of investments accounted for using the equity method less restructuring and transaction costs in the amount of EUR 7.4 million (previous year: EUR 1.6 million), as well as depreciation and amortization from PPA in the amount of EUR 2.7 million (previous year: EUR 2.8 million).

#### EMEA/INDIA: RISING DEMAND IN SOUTHERN AND EASTERN EUROPE

The EMEA/India region achieved a sales increase of 7.6 % to EUR 319.9 million in the first half of 2017 (previous year: EUR 297.2 million). On a currency-adjusted basis, sales rose by 7.1 % to EUR 318.3 million (previous year: EUR 297.2 million). The business continued to benefit from the stable overall economic development in the region and the associated expansion and renewal of transportation capacities by the fleet operators. Southern European countries such as Spain, Italy, and France, as well as some Eastern European countries such as Poland and Russia, showed the strongest sales momentum in the first half-year. Growth stimulus also came from the markets in the Middle East and Africa, where new orders were received from major OEMs in 2016 and early 2017. SAF-HOLLAND was also able to successfully consolidate and expand its market position, particularly in the trailer sector.

Sales in the second quarter of 2017 in the EMEA/India region rose by 5.0 % (currency-adjusted 4.3 %) to EUR 159.6 million (previous year: EUR 152.0 million). The slightly lower sales momentum versus the first quarter of 2017 (+10.4 %) resulted from the fact that a major project order had been recognized in the spare parts business in the first quarter of 2017 and no comparable order had occurred in the second quarter of 2017. The new assembly plant in the Turkish town of Düzce, which opened at the end of March 2017, ramped up production as planned during the second quarter. Over a period of 2-3 years the production volume in Turkey is planned to be expanded to up to 35,000 axles annually.

The adjusted EBIT for the EMEA/India region rose to EUR 33.8 million in the first half of 2017 (previous year: EUR 31.0 million). The company was able to compensate for a rather economically disadvantageous product mix by cost-saving effects, efficiency gains, and economies of scale, allowing the adjusted EBIT margin to reach 10.6 % (previous year: 10.4 %).

#### AMERICAS: RESTRUCTURING OF THE NORTH AMERICAN PLANT NETWORK IN FULL SWING

The Americas region increased sales in the first half of 2017 by 9.9 % to EUR 225.3 million (previous year: EUR 205.0 million), thereby outperforming the overall truck and trailer markets. During the same period, for example, the production of heavy Class 8 trucks was still down by 8 %. Adjusted for positive currency effects of EUR 7.1 million and the revenue contribution of EUR 5.8 million from the Brazilian company KLL, the majority of which was acquired in October 2016 and not included in the second quarter of 2016, organic sales rose by 3.6 % to EUR 212.4 million. SAF-HOLLAND was therefore able to escape the effects of the still difficult environment on the North American truck and trailer markets. Although order intake in the first half of 2017 signals a market recovery in the second half of the year, the production figures for trailers and heavy-duty Class 8 trucks continued to be sharply lower year-on-year in the first six months of 2017. SAF-HOLLAND's success was mainly due to market share gains and the ramp-up of important major orders. In addition, the business benefited structurally from stronger customer demand for complete axle systems, some of which were already equipped with high-performance disc brakes. Offsetting these positive developments was a very

weak market in Mexico combined with the country's sharp decline in its national currency versus the US dollar, which negatively impacted both sales and earnings.

In the second quarter of 2017, sales growth in the Americas region reached 11.5 % with sales increasing to EUR 116.8 million (previous year: EUR 104.8 million). Organic growth in the quarter was 5.4 %. The original equipment business had noticeably more momentum than the aftermarket business.

The Company forged ahead with the consolidation and restructuring of the North American plant network as planned. By combining seven production locations into five, the production network in North America is being centralized and placed geographically closer to the customer base of the truck and trailer industry in order to strengthen long-term competitiveness. Furthermore, the internal logistics processes are being optimized resulting in improved delivery times. As announced, SAF-HOLLAND continues to expect one-off restructuring costs of up to US dollar 10 million for full-year 2017. When the restructuring and relocation activities have been completed, the Company expects to see a reduction in the direct cost base by a mid single-digit US dollar million amount annually.

Progress was made in combining the Brazilian units into the location of the newly acquired company KLL. In the meantime, the operating activities of the subsidiary SAF-HOLLAND do Brasil were relocated to the KLL subsidiary in which the majority was acquired in the prior year.

Adjusted for one-off restructuring costs, the adjusted EBIT in the Americas region in the first half of 2017 amounted to EUR 15.0 million (previous year: EUR 16.3 million). The adjusted EBIT margin reached 6.7 % (previous year: 8.0 %) and reflected the segment mix and higher steel prices, as well as the insufficient utilization of production for some product groups in the first few months of the year. A temporary increase in employee numbers due to the relocation of production facilities in the course of the plant consolidation led to higher costs in the second quarter of 2017. The Americas region generated an adjusted EBIT in the second quarter of EUR 7.3 million (previous year: EUR 8.0 million) and an adjusted EBIT margin of 6.3 % (previous year: 7.6 %).

#### **APAC/CHINA: STRONG RISE IN SALES AND IMPROVEMENT IN EARNINGS**

The APAC/China region generated dynamic sales growth of 35.1 % to EUR 42.4 million in the first half of 2017 (previous year: EUR 31.4 million). On a currency-adjusted basis, the increase was 34.6 %. In the second quarter of 2017, sales even rose by 41.5 % (currency-adjusted + 41.9 %) to EUR 23.9 million (previous year: EUR 16.9 million). The main sales driver in both the second quarter and the half-year was the growing business with trailer components in China. The more stringent regulatory requirements for truck and trailer combinations, which came into force at the end of 2016, had a positive effect on demand. Accordingly, sales of trailer axle systems and components at the Xiamen location saw a double-digit year-on-year increase.

The Corpco subsidiary increased its sales slightly in the first half of 2017, although the absolute level of sales remained below plan. Due to continued weak demand in the Chinese bus market for intercity buses, the company aligned its capacity to the changed market environment and started to extend its product portfolio in bus suspension systems into additional segments.

SAF-HOLLAND achieved a slight rise in sales in the Australian market, whereas demand in the other APAC countries was mixed overall.

As a result of operating leverage, the strong increase in the sales of trailer axles in the region in the first half of 2017 led to a noticeable sequential improvement in the region's adjusted EBIT to EUR 3.0 million (previous year: EUR 1.7 million). The first success of the restructuring and automation measures introduced at the end of last year also contributed to the improvement in earnings. The adjusted EBIT margin increased to 7.0 % (previous year: 5.3 %). In the second quarter of 2017, adjusted EBIT almost doubled to EUR 2.1 million (previous year: EUR 1.1 million). At 8.8 % (previous year: 6.5 %), the adjusted EBIT margin almost reached the Group's average.

## NET ASSETS

### SLIGHT INCREASE IN TOTAL ASSETS AND SHARPLY LOWER RISE IN WORKING CAPITAL IN THE SECOND QUARTER

As of the June 30, 2017 reporting date, total assets had increased slightly by 1.0 % to EUR 1,025.3 million (December 31, 2016: EUR 1,014.7 million). This rise was attributable solely to the increase in working capital, which occurred mainly in the first quarter of 2017. In the second quarter, there was only a slight increase in working capital in line with seasonal patterns. Total assets in the second quarter declined by EUR 26.8 million (March 31, 2017: EUR 1,052.1 million).

The main reason for the increase in working capital was the growth in trade receivables in the first half to EUR 165.6 million (December 31, 2016: EUR 116.7 million; March 31, 2017: EUR 155.1 million). The higher trade receivables resulted from the sharp year-on-year rise in sales. In addition, as in the first quarter of 2017, the last month of the quarter also registered the strongest level of sales by far. As a result of the payment due dates, a large portion of these sales had not yet produced an inflow of cash by the June 30 reporting date. Accordingly, trade receivables in the second quarter increased by EUR 10.5 million. However, it was possible to significantly reduce the increase to an average seasonal level compared to the first quarter (EUR 38.4 million). Days sales outstanding as of June 30, 2017 amounted to 50 days (December 31, 2016: 42 days; March 31, 2017: 49 days). Based on a foreseeable normalization in the seasonal pattern, a significant reduction in trade receivables is expected in the further course of the year.

In contrast to trade receivables, inventories fell by EUR 6.8 million during the second quarter to EUR 138.9 million as planned. Inventories were only slightly higher compared to their level as of December 31, 2016 (EUR 131.0 million) mainly as a result of higher business volumes and temporarily higher inventories in the course of the current plant consolidation in North America. Days inventory outstanding as of June 30, 2017 was 51 days (December 31, 2016: 58 days; March 31, 2017: 57 days).

At EUR 304.0 million (December 31, 2016: EUR 344.6 million), the largest single asset item as of June 30, 2017 continued to be liquid assets (cash and cash equivalents and other short-term investments). This decline compared to the end of 2016 was mainly the result of the negative free cash flow (EUR –8.0 million) generated in the course of the 2017 first half-year and the dividend payment for the 2016 financial year in the amount of EUR 20.0 million.

As of the June 30, 2017 reporting date, non-current assets fell to EUR 392.7 million (December 31, 2016: EUR 406.3 million). This decline was mainly attributable to the decrease in intangible assets (EUR –5.9 million) and property, plant and equipment (EUR –6.0 million) and primarily resulted from currency translation effects due to the appreciation of the euro against the US dollar.

### Overview of net assets

EUR million	06/30/2017	03/31/2017	12/31/2016
Total assets	1,025.3	1,052.1	1,014.7
Equity	292.4	315.9	305.6
Equity ratio	28.5 %	30.0 %	30.1 %
Net debt*	135.4	116.0	97.1
Net working capital	142.8	144.8	111.9
Net working capital in % of sales	11.9	12.6	11.1

\* Taking into account cash and cash equivalents and other short-term investments (June 30, 2017: EUR 304.0 million; December 31, 2016: EUR 344.6 million).

### EQUITY RATIO AT 29 %

Equity amounted to EUR 292.4 million as of June 30, 2017 (December 31, 2016: EUR 305.6 million). The decline was mainly the result of the dividend payment of EUR 20.0 million in the second quarter of 2017 and negative currency differences from the translation of foreign operations (EUR 16.3 million). The result for the period in the first half of 2017, on the other hand, had a positive effect of EUR 23.0 million. Accordingly, the equity ratio as of June 30, 2017 amounted to 28.5 % compared to 30.0 % as of March 31, 2017 (December 31, 2016: 30.1 %). When considering the equity ratio, it is important to keep in mind that the balance sheet ratios are currently influenced by the high level of liquidity being held in anticipation of acquisitions and investments planned under the “Strategy 2020”.

### LITTLE CHANGE IN LIABILITIES

Non-current liabilities totaled EUR 475.8 million as of the June 30, 2017 reporting date (December 31, 2016: EUR 555.4 million). This decline was mainly due to the reclassification of non-current interest-bearing loans and bonds to current interest-bearing loans and bonds due to their remaining maturities of less than one year. Current liabilities increased accordingly to EUR 257.1 million (December 31, 2016: EUR 153.7 million). The increase in trade payables (EUR 131.2 million compared to EUR 106.7 million as of December 31, 2016) also contributed to higher current liabilities. This offset some of the increase in working capital items on the asset side of the balance sheet.

**NET DEBT SLIGHTLY HIGHER**

Non-current and current liabilities from interest-bearing loans and bonds totaled EUR 439.5 million as of June 30, 2017 (December 31, 2016: EUR 441.7 million). Net debt (net of cash and cash equivalents and other short-term investments) amounted to EUR 135.4 million at the end of the first half of 2017 (December 31, 2016: EUR 97.1 million). The increase during the first half-year resulted from the described effects of the dividend payment and the development of working capital. The planned reduction in working capital in the second half of 2017 is expected to again lead to a significant reduction in net debt.

**FINANCIAL POSITION: CASH FLOWS****OPERATING CASH FLOW IMPROVES IN THE SECOND QUARTER**

Cash flow before changes in net working capital in the first half of 2017 amounted to EUR 55.2 million and was slightly lower than the previous year's figure of EUR 57.1 million due to a lower EBIT (EUR 41.6 million compared to EUR 44.6 million in the first half of 2016). The decline in the result before taxes to EUR 33.5 million (previous year: EUR 37.7 million) was partially offset by higher depreciation and amortization of property, plant, and equipment and intangible assets of EUR 12.4 million (previous year: EUR 11.1 million) and net finance income and expenses of EUR 8.2 million (previous year: EUR 7.0 million).

Due to the strong increase in net working capital in the first quarter of 2017 (EUR 31.5 million compared to EUR 5.5 million in the first quarter of 2016), the net cash flow from operating activities in the first half of 2017 was significantly below the previous year's level and amounted to EUR 5.5 million (previous year: EUR 29.6 million). The net cash flow from operating activities in the second quarter of 2017 improved year-on-year from EUR 11.2 million to EUR 15.3 million and, as of the half-year, was more than able to offset the negative effect of the first quarter of 2017 (EUR -9.8 million). The improvement resulted from a lower increase in net working capital in the quarter of EUR 8.5 million (previous year: EUR 15.7 million) mainly due to the cash inflow from a change in trade payables of EUR 14.8 million versus a corresponding cash outflow of EUR 15.9 million in the same quarter of the previous year. This more than compensated for the aforementioned effect of the increase in trade receivables of EUR -20.9 million in the second quarter of 2017 compared to EUR -2.2 million in the second quarter of 2016 (see explanations in the section titled Net Assets on page 19).

As of June 30, 2017, the net working capital ratio (the ratio of net working capital to sales in the second quarter extrapolated for the full year) was 11.9% (December 31, 2016: 11.1%). The net working capital ratio at the end of the second quarter thus improved versus the end of the first quarter of 2017 (12.6%) and was thereby slightly below the target range of 12-13% for the 2017 financial year.

**Overview of financial position**

EUR million	Q1 - Q2 / 2017	Q1 - Q2 / 2016	Q2 / 2017	Q2 / 2016
Cash flow from operating activities before income taxes paid	15.2	35.8	20.4	13.3
Cash conversion rate in % <sup>1</sup>	29.3	73.1	76.4	50.6
Net cash flow from operating activities	5.5	29.6	15.3	11.2
Net cash flow from investing activities	-96.0	92.6	4.4	56.7
Investments in property, plant and equipment and intangible assets	-13.6	-10.6	-7.8	-5.1
in % of sales	2.3	2.0	2.6	1.9
Net cash flow from financing activities	-30.6	25.0	-28.0	24.9
Free cash flow <sup>2</sup>	-8.0	19.0	7.5	6.1

<sup>1</sup> Cash flow from operating activities before income taxes paid divided by adjusted EBIT.

<sup>2</sup> Net cash flow from operating activities less investments in property, plant and equipment and intangible assets.

#### **SLIGHTLY HIGHER INVESTMENT VOLUME**

The net cash flow from investing activities in the first half of 2017 amounted to EUR –96.0 million (previous year: EUR 92.6 million). However, both the first half of 2017 as well as the first half of 2016 were strongly influenced by the acquisition of other financial assets (H1/2017: EUR –83.0 million) and the sale of other short-term investments (H1/2016: EUR +115.0 million). Excluding these effects, the net cash flow from investing activities in the first half of 2017 would have amounted to EUR –13.0 million (previous year: EUR –22.4 million) and essentially included investments in property, plant, and equipment and intangible assets of EUR 13.6 million (previous year: EUR 10.6 million). As a result, the investment ratio was 2.3 % (previous year: 2.0 %). In the previous year, the net cash flow from investing activities also included a payment of EUR 13.4 million for the purchase of Haldex shares.

#### **FREE CASH FLOW SLIGHTLY BETTER IN SECOND QUARTER**

Free cash flow (net cash flow from operating activities less investments in property, plant, and equipment and intangible assets) in the first half-year was negative due to the sharp rise in net working capital in the first quarter of 2017 and amounted to EUR –8.0 million (previous year: EUR +19.0 million) despite an improvement in the second quarter of 2017 to EUR 7.5 million (previous year: EUR 6.1 million). Free cash flow is expected to improve in the second half-year along with a targeted reduction in the build-up of working capital.

Net cash flow from financing activities in the first half of 2017 amounted to EUR –30.6 million (previous year: EUR +25.0 million). In addition to the dividend payment of EUR 20.0 million (previous year: EUR 18.1 million), this item mainly included interest paid and a change in the utilization of the credit lines. The net cash flow from financing activities in the prior year also included a cash inflow of EUR 50.0 million from obtaining a loan.

## **RISK AND OPPORTUNITIES REPORT**

During the reporting period, there were no significant changes to the overall risk situation of the SAF-HOLLAND Group compared to the statements made in the 2016 Annual Report on pages 46-53. The risks are considered to be manageable overall, and we have taken sufficient provisions for known risks.

## **EVENTS AFTER THE BALANCE SHEET DATE**

No relevant events occurred after the reporting date that required reporting.

## OUTLOOK

### GLOBAL ECONOMY REMAINS ON MODERATE GROWTH PATH

According to the International Monetary Fund (IMF), the global economy will continue its growth path in 2017. In its latest report, the IMF expects a slightly accelerated year-on-year growth rate of 3.5 %. The IMF is now more optimistic about the prospects for the eurozone and, consequently, increased its forecast to 1.9 % (April 2017 report: 1.7 %). The IMF believes that the economic environment in some of the emerging markets is improving. Countries such as China and India continue to post rather strong growth rates. Russia and Brazil should post slightly positive economic growth in 2017 after years of recession. However, in the case of Brazil, the growth is coming from a very low starting level due to the persistent recession in Brazil in recent years. The IMF has lowered its expectations for the United States and now foresees growth of only 2.1 % in 2017 (April 2017 report: 2.3 %). The IMF justified this reduction pointing to continued uncertainty with respect to the plans of the new US administration and to increasing structural problems in the United States.

#### Economic development in key markets

in %	2016	2017	2018
Euro area	1.8	1.9	1.7
Germany	1.8	1.8	1.6
United States	1.6	2.1	2.1
Brazil	-3.6	0.3	1.3
Russia	-0.2	1.4	1.4
China	6.7	6.7	6.4
Turkey	2.9	2.5	3.3

Source: IMF (World Economic Outlook July 2017).

### SECTOR OUTLOOK: ENVIRONMENT VARIES BY REGION – SIGNS OF IMPROVEMENT IN NORTH AMERICA

In the first half of 2017, the global truck and trailer markets tended to be broadly in line with the expectations for the 2017 financial year set out in the 2016 Annual Report. However, the prospects for the second half of the year have recently started to improve in some markets. This is particularly true for North America. Orders for heavy tractors and trailers came in 35 % and 41 % higher, respectively, in the US in the first half of 2017. Brazil and Mexico, on the other hand, are still waiting for concrete signs of a sweeping improvement. The forecasts for our core market of Europe were also revised slightly higher based

on the confirmation that the market will remain stable at a solid level. We expect the slight recovery in important individual markets such as Brazil and Russia to slowly gain ground. However, with some of the double-digit growth rates in these countries it is important to take into account the extremely low comparisons of the previous year. In absolute terms, volumes in these markets are still unsatisfactory.

### SOLID DEMAND FOR TRUCKS AND TRAILERS IN EUROPE

After a slightly better-than-expected start to the year 2017, the market research institute CLEAR is now expecting a solid level of stable trailer production in Western Europe for full-year 2017. At the beginning of the year 2017, CLEAR had still assumed a decline in volume of 4 %. CLEAR also sees a slight increase in production figures for Eastern Europe in 2017.

The European truck market is also anticipated to perform slightly better in 2017 than originally expected at the start of the year. As the European economies slowly continue to recover, the European truck market is likely to carry on its multi-year upward trend. According to the automotive industry forecaster LMC Automotive, a total of 2 % more heavy trucks over 15 tons are expected to roll off the assembly lines in Western Europe in 2017 than in the prior year. A slight decline of 1 % was the expectation at the start of the year. For Eastern Europe, LMC has raised the production forecast for tractors and now expects double-digit growth. This increase is mainly based on a more optimistic assessment of the Russian market, which is projected to grow by as much as 30 %. It should be taken into account, however, that this level represents merely a return to the Russian market's pre-crisis level reached in 2013.

### APPARENT TURNAROUND IN THE NORTH AMERICAN COMMERCIAL VEHICLE MARKET

The development in the first half of 2017 confirms that the US truck and trailer markets are likely to have bottomed at the end of 2016. Demand in Mexico, on the other hand, continues to be weak, particularly because of political uncertainties. The leading market research institutes ACT Research and FTR increased their 2017 full-year forecasts due to the significant increase in new orders in both heavy trucks and trailers over the last few months. For the year 2017, ACT now expects the production figures for heavy trucks in the United States to rise. At the beginning of the year, market researchers had still expected a decline of around 11 %. In the case of trailers, ACT's current expectation is for a decline in production of up to 4 % for the year 2017, after having predicted a drop of around 15 % at the start of the year.

The Brazilian market for heavy trucks also appears to have bottomed at the end of 2016 at an extremely low level, which could mean a moderate recovery is on the horizon. For the year 2017, LMC Automotive expects a 13 % increase in truck production. It is important to note, however, that the market volume in Brazil is still almost 80 % below the level achieved in 2011.

#### **DEMAND IN CHINA RECEIVES A BOOST FROM REGULATORY REQUIREMENTS**

Similar to the development in the second half of 2016, the Chinese commercial vehicle market in the first half of 2017 continued to profit from the demand for new trucks and trailers driven by new regulatory requirements. The GB1589 Transportation Act (Enforcement Act), adopted in September 2016, limits the permissible total weight and the length of a truck and trailer combination and standardizes, for example, container dimensions. Against this backdrop, the Chinese market for heavy trucks and trailers is likely to remain at a high level for 2017 as a whole according to the estimates of the CAAM manufacturers association. In the case of trailers, the most important market segment in China for SAF-HOLLAND, the GB1589 standard has already led to a noticeable increase in demand in 2016. Although CAAM is forecasting an overall decline in the local production of trailers in 2017, the expected sales volume of more than 500,000 trailers in 2017 is almost double the normal level achieved in the years 2012-2015. For the Australian truck market (>6t), which is a meaningful market for SAF-HOLLAND, LMC Automotive expects the development in 2017 to remain essentially unchanged compared to the two relatively weak years of 2015 and 2016.

#### **MANAGEMENT BOARD'S GENERAL STATEMENT ON FUTURE BUSINESS DEVELOPMENT**

##### **AFTER STRONG FIRST HALF-YEAR, SALES NOW EXPECTED TO TEND TOWARDS THE UPPER END OF THE PLANNED SALES RANGE**

We continue to expect that the overall solid business development at SAF-HOLLAND will continue in the current financial year. For 2017, SAF-HOLLAND therefore 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 and based on the industry's development described above, we now expect Group sales to tend closer 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. The EBIT margin adjusted for special items should again be in the range of 8-9 % in 2017, whereby from today's standpoint, we 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. In line with our targets under "Strategy 2020", additional Group sales and earnings contributions may result from collaborations, joint ventures, or acquisitions concluded during the year. However, this assumes the availability and realization of appropriate opportunities with a manageable risk profile and a reasonable price.

#### **RESTRUCTURING OF NORTH AMERICAN PLANT NETWORK ON TRACK: RELATED ONE-TIME EXPENSE AS PLANNED**

As already reported, SAF-HOLLAND is in the process of consolidating the North American plant network in 2017. The process of relocating production is already in full swing. For the measures that have already been taken or are still being implemented, we continue to expect one-off restructuring charges of up to US dollar 10 million. These mainly include relocation costs, equipment impairment charges and severance payments. SAF-HOLLAND expects the vast majority of these expenses to be recognized in the 2017 financial year. 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 than in the first six months of 2017. It should be taken into account that the Group's key performance indicator – adjusted EBIT – is adjusted for 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 dollar range.

#### **SOLID POSITIVE FREE CASH FLOW EXPECTED FOR THE FULL YEAR**

The Group's financial strength is expected to remain at a solid level based on ongoing disciplined investment spending and the Group-wide optimization of net working capital. As a result of the Group's strong growth, payments for investments in property, plant, and equipment and intangible assets in 2017 are expected to rise slightly compared to 2016 and fall in the range of EUR 28 million to EUR 31 million. The net working capital ratio as of June 30, 2017 amounted to 11.9 % (previous year: 12.2 %), which is within the originally planned target range for the 2017 financial year of 12-13 %. The expected increase in sales will lead to higher working capital requirements compared to the 2016 financial year, however, the working capital requirements in the course of the 2017 financial year should still be lower than in the first half of the year. It is important to note that a temporary increase in inventories may occur, depending on the timing and completion of the implementation of the measures to consolidate the plants in the United States. Despite the effects mentioned, we continue to expect to generate a solid positive free cash flow in 2017, which, however, due to the factors already mentioned, should come in below the high level generated in the 2016 financial year.

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kEUR					
	Notes	Q1 – Q2 / 2017	Q1 – Q2 / 2016	Q2 / 2017	Q2 / 2016
Sales	(5)	587,633	533,646	300,301	273,713
Cost of sales		–475,468	–424,375	–245,342	–217,633
<b>Gross profit</b>		<b>112,165</b>	<b>109,271</b>	<b>54,959</b>	<b>56,080</b>
Other operating income		463	214	220	125
Selling expenses		–31,952	–31,163	–15,805	–15,681
Administrative expenses		–28,948	–24,969	–13,807	–12,682
Research and development costs		–11,289	–9,550	–5,542	–4,456
<b>Operating result</b>	(5)	<b>40,439</b>	<b>43,803</b>	<b>20,025</b>	<b>23,386</b>
Share of net profit of investments accounted for using the equity method		1,202	825	592	395
<b>Earnings before interest and taxes</b>		<b>41,641</b>	<b>44,628</b>	<b>20,617</b>	<b>23,781</b>
Finance income	(6)	1,210	1,309	494	913
Finance expenses	(6)	–9,393	–8,253	–4,387	–2,933
<b>Finance result</b>	(6)	<b>–8,183</b>	<b>–6,944</b>	<b>–3,893</b>	<b>–2,020</b>
<b>Result before tax</b>		<b>33,458</b>	<b>37,684</b>	<b>16,724</b>	<b>21,761</b>
Income tax	(7)	–10,436	–12,025	–4,958	–7,238
<b>Result for the period</b>		<b>23,022</b>	<b>25,659</b>	<b>11,766</b>	<b>14,523</b>
Attributable to:					
Equity holders of the parent		23,710	25,957	12,134	14,672
Non-controlling interests		–688	–298	–368	–149
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurements of defined benefit plans	(10)	102	–8,229	102	–8,229
Income tax effects on items recognized in other comprehensive income	(10)	–26	2,720	–26	2,720
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translation of foreign operations	(10)	–16,342	–959	–15,378	3,295
Changes in fair values of derivatives designated as hedges, recognized in equity	(10)/(12)	–	–1,727	–	–504
Changes in the revaluation of financial assets available for sale		–	277	–	277
Income tax effects on items recognized directly in other comprehensive income	(10)	–	393	–	61
<b>Other comprehensive income</b>		<b>–16,266</b>	<b>–7,525</b>	<b>–15,302</b>	<b>–2,380</b>
<b>Comprehensive income for the period</b>		<b>6,756</b>	<b>18,134</b>	<b>–3,536</b>	<b>12,143</b>
Attributable to:					
Equity holders of the parent		7,814	18,509	–2,733	12,307
Non-controlling interests		–1,058	–375	–803	–164
<b>Basic earnings per share in EUR</b>		<b>0.52</b>	<b>0.57</b>	<b>0.26</b>	<b>0.32</b>
<b>Diluted earnings per share in EUR</b>		<b>0.45</b>	<b>0.50</b>	<b>0.23</b>	<b>0.28</b>

## CONSOLIDATED BALANCE SHEET

kEUR	Notes	06 / 30 / 2017	12 / 31 / 2016
<b>Assets</b>			
<b>Non-current assets</b>		<b>392,725</b>	<b>406,268</b>
Goodwill		56,043	56,059
Other intangible assets		143,628	149,520
Property, plant and equipment		138,292	144,263
Investments accounted for using the equity method		15,363	15,425
Financial assets	(12)	3	1,243
Other non-current assets		4,477	3,528
Deferred tax assets		34,919	36,230
<b>Current assets</b>		<b>632,596</b>	<b>608,428</b>
Inventories		138,862	130,988
Trade receivables		165,605	116,666
Income tax assets		1,134	1,808
Other current assets		22,421	13,423
Financial assets	(12)	549	975
Other short-term investments	(8)	83,000	–
Cash and cash equivalents	(9)	221,025	344,568
<b>Balance sheet total</b>		<b>1,025,321</b>	<b>1,014,696</b>
<b>Equity and liabilities</b>			
<b>Total equity</b>	(10)	<b>292,374</b>	<b>305,577</b>
<b>Equity attributable to equity holders of the parent</b>		<b>288,254</b>	<b>300,399</b>
Subscribed share capital		454	454
Share premium		268,644	268,644
Legal reserve		45	45
Other reserve		720	720
Retained earnings		48,806	45,055
Accumulated other comprehensive income		–30,415	–14,519
<b>Shares of non-controlling interests</b>		<b>4,120</b>	<b>5,178</b>
<b>Non-current liabilities</b>		<b>475,819</b>	<b>555,436</b>
Pensions and other similar benefits		37,507	38,393
Other provisions		8,524	6,872
Interest bearing loans and bonds	(11)	360,409	435,599
Other financial liabilities	(12)	17,033	18,238
Other liabilities		761	615
Deferred tax liabilities		51,585	55,719
<b>Current liabilities</b>		<b>257,128</b>	<b>153,683</b>
Other provisions		6,487	9,918
Interest bearing loans and bonds	(11)	79,054	6,067
Finance lease liabilities	(12)	13	1,587
Trade payables		131,165	106,714
Income tax liabilities		7,566	5,660
Other financial liabilities	(12)	805	972
Other liabilities		32,038	22,765
<b>Balance sheet total</b>		<b>1,025,321</b>	<b>1,014,696</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

kEUR

Q1 – Q2 / 2017

	Attributable to equity holders of the parent							Shares of non-controlling interests	Total equity (Note 10)
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount		
As of 01/01/2017	454	268,644	45	720	45,055	-14,519	300,399	5,178	305,577
Result for the period	-	-	-	-	23,710	-	23,710	-688	23,022
Other comprehensive income	-	-	-	-	-	-15,896	-15,896	-370	-16,266
<b>Comprehensive income for the period</b>	-	-	-	-	23,710	-15,896	7,814	-1,058	6,756
Dividend	-	-	-	-	-19,959	-	-19,959	-	-19,959
As of 06/30/2017	454	268,644	45	720	48,806	-30,415	288,254	4,120	292,374

Q1 – Q2 / 2016

	Attributable to equity holders of the parent							Shares of non-controlling interests	Total equity (Note 10)
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount		
As of 01/01/2016	454	268,644	45	436	36,338	-20,099	285,818	1,982	287,800
Result for the period	-	-	-	-	25,957	-	25,957	-298	25,659
Other comprehensive income	-	-	-	-	-	-7,448	-7,448	-77	-7,525
<b>Comprehensive income for the period</b>	-	-	-	-	25,957	-7,448	18,509	-375	18,134
Dividend	-	-	-	-	-18,144	-	-18,144	-	-18,144
Transfer to other reserve	-	-	-	284	-284	-	-	-	-
As of 06/30/2016	454	268,644	45	720	43,867	-27,547	286,183	1,607	287,790

## CONSOLIDATED CASH FLOW STATEMENT

kEUR	Notes	Q1 – Q2 / 2017	Q1 – Q2 / 2016
<b>Cash flow from operating activities</b>			
<b>Result before tax</b>		<b>33,458</b>	<b>37,684</b>
– Finance income	(6)	–1,210	–1,309
+ Finance expenses	(6)	9,393	8,253
+/- Share of net profit of investments accounted for using the equity method		–1,202	–825
+ Amortization / depreciation of intangible assets and property, plant and equipment		12,351	11,093
+ Allowance of current assets		2,237	2,122
+/- Loss / Gain on disposal of property, plant and equipment		142	43
+ Dividends from investments accounted for using the equity method		21	19
<b>Cash flow before change of net working capital</b>		<b>55,190</b>	<b>57,080</b>
+/- Change in other provisions and pensions		–624	1,466
+/- Change in inventories		–13,957	–9,351
+/- Change in trade receivables and other assets		–64,420*	–23,749*
+/- Change in trade payables and other liabilities		38,984	10,388
<b>Change of net working capital</b>		<b>–40,017</b>	<b>–21,246</b>
<b>Cash flow from operating activities before income tax paid</b>		<b>15,173</b>	<b>35,834</b>
– Income tax paid		–9,648	–6,218
<b>Net cash flow from operating activities</b>		<b>5,525</b>	<b>29,616</b>
<b>Cash flow from investing activities</b>			
+ Proceeds from sale of other short term investments		–	115,000
– Purchase of property, plant and equipment		–11,114	–7,962
– Purchase of intangible assets		–2,442	–2,618
+ Proceeds from sales of property, plant and equipment		212	1,360
– Purchase of other financial assets	(8)	–83,000	–13,434
+ Interest received		326	238
<b>Net cash flow from investing activities</b>		<b>–96,018</b>	<b>92,584</b>
<b>Cash flow from financing activities</b>			
– Dividend payments to shareholders of SAF-HOLLAND S.A.		–19,959	–18,144
+ Proceeds from borrowing of non-current other loans		–	50,000
+ Proceeds from foreign currency derivatives		–186	–
– Payments for finance lease		–1,585	–215
– Interest paid		–7,795	–7,315
+/- Change in drawings on the credit line and other financing activities	(11)	–1,087	676
<b>Net cash flow from financing activities</b>		<b>–30,612</b>	<b>25,002</b>
<b>Net increase / decrease in cash and cash equivalents</b>		<b>–121,105</b>	<b>147,202</b>
+/- Effect of changes in exchange rates on cash and cash equivalents		–2,438	–282
<b>Cash and cash equivalents at the beginning of the period</b>	(9)	<b>344,568</b>	<b>145,748</b>
<b>Cash and cash equivalents at the end of the period</b>	(9)	<b>221,025</b>	<b>292,668</b>

\* As of June 30, 2017, trade receivables in the amount of EUR 26.3 million (previous year: EUR 28.4 million) were sold in the context of a factoring contract. Assuming the legal validity of the receivable, no further rights of recourse exist against SAF-HOLLAND from the sold receivables.

# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period January 1 to June 30, 2017

## 1. CORPORATE INFORMATION

SAF-HOLLAND S.A. (the “Company”) was incorporated on December 21, 2005 as a “Société Anonyme” according to Luxembourg law. The Company’s registered office is located in Luxembourg. The Company’s shares are listed in the Prime Standard of the Frankfurt Stock Exchange. The shares have been included in the SDAX since 2010.

## 2. SIGNIFICANT ACCOUNTING AND VALUATION POLICIES

The consolidated financial statements for SAF-HOLLAND S.A. and its subsidiaries (the “Group”) were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and applicable as of the reporting date.

The interim consolidated financial statements for the first half of 2017 were prepared in accordance with IAS 34 “Interim Financial Reporting.” Generally, the same accounting and valuation principles and consolidation methods were applied as those applied to the consolidated financial statements for the 2016 financial year unless explicit reference is made to changes. The interim consolidated financial statements should therefore be read in conjunction with the consolidated financial statements as of December 31, 2016. Amendments to IFRSs had no effect on the interim consolidated financial statements as of June 30, 2017.

In preparing the interim consolidated financial statements, management is required to make assumptions and estimates that affect the reported amounts of assets, liabilities, income, expenses and contingent liabilities as of the reporting date. In certain cases, actual amounts may differ from these assumptions and estimates.

Income and expenses that occur irregularly during the financial year are accrued or deferred when it is appropriate to recognize these expenses at the end of the financial year.

The most important functional currencies for the Company’s foreign operations are the US dollar (USD) and the Canadian

dollar (CAD). The exchange rates of these currencies as of the balance sheet date were USD/EUR = 1.14094 (previous year: 1.11053) and CAD/EUR = 1.48588 (previous year: 1.43910). The weighted average exchange rates for these two currencies were USD/EUR = 1.08142 (previous year: 1.11607) and CAD/EUR = 1.44202 (previous year: 1.48443).

The interim consolidated financial statements and the interim group management report have not been audited by an auditor.

## 3. SEASONAL EFFECTS

Seasonal effects during the year can result in variations in sales and the resulting earnings. For information on the earnings development, please refer to the explanations contained in the interim group management report.

## 4. SCOPE OF CONSOLIDATION

There were no changes to the scope of consolidation compared to the consolidated financial statements as of December 31, 2016.

In October 2016, SAF-Holland do Brasil Ltda. acquired 57.5 % of the shares of KLL Equipamentos para Transporte Ltda., a non-listed company based in Brazil. The following values resulted from the updated purchase price allocation: intangible assets of kEUR 6,826, property, plant and equipment of kEUR 12,588, inventories of kEUR 2,204, cash and cash equivalents of kEUR 552, trade receivables of kEUR 1,985, other assets of kEUR 924, deferred tax liabilities of kEUR 2,267, interest-bearing loans and bonds of kEUR 8,577, trade payables of kEUR 925 and other liabilities of kEUR 1,380. The intangible assets include, in particular, trademark rights in the amount of kEUR 1,095 and customer relationships valued at kEUR 908. Goodwill amounts to kEUR 4,627.

## 5. SEGMENT REPORTING

The Group is organized into the regional segments EMEA / India, APAC / China and the Americas for the purposes of corporate management and Group reporting. These three regions include both the original equipment and spare parts businesses.

The management assesses the performance of the regional segments based on the adjusted EBIT. The reconciliation from the operating result to the adjusted EBIT for the Group is as follows:

kEUR		
	Q1 – Q2 / 2017	Q1 – Q2 / 2016
Operating result	40,439	43,803
Share of net profit of investments accounted for using the equity method	1,202	825
<b>EBIT</b>	<b>41,641</b>	<b>44,628</b>
Additional depreciation and amortization from PPA	2,723	2,770
Restructuring and transaction costs	7,445	1,633
<b>Adjusted EBIT</b>	<b>51,809</b>	<b>49,031</b>

Information on segment sales and results for the period from January 1 to June 30, 2017:

kEUR				
	Q1 – Q2 / 2017			
	Regions			
	Americas <sup>1</sup>	EMEA <sup>2</sup>	APAC / China <sup>3</sup>	Consolidated
Sales	225,319	319,934	42,380	587,633
<b>Adjusted EBIT</b>	<b>15,035</b>	<b>33,800</b>	<b>2,974</b>	<b>51,809</b>
Adjusted EBIT margin	6.7 %	10.6 %	7.0 %	8.8 %

<sup>1</sup> Includes Canada, the USA as well as Central and South America.

<sup>2</sup> Includes Europe, Middle East, Africa and India.

<sup>3</sup> Includes Asia / Pacific and China.

kEUR				
	Q1 – Q2 / 2016			
	Regions			
	Americas <sup>1</sup>	EMEA <sup>2</sup>	APAC / China <sup>3</sup>	Consolidated
Sales	205,017	297,263	31,366	533,646
<b>Adjusted EBIT</b>	<b>16,338</b>	<b>31,042</b>	<b>1,651</b>	<b>49,031</b>
Adjusted EBIT margin	8.0 %	10.4 %	5.3 %	9.2 %

<sup>1</sup> Includes Canada, the USA as well as Central and South America.

<sup>2</sup> Includes Europe, Middle East, Africa and India.

<sup>3</sup> Includes Asia / Pacific and China.

Please refer to the interim group management report for the corresponding explanations on the earnings development of the segments.

## 6. FINANCE RESULT

Finance income and expenses consist of the following:

kEUR	Q1 – Q2 / 2017	Q1 – Q2 / 2016
Unrealized foreign exchange gains on foreign currency loans and dividends	377	203
Realized foreign exchange gains on foreign currency loans and dividends	136	571
Finance income due to derivatives	526	226
Interest income	146	299
Other	25	10
<b>Total</b>	<b>1,210</b>	<b>1,309</b>

kEUR	Q1 – Q2 / 2017	Q1 – Q2 / 2016
Interest expenses due to interest bearing loans and bonds	–6,868*	–5,745*
Amortization of transaction costs	–355	–381
Finance expenses due to pensions and other similar benefits	–582	–613
Finance expenses due to derivatives	–909	–1,006
Unrealized foreign exchange losses on foreign currency loans and dividends	–	–144
Other	–679	–364
<b>Total</b>	<b>–9,393</b>	<b>–8,253</b>

\* Includes the non-cash interest expense of kEUR 323 (previous year: kEUR 318) for the convertible bond.

The increase in interest expenses relating to interest-bearing loans and bonds was mainly a result of the assumption of new loans in June 2016 with a volume of EUR 50 million and the assumption of financial liabilities in the course of the acquisition of KLL Equipamentos para Transporte Ltda. in October 2016.

The unrealized exchange gains on foreign currency loans and dividends mainly consist of unrealized foreign exchange gains on the valuation of intercompany foreign currency loans as of the balance sheet date.

Amortization of transaction costs in the amount of kEUR –355 (previous year: kEUR –381) represent the contract closing fees recognized as an expense for the period according to the effective interest method.

As of June 30, 2017, finance income and finance expenses related to derivative financial instruments consisted mainly of gains and losses from hedging the risk position from currency fluctuations in the US dollar, Russian ruble, South African rand and Turkish lira.

The finance expenses related to derivative financial instruments in the previous year resulted mainly from the valuation of a derivative embedded in the promissory note issued in November 2015. The promissory note's variable interest-bearing tranches include a so-called zero floor cap, which specifies that a decline in the Euribor is limited to 0%. In the previous year, the zero floor cap as a so-called embedded derivative was measured and recognized separately from the promissory note. Due to a clarification of the IFRS Interpretation Committee regarding the separation of interest rate floors from variable rate basic contracts in a negative interest rate environment in 2016, a separate measurement of zero floor caps was waived.

## 7. INCOME TAXES

The effective income tax rate in the first half of 2017 was 31.19 % (previous year: 31.91 %).

The difference between the effective income tax rate and the Group's income tax rate of 30.20 % (previous year: 30.10 %) is particularly attributable to non-deductible operating expenses and unrecognized tax loss carryforwards.

## 8. OTHER CURRENT INVESTMENTS

Other current investments resulted from short-term treasury management in the amount of EUR 83.0 million (previous year: 0.0).

## 9. CASH AND CASH EQUIVALENTS

kEUR	06/30/2017	12/31/2016
Cash on hand, cash at banks and checks	219,644	344,154
Short-term deposits	1,381	414
<b>Total</b>	<b>221,025</b>	<b>344,568</b>

## 10. EQUITY

The Company's subscribed share capital was unchanged compared to December 31, 2016 and as of June 30, 2017 amounted to EUR 453,611.12 (previous year: EUR 453,611.12). Subscribed share capital is fully paid-in and consists of 45,361,112 ordinary shares (previous year: 45,361,112) with a nominal value of EUR 0.01 per share.

The Company's reserves, namely the share premium, legal, and other reserves, were also unchanged compared to December 31, 2016.

The changes in accumulated other comprehensive income as of the balance sheet date are as follows:

kEUR	Before tax amount		Tax (income) / expense		Net of tax amount	
	Q1-Q2/2017	Q1-Q2/2016	Q1-Q2/2017	Q1-Q2/2016	Q1-Q2/2017	Q1-Q2/2016
Changes in fair values of financial assets available for sale	-	277	-	-76	-	201
Exchange differences on translation of foreign operations	-16,342	-959	-	-	-16,342	-959
Changes in fair values of derivatives designated as hedges, recognized in equity	-	-1,727	-	469	-	-1,258
Revaluation defined benefit plan	102	-8,229	-26	2,720	76	-5,509
<b>Total</b>	<b>-16,240</b>	<b>-10,638</b>	<b>-26</b>	<b>3,113</b>	<b>-16,266</b>	<b>-7,525</b>

At the Ordinary Annual General Meeting on April 27, 2017, a resolution was made to distribute a dividend to shareholders in the amount of EUR 0.44 per share from the net profit of the 2016 financial year. The total dividend payment amounted to kEUR 19,959.

In the previous year, a dividend of EUR 0.40 per share was paid resulting in a total dividend payment of kEUR 18,144.



## 11. INTEREST-BEARING LOANS AND BONDS

Interest-bearing loans and bonds consisted of the following:

	kEUR					
	Non-current		Current		Total	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Interest bearing bank loans	11,123	10,639	–	–	11,123	10,639
Convertible bond	98,036	97,743	–	–	98,036	97,743
Bond	–	75,000	75,000	–	75,000	75,000
Promissory note loan	200,000	200,000	–	–	200,000	200,000
Financing costs	–1,505	–1,668	–479	–722	–1,984	–2,390
Accrued interests	–	–	2,676	4,217	2,676	4,217
Other loans	52,755	53,885	1,857	2,572	54,612	56,457
<b>Total</b>	<b>360,409</b>	<b>435,599</b>	<b>79,054</b>	<b>6,067</b>	<b>439,463</b>	<b>441,666</b>

The following table shows the calculation of total liquidity as the sum of available undrawn credit lines measured at the period-end exchange rate plus available cash and cash equivalents and short-term, freely available financial assets:

	06/30/2017				
	Amount drawn valued as at the period-end exchange rate	Agreed credit lines valued as at the period-end exchange rate	Cash and cash equivalents	Other short-term investments	Total liquidity
Facility A	5,420	120,000	–	–	114,580
Facility B	–	30,676	–	–	30,676
Other Facilities	5,703	5,814*	221,025	83,000	304,136
<b>Total</b>	<b>11,123</b>	<b>156,490</b>	<b>221,025</b>	<b>83,000</b>	<b>449,392</b>

\* Includes the bilateral credit line for the activities of the Group in China.

	12/31/2016				
	Amount drawn valued as at the period-end exchange rate	Agreed credit lines valued as at the period-end exchange rate	Cash and cash equivalents	Other short-term investments	Total liquidity
Facility A	5,731	120,000	–	–	114,269
Facility B	44	33,221	–	–	33,177
Other Facilities	4,864	5,465*	344,568	–	345,169
<b>Total</b>	<b>10,639</b>	<b>158,686</b>	<b>344,568</b>	<b>–</b>	<b>492,615</b>

\* Includes the bilateral credit line for the activities of the Group in China.

The calculation of total liquidity takes into account other current investments. Other current investments are highly liquid and should be considered in economic terms as cash equiva-

lents. In accordance with accounting policies, however, these are to be presented separately from cash and cash equivalents.

## 12. FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

The fair values and carrying amounts of financial assets and liabilities as of the balance sheet date were as follows:

		06/30/2017		12/31/2016	
		Fair value	Carrying amount	Fair value	Carrying amount
		kEUR			
	Category in accordance with IAS 39				
<b>Financial assets</b>					
Cash and cash equivalents	LaR	221,025	221,025	344,568	344,568
Trade receivables	LaR	165,605	165,605	116,666	116,666
Other financial assets					
Other financial assets	LaR	540	540	1,850	1,850
Derivatives without a hedging relationship	FAHfT	12	12	368	368
Other short-term investments	LaR	83,000	83,000	–	–
<b>Financial liabilities</b>					
Trade payables	FLAC	131,165	131,165	106,714	106,714
Interest bearing loans and bonds	FLAC	483,066	439,463	475,336	441,666
Finance lease liabilities	n.a.	13	13	1,587	1,587
Other financial liabilities					
Other financial liabilities	FLAC	17,033	17,033	18,238	18,238
Derivatives without a hedging relationship	FLHfT	805	805	972	972

The following table shows the allocation of financial assets and liabilities measured at fair value to the three fair value hierarchy levels:

	06/30/2017			
	Level 1	Level 2	Level 3	Total
kEUR				
Bonds	77,879	–	–	77,879
Convertible bond	–	135,273	–	135,273
Promissory note loan	–	199,763	–	199,763
Interest bearing loans and borrowings	–	70,151	–	70,151
Put option for the remaining shares in KLL Equipamentos para Transporte Ltda.	–	–	17,033	17,033
Derivative financial assets	–	12	–	12
Derivative financial liabilities	–	805	–	805

kEUR	12/31/2016			
	Level 1	Level 2	Level 3	Total
Bonds	79,729	–	–	79,729
Convertible bond	–	121,893	–	121,893
Promissory note loan	–	199,763	–	199,763
Interest bearing loans and borrowings	–	73,950	–	73,950
Put option for the remaining shares in KLL Equipamentos para Transporte Ltda.	–	–	18,238	18,238
Derivative financial assets	–	368	–	368
Derivative financial liabilities	–	972	–	972

Derivative financial liabilities as of June 30, 2017 consisted mainly of forward exchange transactions and serve to hedge the risk position from currency fluctuations in the US dollar, Russian ruble, South African rand, and Turkish lira.

### 13. RELATED PARTY DISCLOSURES

The following tables show the composition of the Management Board, which is the operating management body of the SAF-HOLLAND Group consisting of selected managing directors of the Group, and the Board of Directors of SAF-HOLLAND S.A. as of the balance sheet date:

#### Management Board

Detlef Borghardt	Chief Executive Officer (CEO) & President Region APAC / China
Dr. Matthias Heiden	Chief Financial Officer (CFO) (since 03/01/2017)
Arne Jörn	Chief Operating Officer (COO)
Steffen Schewerda	President Region Americas
Alexander Geis	President Region EMEA / Indien
Guoxin Mao	President Region China

#### Board of Directors

Martina Merz	Chairman of the Board of Directors
Dr. Martin Kleinschmitt	Deputy Chairman of the Board of Directors
Detlef Borghardt	Member of the Board of Directors
Jack Gisinger	Member of the Board of Directors
Anja Kleyboldt	Member of the Board of Directors
Carsten Reinhardt	Member of the Board of Directors

With the Ordinary Annual General Meeting on April 27, 2017, the mandates of Sam Martin and Bernhard Schneider ended as planned. The Board of Directors elected Martina Merz as the new Chair and Dr. Martin Kleinschmitt as Deputy Chair. In addition, Carsten Reinhardt and Jack Gisinger were elected as members of the Board of Directors.

Transactions with joint ventures and associates:

	Sales to related party		Purchases from related party	
	Q1 – Q2 / 2017	Q1 – Q2 / 2016	Q1 – Q2 / 2017	Q1 – Q2 / 2016
	Joint Ventures	194	595	–
Associates	–	–	14,957	10,232
<b>Total</b>	<b>194</b>	<b>595</b>	<b>14,957</b>	<b>10,232</b>

	Amounts owed by related party		Amounts owed to related party	
	06 / 30 / 2017	12 / 31 / 2016	06 / 30 / 2017	12 / 31 / 2016
	Joint Ventures	27	237	207
Associates	–	–	1,923	1,303
<b>Total</b>	<b>27</b>	<b>237</b>	<b>2,130</b>	<b>1,510</b>

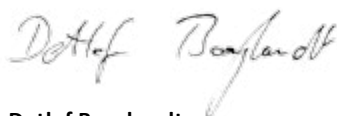
#### 14. EVENTS AFTER THE BALANCE SHEET DATE

No material events occurred after the interim reporting date.

Luxembourg, August 8, 2017



**Martina Merz**  
Chair of the Board  
of Directors



**Detlef Borghardt**  
Chief Executive Officer of  
SAF-HOLLAND GmbH

## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the sales and earnings performance, net assets and cash flows of the Group, and the Group's management report includes a fair review of the development and performance of the Group's business and position, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Luxembourg, August 8, 2017  
SAF-HOLLAND S.A.



**Martina Merz**  
Chair of the Board  
of Directors

# FINANCIAL CALENDAR AND CONTACT INFORMATION

## FINANCIAL CALENDAR

### **November 9, 2017**

Report on Q3 2017 results

## CONTACT INFORMATION

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