Q2 2018

HALF-YEAR REPORT OF SAF-HOLLAND GROUP

as of June 30, 2018

KEY FIGURES

Result of operations

In EUR million

	Q1–Q2/2018	Q1–Q2/2017	Q2/2018	Q2/2017
Sales	640.3	587.6	345.4	300.3
Gross profit	104.6	112.2	54.0	55.0
Gross profit margin in %	16.3	19.1	15.6	18.3
Earnings before interests and taxes (EBIT)	36.8	41.6	19.6	20.6
EBIT margin in %	5.7	7.1	5.7	6.9
Adjusted EBIT	44.1	51.8	23.8	26.7
Adjusted EBIT margin in %	6.9	8.8	6.9	8.9
Result for the period	21.8	23.0	12.0	11.8
Adjusted result for the period	28.2	30.4	15.8	15.9
Basic earnings per share	0.48	0.52	0.26	0.26
Adjusted basic earnings per share	0.62	0.67	0.35	0.35

Net Assets

In EUR million

	6/30/2018	12/31/2017
Balance sheet total	1,008.4	998.1
Equity	307.0	301.0
Equity ratio in %	30.4	30.2
Cash and cash equivalents	116.9	278.8
Net debt	252.0	105.5
Net working capital	204.4	120.6
Net working capital/sales	14.5	11.0

Financial position

In EUR million

	Q1–Q2/2018	Q1–Q2/2017	Q2/2018	Q2/2017
Cash flow from operating activities before income tax paid	–17.0	15.2	–4.7	20.4
Cash conversion rate in %	–38.5	29.3	–19.7	76.8
Net cash flow from operating activities	–30.9	5.5	–8.4	15.3
Cash flow from investing activities	–11.1	–96.0	–59.3	4.4
Purchase of property, plant and equipment and intangible assets	15.2	–13.6	8.2	–7.8
Free cash flow	–46.1	–8.0	–16.6	7.5

Employees

	Q1–Q2/2018	Q1–Q2/2017
Employees (on average)	4,101	3,566
Sales per employee (EUR thousands)	156.2	164.8

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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SAF-HOLLAND ON THE CAPITAL MARKET

OVERVIEW OF STOCK MARKET AND SHARE PRICE PERFORMANCE

SAF-HOLLAND’S SHARE PRICE TRENDS WEAKER: SECTOR SENTIMENT AND POLITICAL ENVIRONMENT BURDEN

In the first half of 2018, the German stock market was unable to match the positive performance of the prior year. After initially starting the year on an encouraging note, worries about the smoldering trade dispute between the US versus China, the European Union and other countries began to emerge. The US administration’s threat to impose higher import duties on European cars especially weighed on the shares of German car manufacturers and suppliers. The ongoing diesel problem and the year-on-year increase in the euro against the US dollar also weighed on prices in the export-dependent auto sector. As a result, the DAXsector Automobile index lost 13.5 % of its value in the first half of 2018 and clearly underperformed the DAX (– 4.7 %). The small cap SDAX index, however, whose companies are less dependent on global trade and more on the domestic economy than the DAX, gained slightly by 0.5 %.

In the first half of 2018, SAF-HOLLAND’s shares were unable to escape the unfavorable sector environment. After closing at an all-time high of EUR 19.91 on January 12, 2018, the share price subsequently corrected followed by a stronger correction in the second quarter. SAF-HOLLAND’s shares closed the first half-year at EUR 12.90, which also marked the low of the first half-year and corresponded to a price decline of 28.1 %. It is important to note that this decline followed a share price gain of more than 30 % in 2017, when the shares had significantly outperformed their relevant benchmark indices.

DAILY TRADING VOLUME IN SAF-HOLLAND SHARES SIGNIFICANTLY HIGHER

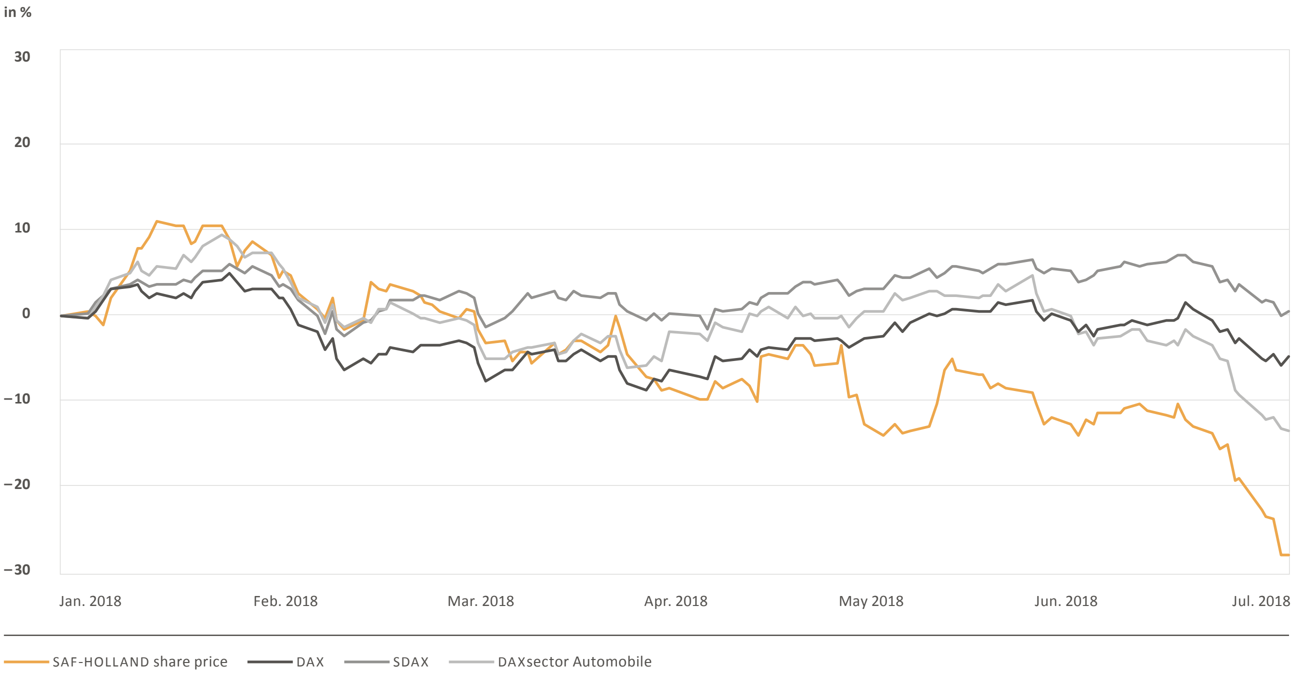
The average daily trading volume in SAF-HOLLAND shares on all German stock exchanges, an important investment criterion especially for institutional investors, rose in the first six months of 2018 by 21.5 % to approx. 150,000 shares (previous year: 123,500). The average daily turnover in the SAF-HOLLAND share improved disproportionately by more than 40 % to EUR 2.6 million (previous year: EUR 1.8 million), which is a comparably high level of liquidity for an SDAX stock.

The significance of the trading volume on the regular German stock exchanges, however, has been steadily decreasing for several years. In the first half of 2018, these stock exchanges accounted for just over one-third of the total trading volume of SAF-HOLLAND shares. This compares to the alternative trading platforms or so-called dark pools (such as BATS Chi-X Europe, Turquoise and Chi-X), which accounted for around 54 % of turnover in the first half of 2018 (previous year: 43 %). These platforms are used, above all, by investment banks, brokerage firms and institutional investors who deal directly with one another.

INDEX RANKING IMPROVES AS A RESULT OF HIGHER SHARE TRADING VOLUME

The market capitalization of SAF-HOLLAND was approximately EUR 586 million based on the half-year closing price on June 29, 2018. As a result, the Company ranked 73 in terms of free float market capitalization in the index ranking of the Deutsche Börse AG as of June 30, 2018 (year-end 2017: rank 71). This ranking is used as the basis for determining the composition of the MDAX and SDAX indices. Due to the strong increase in trading volume in the first half of 2018, SAF-HOLLAND shares increased their ranking for the second criterion and reached position 76 in terms of trading volume as of the reporting date (year-end 2017: 79).

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



Source: Bloomberg, Deutsche Börse AG

INVESTOR RELATIONS AND CAPITAL MARKET ACTIVITIES

SAF-HOLLAND AGAIN RECEIVES GERMAN INVESTOR RELATIONS AWARD

In June 2018, SAF-HOLLAND once again received two of the coveted German Investor Relations Awards, which are bestowed annually by the German Investor Relations Association e.V. (DIRK) in cooperation with WirtschaftsWoche and WeConvene Extel. SAF-HOLLAND was honored for the second-best investor relations work from an SDAX company. As in the prior year, SAF-HOLLAND also won the prize for the best investor relations manager at an SDAX company. SAF-HOLLAND sees this award as a symbol of appreciation for its efforts in recent years and as a motivator to continue to cultivate open and constructive communication with the capital markets.

INVESTOR RELATIONS ACTIVITIES CONTINUED TO EXPAND

As part of our investor relations activities, we provide comprehensive, timely and transparent information on current business developments, our strategic objectives and current trends in the truck and trailer markets. One focal point is the investor and analysts' conference on the annual financial statements and regular telephone conferences on the publication of the quarterly figures. In addition, we maintain close communication with investors, analysts, journalists and other capital market participants through personal discussions, investor conferences, road shows and regular Twitter messages. We top off our activities by inviting investors and analysts to our Company, usually combined with a plant tour, where the center of attention is on the Company's future opportunities and the trends in technology.

In the first half of 2018, SAF-HOLLAND concentrated on further expanding its investor relations activities, which included the Company's participation in four roadshows. In addition to the financial centers of London and Paris, our focus was on the Benelux countries. We also attended six capital market conferences in Germany and abroad during which members of the Management Board and the Investor Relations team presented the Company's current business performance and growth perspectives, as well as our progress in implementing our strategic objectives. We will continue our proactive investor relations work throughout the second half of the year.

More detailed and up-to-date information about our shares and convertible bonds is available on the SAF-HOLLAND Investor Relations website at http://corporate.safholland.com/en/investor-relations. Here you can also find our key figures, current financial news, reports, presentations and recorded conference calls, in addition to all of the relevant information about our Annual General Meeting.

POSITIVE ANALYST RECOMMENDATIONS WITH AN AVERAGE SHARE PRICE TARGET OF EUR 20.00

SAF-HOLLAND is covered and analyzed by both domestic and international banks and research firms. At the end of June, a total of 13 brokers covered SAF-HOLLAND shares. Of these, ten analysts recommended buying the shares or expected SAF-HOLLAND shares to outperform the overall market. Three recommendations were "hold" or "neutral." The analyst price targets ranged from EUR 16.00 to EUR 24.00. The average price target was around EUR 20.00 implying the shares have significant upside potential based on their current share price.

Current analyst ratings (as of July 31, 2018)

July 26, 2018	Bankhaus Lampe	Buy	EUR 20.00
May 24, 2018	Berenberg	Buy	EUR 23.00
May 24, 2018	Commerzbank	Buy	EUR 22.00
May 8, 2018	Deutsche Bank	Hold	EUR 16.00
May 9, 2018	equinet	Accumulate	EUR 17.00
Oct. 17, 2017	Exane BNP Paribas	Neutral	EUR 18.00
July 17, 2018	Hauck & Aufhäuser	Buy	EUR 24.00
April 25, 2018	HSBC	Hold	EUR 18.00
July 26, 2018	Kepler Cheuvreux	Buy	EUR 19.00
Nov. 10, 2017	Macquarie Capital	Outperform	EUR 19.00
June 26, 2018	M.M. Warburg	Buy	EUR 22.00
July 17, 2018	Montega	Buy	EUR 20.00
July 17, 2018	ODDO BHF	Buy	EUR 20.00

SHAREHOLDER STRUCTURE STILL WITH A HIGH NUMBER OF INVESTORS HOLDING MORE THAN 5 %

SAF-HOLLAND shares are widely held. According to the definition of Deutsche Börse AG, 100 % of the Company's shares are in free float. The group of shareholders consists primarily of institutional investors, such as fund companies, asset managers, banks and insurance companies, but also domestic and international private investors. The largest shareholders are primarily investment companies from the United Kingdom, the United States, France, Scandinavia and the Benelux countries.

On the basis of the voting rights notifications available to us by the June 30, 2018 reporting date, two institutional investors – Kempen Oranje Participaties and FMR LLC – held more than 5 % of the Company's share capital.

Shareholder structure above 5 % (as of July 31, 2018)

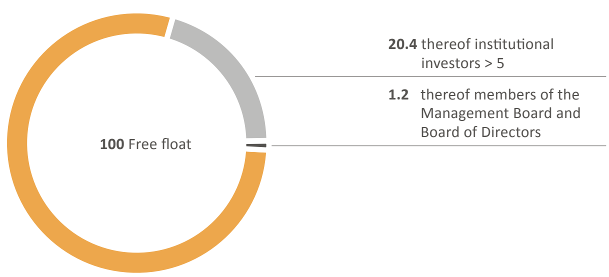
Shareholder name	Share of notified voting rights
Kempen Oranje Participaties , NL	5.07 %
Union Investment Privatfonds, D	5.04 %
Nordea 1 SICAV, LUX	5.06 %
Times Square Capital, United States	5.19 %

After the half-year reporting date, Union Investment Privatfonds and Nordea reported that they each exceeded the 5 % reporting threshold for the Company's share capital. The interests of the two fund companies were 5.04 % and 5.06 %, respectively. FMR LLC reduced their share to below 5 % end of July 2018.

Members of the Management Board and the Board of Directors of SAF-HOLLAND S.A. together held 1.2 % of the outstanding shares.

Shareholder structure

in %



Status: July 31, 2018

2018 ANNUAL GENERAL MEETING APPROVES INCREASE IN DIVIDEND TO EUR 0.45 PER SHARE

On April 26, 2018, the Annual General Meeting of SAF-HOLLAND S.A. resolved a slightly higher dividend of EUR 0.45 per share (previous year: EUR 0.44) for the 2017 financial year, thereby giving its consent to the proposal of the Management Board and the Board of Directors. The dividend corresponded to a total payout of around EUR 20.4 million (previous year: EUR 20.0 million), or a payout ratio of 49.9 % (previous year: 45.9 %) based on the result for the period and 47.6 % (previous year: 45.1 %) of the result for the period attributable to the equity holders of the parent. SAF-HOLLAND thereby continued its sustainable dividend policy of generally distributing between 40 % and 50 % of its result for the period to shareholders. Based on the closing price of the SAF-HOLLAND share in 2017, the dividend yield was 2.5 % (previous year: 3.2 %).

Key share information

WKN / ISIN	A0MU70 / LU0307018795
Ticker symbol	SFQ
Number of shares	45,394,302
Designated sponsors	Commerzbank AG, ODDO SEYDLER BANK AG, Kepler Cheuvreux
Half-year high/low*	EUR 19.91 / EUR 12.90
Half-year closing price*	EUR 12.90
Market capitalization	EUR 585.6 million

* XETRA closing price

OVERVIEW OF CORPORATE BONDS

SAF-HOLLAND CONVERTIBLE BONDS

In 2014, SAF-HOLLAND issued convertible bonds with a total nominal value of EUR 100.2 million, which are listed in the open market of the Frankfurt Stock Exchange. The convertible bonds have an interest coupon of 1.0 % and mature on September 12, 2020. In 2017, convertible bonds were converted into shares of SAF-HOLLAND S .A. for the first time, which reduced the nominal volume outstanding of the convertible bond to EUR 99.8 million.

Due to the cash dividend payment to the shareholders of SAF-HOLLAND S.A. resolved by the 2018 Annual General Meeting, the conversion price and the conversion ratio were adjusted in accordance with the bond conditions. Effective April 27, 2018, the adjusted conversion price is EUR 11.9235 (previously: EUR 12.0517), and the adjusted conversion ratio is 8,386.7992 (previously: 8,297.5846).

Mirroring the performance of the SAF-HOLLAND share price, the price of the convertible bond declined in the first half of 2018. Following a closing price of 139.0 % at the end of 2017, the bond listed at 112.1 % on June 29, 2018, corresponding to a price decline of 19.4 %.

The convertible bonds prices along with the most important key figures and conditions can be found on the Investor Relations website under the menu item “Share & Bonds.”

SAF-HOLLAND CORPORATE BOND REDEEMED ON SCHEDULE

On April 26, 2018, SAF-HOLLAND repaid its 2012 corporate bond on schedule. The bond had a nominal volume of EUR 75.0 million and a coupon of 7.0 %.

CORPORATE RATING OF BBB WITH STABLE OUTLOOK CONFIRMED

In an analysis dated April 5, 2018, the rating agency Euler Hermes again confirmed the “BBB” investment grade rating of SAF-HOLLAND and classified the rating outlook as stable for the coming twelve months. Euler Hermes highlighted SAF-HOLLAND’s leading market position in trailer axle and suspension systems in the EMEA region, as well as in fifth-wheel couplings and suspensions in the Americas. The rating agency justified its assessment pointing to the current growth prospects from the increase in global transportation volumes. According to Euler Hermes slightly higher business risk from cyclical fluctuations in the commercial vehicle industry is faced only by a low level of financial risk. At the same time, Euler Hermes refers to the solid capital structure and financial flexibility of the group. The rating agency expects the key figures to continue to improve over the next few years as a result of the goals of the globalization campaign Strategy 2020, which targets the Company’s growth in new markets. According to the rating agency, the latest acquisitions highlight the consistent implementation of this strategy.

KEY EVENTS IN THE SECOND QUARTER OF 2018

SAF-HOLLAND COMPLETES ACQUISITIONS OF V.ORLANDI S.P.A AND YORK TRANSPORT EQUIPMENT (ASIA) PTE. LTD.

At the beginning of April 2018, SAF-HOLLAND closed the acquisition of majority stake in V.ORLANDI S.p.A., the manufacturer of coupling systems for trucks, trailers, semi-trailers and agricultural vehicles based in Flero, Italy. SAF-HOLLAND has initially acquired 70% of the company's shares and has agreed to a purchase option for the remaining 30% of V.ORLANDI shares, which can be exercised at a later date. V.ORLANDI was included in the scope of consolidation of the SAF-HOLLAND Group as of April 1, 2018.

At the end of April 2018, SAF-HOLLAND completed the acquisition of the trailer axle and suspension system manufacturer York Transport Equipment (Asia) Pte. Ltd., headquartered in Singapore. On April 30, 2018, the former owners, TRF Singapore Pte. Ltd. and TRF Holdings Pte. Ltd., transferred all of their shareholdings in York Transport Equipment (Asia) Pte. Ltd. to SAF-HOLLAND GmbH. The York Group was included in the scope of consolidation of the SAF-HOLLAND Group as of May 1, 2018.

MAJOR ORDER RECEIVED IN THE US FOR AXLE SYSTEMS WITH INTEGRATED DISC BRAKE TECHNOLOGY

In May 2018, SAF-HOLLAND received a technologically groundbreaking contract in the United States for the delivery of trailer axle systems. In the future, the Company will supply North America's largest rental fleet operator, XTRA Lease, with fully dressed axle systems combined with modern disc brake technology.

Until now, SAF-HOLLAND has supplied the mechanical suspension and the associated so-called slider boxes for the trailer chassis. In the future, the complete SAF-HOLLAND axle system with the latest generation of P-89 wheel end technology featuring disc brakes will also be integrated into the chassis system. The delivery volume will initially reach around 6,000 trailers. Production started in June 2018 and is expected to be fully ramped up by the end of the year. SAF-HOLLAND anticipates a sales contribution of up to USD 20 million during the 2019 financial year.

ECONOMY AND INDUSTRY ENVIRONMENT

GLOBAL ECONOMY CONTINUES TO GROW IN THE FIRST HALF OF THE YEAR, IMPENDING TRADE CONFLICT STILL HAVING LITTLE IMPACT

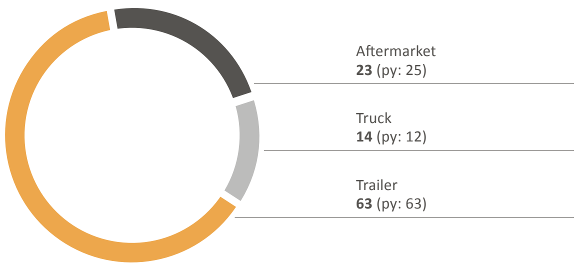
The rhetoric in the trade conflict triggered by the US punitive tariffs on steel and aluminum products worsened during the second quarter of 2018. So far, however, the impact has remained largely confined to sentiment indicators, such as the Ifo index, which have become gloomier in recent months. The real economy remained on an expansionary course in the first half of 2018. Economic momentum, particularly in the United States, accelerated as a result of the tax cuts that came into effect at the beginning of the year. The US economy grew 4.1 % in the second quarter of 2018. The eurozone also continued its economic recovery. GDP growth in the second quarter of 2018 was at a high level, registering an increase of around 2.1 %. In June, the European Central Bank signaled an end to its bond purchase program at the end of 2018. Economists considered this announcement as a further indication that the economic recovery in the eurozone is relatively robust and sustainable.

STRONG DEMAND IN THE GLOBAL COMMERCIAL VEHICLE MARKETS IN THE FIRST HALF OF 2018 EXCEEDS EXPECTATIONS

The global truck and trailer markets continued their robust performance in the first half of 2018. Demand for trucks in North America clearly exceeded expectations and led to significant capacity restraints throughout the industry. In view of the record incoming orders and backlogs, this situation is not expected to change much as the year progresses. At the same time, the demand for trailers in North America began to pick up, contrary to the cautious expectations at the beginning of the year. Some regional markets important to SAF-HOLLAND, such as Brazil, Australia and Russia, have also developed somewhat more positively during the year than originally expected. Overall, we believe the industry environment so far this year is slightly better than the outlook for 2018 that was provided in the 2017 Annual Report.

Sales breakdown in HY1 2018

in %



TRUCK REGISTRATIONS IN EUROPE CONTINUE TO RISE

As a result of the solid overall economic situation in Europe, the European heavy truck market continued to grow in the first half of 2018. According to the European Automobile Manufacturers Association (ACEA), new registrations of heavy trucks over 16 tons – the vehicle category relevant to SAF-HOLLAND – increased 3.9 % in the European Union in the first six months of 2018, again marking better-than-expected performance in the European truck market year-to-date. At the beginning of 2018, experts had expected moderate growth of only up to 2 %. The largest increases in new registrations were recorded in Italy, France and Spain. Truck sales in the UK, however, dropped by more than 10 %, particularly due to the amount of uncertainty surrounding the upcoming Brexit.

In Russia, new registrations of heavy- and medium-duty trucks rose again by double-digits in the second quarter of 2018 (+ 10.0 %), with the total rise for the first six months reaching a level of 20.1 %.

EUROPEAN TRAILER MARKET SHOWS MODERATE GROWTH

Similar to the development of heavy trucks, the European trailer market continued its multi-year upswing in the first half of 2018. This performance conflicts with the outlook at the beginning of 2018 from the market research institute CLEAR International Consulting (CLEAR) for consolidation in the trailer market. Production was projected to decline by 4% but, instead, increased slightly compared to the same period of the previous year. The region's overall robust economic development contributed to this causing a further increase in demand for transportation capacity as did the replacement demand from fleet operators.

CAPACITY RESTRICTIONS LIMIT TRUCK BOOM IN NORTH AMERICA

Demand in the North American transport sector remained strong in the first half of 2018. As a result of the accelerated growth in US industrial production and the steady rise in online trade, freight volumes continued to rise. Fleet operators continued to face capacity bottlenecks, which was exacerbated by the shortage of truck drivers and the ELD (Electronic Logging Device) standards, which have been strictly monitored since April 1, 2018, thereby limiting operating times. Freight rates continued to rise as a result. According to calculations by the market research institute ACT, incoming orders for heavy trucks rose by around 95% in the first six months of 2018. Given the limited production capacity and tight supply chain situation, truck manufacturers were not able to fully meet the extremely high demand. Increasing raw material prices besides constrained material availability represented a major challenge. According to ACT, Class 8 truck production grew 29.6% in the first half of 2018, which was significantly slower than the growth in new orders.

NORTH AMERICAN TRAILER MARKET EXPANDS DESPITE GROWING RESTRICTIONS IN CAPACITY

The demand for trailers in North America was quite robust in the period from January through June 2018 but remained behind the strong growth in new truck registrations. According to FTR Transport Intelligence (FTR), order intake for trailers increased by around 20% in the first six months of 2018, based on an already high year-on-year basis. The general capacity and supply chain issues already described meant that trailer production in North America increased only 8.5% in the same period. In some cases, this caused the industry's order backlog to stretch out to more than six months.

CONTINUED UPTREND IN THE BRAZILIAN TRUCK MARKET

The recovery of the Brazilian heavy truck market and, to a lesser extent, trailers also continued in the first half of 2018, benefiting from the country's overall better economic situation. According to the Anfavea (Associação Nacional dos Fabricantes de Veículos Automotores) manufacturing association, production increased by 66.6%. This high percentage increase, however, should be viewed while taking into account the extremely low starting base in the prior year following years of economic downturn.

TRUCK MARKETS IN APAC/CHINA REGION REMAIN SOLID

The consolidation of the Chinese heavy truck market expected after two years of strong growth has not yet materialized in 2018. According to the China Association of Automobile Manufacturers (CAAM), 15.1% more heavy trucks rolled off the production lines in the first six months of 2018 than in the same period of the previous year. Demand for premium applications such as air suspensions or axle systems with integrated disc brake technology developed increasingly well in the Chinese trailer market.

The Indian market for heavy trucks, which has significantly higher importance for SAF-HOLLAND since the acquisition of the Indian market leader in trailer axles, York Transport Equipment (Asia) Pte. Ltd., increased new truck registrations by more than 40% in the first half of 2018.

In the Australian market, which is also an important regional market for SAF-HOLLAND, registrations of heavy and medium-duty trucks rose by 29.0% in the first half of 2018. The Australian market benefited from the recovery in the commodity markets and the mining sector, which boosted new purchases, especially for heavy trucks and specialty vehicles.

SALES AND EARNINGS PERFORMANCE, NET ASSETS AND CASH FLOWS

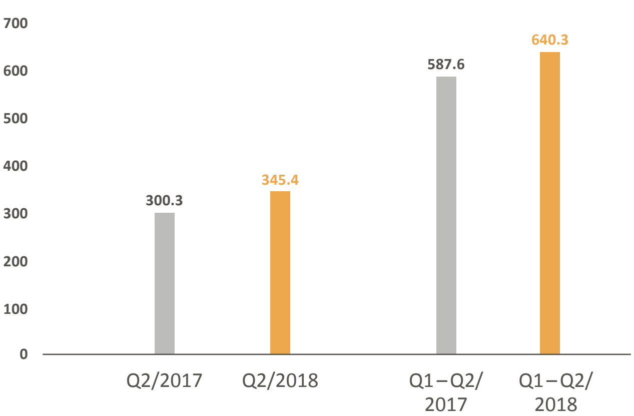
SALES AND EARNINGS PERFORMANCE

DYNAMIC ORGANIC GROWTH AND ACQUISITIONS DRIVE SALES HIGHER

In the second quarter of the 2018 financial year, SAF-HOLLAND achieved a double-digit increase in Group sales of 15.0% to EUR 345.4 million (previous year: EUR 300.3 million). On an organic basis, i.e., before exchange rate and acquisition effects, Group sales rose 11.7% to EUR 335.4 million (previous year: EUR 300.3 million), also signifying a sequential increase in sales momentum versus the strong prior quarter when organic growth reached 8.8%. In addition to the robust demand in most markets, the strong technological positioning of the products and noticeable market share gains in important markets contributed to this strength. The acquired companies, V.ORLANDI S.p.A. (consolidated as of April 1, 2018) and York Transport Equipment (Asia) Pte. Ltd. (consolidated as of May 1, 2018), contributed EUR 7.3 million and EUR 13.8 million, respectively, to Group sales in the second quarter of 2018. Currency translation effects had a negative impact of EUR 11.1 million on reported sales, which was primarily a result of the relatively strong depreciation of the US dollar against the euro.

Sales Q2 2018 and HY1 2018

in EUR million



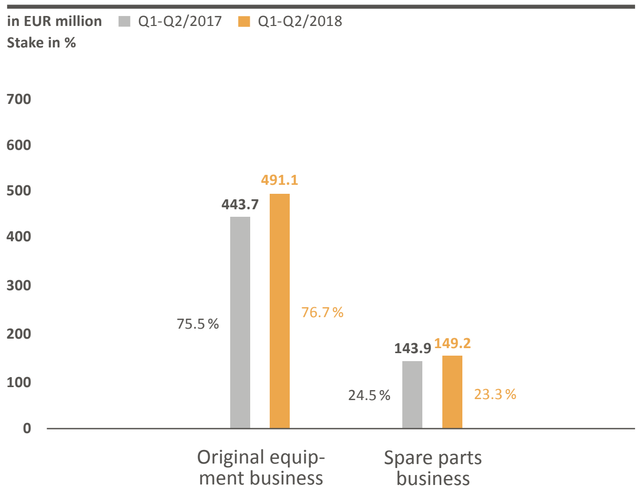
In the first half of 2018, Group sales increased by 9.0% to EUR 640.3 million (previous year: EUR 587.6 million). Adjusted for negative exchange rate effects of EUR 28.8 million and consolidation effects of EUR 21.1 million already described, organic Group sales in the first six months of 2018 increased 10.3% to EUR 648.0 million (previous year: EUR 587.6 million).

Effects on Group sales

	Q2		Q1–Q2	
	in EUR million	Change in %	in EUR million	Change in %
Sales in 2017	300.3	–	587.6	–
Organic growth	35.1	11.7	60.4	10.3
Exchange rate effects	–11.1	–3.7	–28.8	–4.9
M&A	21.1	7.0	21.1	3.6
Sales in 2018	**345.4**	**15.0**	**640.3**	**9.0**

In the second quarter of 2018, all of the Group's reporting regions were able to record a further increase in organic sales. The highest percentage increase was achieved in the APAC/China region with 38.3% (HY1 2018: 43.0%). In the second quarter of 2018, the EMEA and the Americas regions increased sales organically by 5.2% and 15.1%, respectively, (HY1 2018: 5.1% and 11.5%, respectively).

Sales by business area



ORIGINAL EQUIPMENT BUSINESS GAINS MOMENTUM IN THE SECOND QUARTER OF 2018

Sales momentum accelerated significantly in the original equipment business (OE) during the second quarter of 2018, rising 16.8% to EUR 265.7 million (previous year: EUR 227.5 million). In the first three months of the year, sales grew 4.3%. Accordingly, sales increased by 10.7% to EUR 491.1 million in the first half of 2018 (previous year: EUR 443.7 million), despite considerable negative currency translation effects.

In addition to the two acquisitions, higher growth in the second quarter of 2018 was also strongly driven by growing demand in EMEA's core markets, fueled by the overall favorable macroeconomic environment for the transportation industry. OE sales in the region during the second quarter of 2018 increased slightly in the double-digit percentage range. Another key growth driver in the region was the expansion in production capacity at the new plant opened in Turkey in 2017, which proceeded as scheduled.

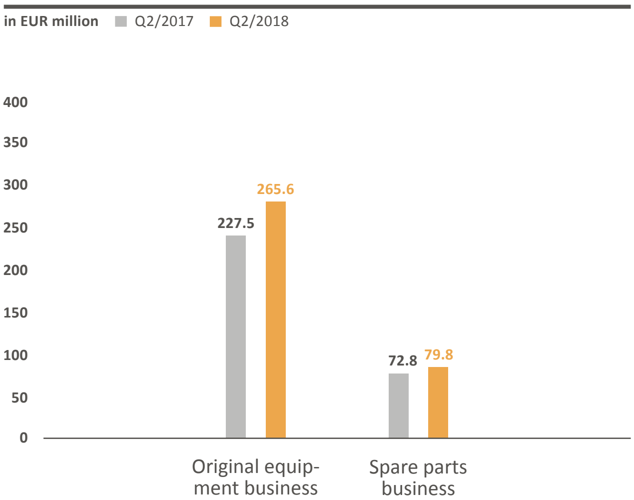
The APAC/China region almost doubled sales in the second quarter of 2018. Besides the continued regulatory-driven increase in demand for premium applications such as air suspensions and axle systems with disc brake technology in China the first time consolidation of the York Group also gave a boost to sales momentum.

The Americas region, too, was able to increase sales in the OE business in the second quarter of 2018; however, as in the previous quarter, growth rates were curtailed by sharply negative exchange rate effects. Nevertheless, compared to the first quarter of 2018, sales on a sequential basis still increased by more than 20 %.

SPARE PARTS BUSINESS PROFITS FROM ROBUST DEMAND IN EMEA AND PROGRESS IN NORTH AMERICA

Following a slight decline in the first three months of 2018, mainly due to negative exchange rate effects, sales in the second quarter of 2018 in the spare parts business increased by 9.6 % to EUR 79.8 million (previous year: EUR 72.8 million). In the first half of 2018, sales grew by a total of 3.7 % to EUR 149.2 million (previous year: EUR 143.9 million).

Sales by business area



The aftermarket business in the EMEA region continued to grow in the second quarter of 2018, even based on the high comparisons of the previous year. The spare parts business benefited from a long steady increase in the installed base of SAF-HOLLAND systems in the market and the still comparatively old age of the vehicles in many of the fleets.

In the second quarter of 2018, the Americas region was able to at least partially reduce the order backlog in the North American aftermarket business caused by the US plant consolidation and the market's continued dynamic growth. For the first time for quite a while, sales in the aftermarket business increased slightly when compared to the same quarter of the previous year.

Noticeable growth was achieved by the APAC/China region in the spare parts business in the second quarter of 2018, albeit from a very low level. The business benefited from the first-time consolidation of the York Group, which complemented the SAF-HOLLAND Group's already existing network. The focus in the APAC/China region remained on the expansion of the OE customer base and in the extension of the product range to lay the foundation for the aftermarket business in years ahead.

RESTRUCTURING OF THE US PLANT NETWORK AND SOARING STEEL PRICES, ESPECIALLY IN NORTH AMERICA, WEIGH ON EARNINGS PERFORMANCE

The result for the second quarter and first half of 2018 was significantly affected by still necessary additional operating expenses and start-up costs for the newly restructured production network in North America. In addition to start-up production inefficiencies, expedited shipping and higher logistics costs also weighed on earnings. The extremely strained supply chain situation caused by strong demand throughout the industry also burdened. Thanks to the progress made year-to-date in better integrating the capacity planning and logistics processes, it was possible to further reduce additional operating expenses in the second quarter of 2018. After EUR 6.3 million in additional operating expenses in the fourth quarter of 2017 and EUR 3.9 million in the first quarter of 2018, only EUR 2.3 million occurred in the second quarter of 2018. As a result, these expenses totaled EUR 6.2 million in the first half of 2018 (previous year: EUR 0.0 million).

In addition, the sharp rise in steel prices, especially in North America, put upward pressure on costs. Although SAF-HOLLAND is typically able to pass on a large part of the price increases. This usually takes place with a significant time delay of up to six months. In the second quarter of 2018, the burden from the up-front material costs in the Americas region was EUR 4.3 million (Q1 2018: EUR 2.0 million). As a result, earnings development in the Americas region and also in the SAF-HOLLAND Group in the second quarter of 2018 came in below plan.

At EUR 1.6 million in the second quarter of 2018, however, restructuring and transaction costs added back to the Group's adjusted EBIT were significantly lower than in the same quarter of the previous year (EUR 4.8 million). The acquisitions of V.ORLANDI S.p.A. and York Transport Equipment (Asia) Pte. Ltd. led to one-time transaction-related expenses of EUR 0.9 million in the first and second quarter of 2018.

In the first half of 2018, the restructuring and transaction costs amounted to EUR 3.5 million (Q1 2018: EUR 1.9 million) after EUR 7.4 million in the same period of the previous year. Restructuring costs in North America in connection with the restructuring and start-up of the realigned plant network in the second quarter amounted to only EUR 0.3 million (previous year: EUR 4.3 million) after EUR 0.9 million in the first quarter of 2018.

ADDITIONAL OPERATING EXPENSES AND A SHARP RISE IN STEEL PRICES HAS GROSS PROFIT MARGIN DECLINE

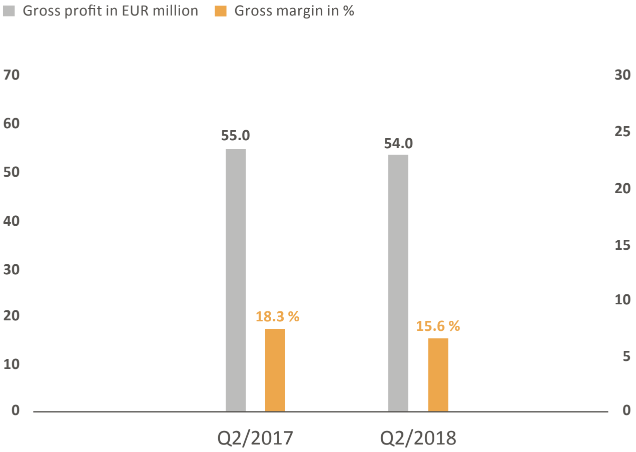
As a result of the additional operating expenses of EUR 2.3 million and the effects of higher steel prices of EUR 4.3 million in the Americas region, the Group's gross profit decreased to EUR 54.0 million in the second quarter of 2018 (previous year: EUR 55.0 million), despite the increase in sales. Accordingly the gross margin fell to 15.6 % (previous year: 18.3 %). In addition to the burden previously mentioned, higher wages resulting from the collective bargaining agreement in the German metal industry as of April 1, 2018 led to noticeable additional personnel costs in the second quarter of 2018 of roughly EUR 0.8 million. Most of these costs were recognized in cost of sales. The decline in restructuring costs for the US plant consolidation compared to the prior year, on the other hand, had a positive effect on the gross margin.

In the first six months of 2018, gross profit amounted to EUR 104.6 million (previous year: EUR 112.2 million). The gross margin reached 16.3 % (previous year: 19.1 %). Additional operating expenses in the first half-year 2018 resulting from the realignment and process optimization of the US plant network totaled EUR 6.2 million, whereas the negative effects of higher steel prices in North America amounted to EUR 6.3 million. The lower gross margin was also attributable to the less favorable segment mix, as the share of the higher-margin spare parts business to Group sales fell to 23.3 % in the first half of 2018 (previous year: 24.5 %), due to the strong growth in the original equipment business. At the same time, standard trucks and trailers providing lower margins are generally more in demand from the fleets in times of particularly dynamic demand from the transport industry.

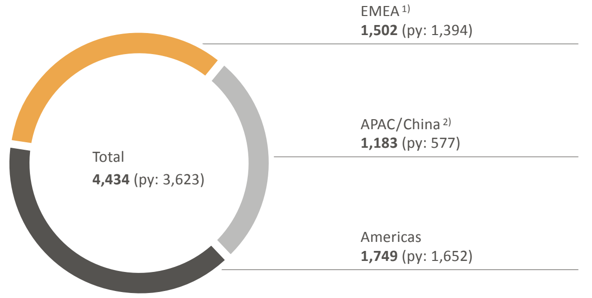
NUMBER OF EMPLOYEES RISE AS A RESULT OF GROWTH AND ACQUISITIONS

As of June 30, 2018, SAF-HOLLAND employed 4,434 people worldwide (previous year: 3,623), including temporary and leased staff. Compared to the previous year, the number of employees increased by 22.4 %. The sharp increase was largely due to the inclusion in the scope of consolidation of the SAF-HOLLAND Group of the two acquisitions closed in the second quarter of 2018. The consolidation of V.Orlandi and the York Group, which was allocated to the APAC/China region following the completed acquisition, added 557 employees. Excluding the new acquisitions, the number of employees in the Group would have risen by only 7.0 %. In addition, the Group's strong organic growth in all reporting regions necessitated the expansion of capacity and the hiring of additional employees. The comparatively low increase in the number of employees in the Americas region was due to the now completed plant consolidation in North America. In the previous year, this had led to a significant increase in the number of temporary employees and blue collar workers in order to avoid production shortfalls during the relocation measures.

Gross profit and gross margin



Headcount by region (as of June 30, 2018)



1) Contains Europe, Middle East and Africa 2) Including India

COST MEASURES AND CURRENCY EFFECTS RESULT IN AN IMPROVED OPERATING EXPENSE RATIO

The sum of operating expenses, which includes selling expenses, administrative expenses and research and development costs, remained largely stable at EUR 35.5 million in the second quarter of 2018 (previous year: EUR 35.2 million). Because of the significant increase in sales during the same period, the corresponding expense ratio fell to 10.3 % (previous year: 11.7 %). This favorable development can be attributed to noticeable efficiency gains and beneficial foreign currency translation effects on costs. Typically, a large portion of the Group's costs is incurred in the currency of the respective sales market.

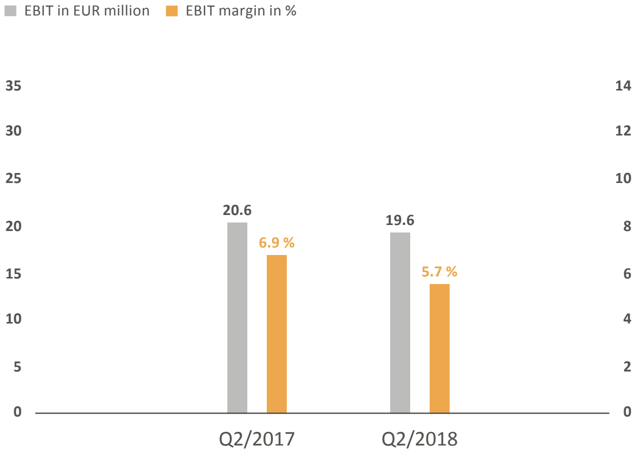
Selling expenses increased by 1.9 % to EUR 16.1 million in the second quarter of 2018 (previous year: EUR 15.8 million), and administrative expenses increased by 2.2 % to EUR 14.1 million (previous year: EUR 13.8 million). It is important to note that the two acquisitions contributed a total of just under EUR 3 million to selling and administrative expenses. Otherwise, the two expense items would have seen a slight decline overall.

For research and development, the Group spent EUR 5.4 million (previous year: EUR 5.6 million) in the second quarter of 2018 and EUR 10.8 million in the first six months (previous year: EUR 11.3 million). In the first half-year, development costs of EUR 1.8 million (previous year: EUR 1.7 million) were capitalized and were offset by scheduled amortization of EUR 0.7 million (previous year: EUR 0.5 million). Including capitalized development costs, the Group spent EUR 12.6 million (previous year: EUR 13.0 million) on research and development (R&D). The significantly higher sales caused the R&D ratio to fall to 2.0 % in the first half of 2018 (previous year: 2.2 %).

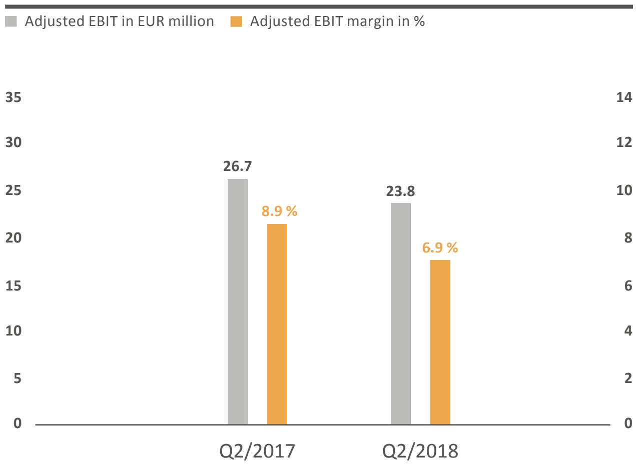
ADJUSTED EBIT MARGIN IN THE SECOND QUARTER OF 2018 AT 6.9 % UNCHANGED COMPARED TO THE PREVIOUS QUARTER DESPITE HIGHER BURDENS FROM STEEL PRICES

Earnings before interest and taxes (EBIT) were 4.9 % lower in the second quarter of 2018, reaching EUR 19.6 million (previous year: EUR 20.6 million). In the first six months of 2018, EBIT declined 11.5 % to EUR 36.8 million (previous year: EUR 41.6 million). The decline compared to the previous year's quarterly and half-year results was mainly due to the sharp rise in steel prices and the additional operating expenses in the US, which were not incurred in the same period of the previous year.

EBIT and EBIT margin



Adjusted EBIT and adjusted EBIT margin



Including one-time restructuring and transaction costs of EUR 1.6 million (previous year: EUR 4.8 million) and negative effects from the purchase price allocation of EUR 2.6 million (previous year: EUR 1.3 million), adjusted EBIT in the second quarter of 2018 came in 10.9 % below the previous year's level at EUR 23.8 million (previous year: EUR 26.7 million). Due to their operational nature, the aforementioned EUR 2.3 million of additional operating expenses related to realigning the newly restructured US plant network were not adjusted and consequently recognized as an expense in the adjusted EBIT. The adjusted EBIT margin for the second quarter of 2018 reached 6.9 % (previous year: 8.9 %). It is important to note that the high comparable base of the previous year resulted from the fact that the additional operating expenses in North America only became necessary in the second half of 2017 as part of the measures to implement the US plant consolidation.

Driven by the strong sales performance, adjusted EBIT was EUR 3.5 million higher in the second quarter of 2018 compared to the first quarter of 2018 (EUR 20.3 million). The adjusted EBIT margin remained at the level of the previous quarter as economies of scale and progress in reducing operating costs in the US were offset by soaring raw material costs.

As a result, in the first half of 2018, the SAF-HOLLAND Group achieved adjusted EBIT of EUR 44.1 million (previous year: EUR 51.8 million) and an adjusted EBIT margin of 6.9 % (previous year: 8.8 %).

Reconciliation of operating result to adjusted EBIT and EBITDA

in EUR million

	Q1–Q2/2018	Q1–Q2/2017	Q2/2018	Q2/2017
Operating result	35.7	40.4	19.1	20.0
Share of net profit from investments accounted for using the equity method	1.1	1.2	0.5	0.6
EBIT	**36.8**	**41.6**	**19.6**	**20.6**
Depreciation/amortization of property, plant and equipment and intangible assets from PPA	3.5	2.7	2.2	1.3
PPA step-up from inventory measuring of acquisitions	0.4	0.0	0.4	0.0
Restructuring and transaction costs	3.5	7.4	1.6	4.8
Adjusted EBIT	**44.1**	**51.8**	**23.8**	**26.7**
Depreciation/amortization (incl. depreciation/amortization from PPA)	13.6	12.3	7.6	6.1
EBITDA	**50.4**	54.0	**27.2**	26.8
Adjusted EBITDA	**54.3**	61.4	**29.2**	31.5

FINANCE RESULT IMPROVES SIGNIFICANTLY IN THE SECOND QUARTER FOLLOWING THE REDEMPTION OF A HIGH-YIELD CORPORATE BOND

At the end of April 2018, SAF-HOLLAND redeemed a corporate bond with a nominal volume of EUR 75.0 million, which still carried a coupon of 7.0 %, using available cash. The repayment led to a marked drop in interest costs in the second quarter of 2018. Overall, net interest expenses from the Group's interest-bearing loans and bonds fell in the second quarter of 2018 to EUR – 2.2 million (previous year: EUR – 3.4 million). At the same time, finance expenses related to derivative financial instruments amounted to EUR – 0.2 million in the second quarter of 2018 and thus came in lower than in the previous year (EUR – 0.6 million). Overall, the finance result for the second quarter of 2018 improved by EUR 1.6 million to EUR – 2.3 million (previous year: EUR – 3.9 million).

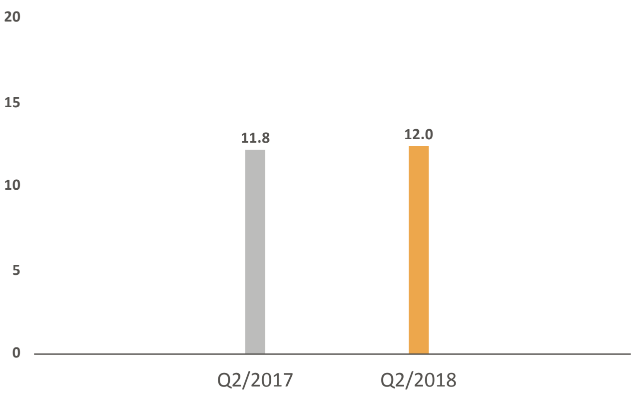
In the first six months of 2018, the Group's finance result was EUR – 6.2 million (previous year: EUR – 8.2 million). In line with the development in the second quarter, the improvement mainly resulted from the reduction in net interest expenses, which amounted to EUR – 5.4 million in the first half of 2018 (previous year: EUR – 6.7 million). Net finance income and expenses related to derivative financial instruments totaled EUR 0.1 million in the first half of 2018 (previous year: EUR – 0.4 million).

SECOND QUARTER 2018 RESULT FOR THE PERIOD EXCEEDS PRIOR YEAR'S LEVEL

Based on the significantly improved finance result, the Group's result before taxes in the second quarter of 2018 increased by 3.0 % and amounted to EUR 17.2 million (previous year: EUR 16.7 million). At 30.4 % (previous year: 29.7 %), the Group's effective tax rate for the second quarter of 2018 was almost at the previous year's level, as the Group has so far been unable to benefit from the reduced corporate tax rate in the US due to the insufficient earnings situation in the Americas. The result for the period in the second quarter of 2018 increased by 1.7 % to EUR 12.0 million (previous year: EUR 11.8 million). Based on 45.4 million ordinary shares outstanding, basic earnings per share reached EUR 0.26 (previous year: EUR 0.26). Diluted earnings per share amounted to EUR 0.22 (previous year: EUR 0.23).

Result for the period

in EUR million



Following a weaker first quarter, the result before taxes in the first half of 2018 still fell 8.7% to EUR 30.5 million (previous year: EUR 33.4 million). The Group's effective tax rate dropped to 28.7% in the first six months of 2018 (previous year: 31.2%). The lower tax rate resulted primarily from a reduction in losses at subsidiaries for which no deferred tax assets had been capitalized. Accordingly, the result for the period amounted to EUR 21.8 million in the first half of 2018 (previous year: EUR 23.0 million), remaining slightly below the level in the first half of the previous year. Basic earnings per share reached EUR 0.48 (previous year: EUR 0.52). Diluted earnings per share equaled EUR 0.41 (previous year: EUR 0.45).

ADJUSTED RESULT FOR THE PERIOD IN THE SECOND QUARTER OF 2018 AT PREVIOUS YEAR'S LEVEL

The adjusted result for the period in the second quarter 2018 reached EUR 15.8 million (previous year: EUR 15.9 million), thereby remaining at the previous year's level. Restructuring and transaction costs, as well as purchase price allocation effects, were excluded when calculating the adjusted result for the period. Overall, SAF-HOLLAND was able to offset the decline in adjusted Group EBIT with a noticeably better finance result and a lower uniform tax rate. The uniform tax rate used for this calculation decreased to 25.5% (previous year: 30.2%) as the Group tax rate is expected to trend lower, mainly as a result of the reduction in the corporate tax rate in the US. The still necessary additional operating expenses caused in the US that amounted to EUR 2.3 million in the second quarter of 2018, due to their operational nature, were not adjusted for.

Based on the 45.4 million ordinary shares outstanding, SAF-HOLLAND generated adjusted basic earnings per share of EUR 0.35 (previous year: EUR 0.35) in the second quarter of 2018 and adjusted diluted earnings per share of EUR 0.29 (previous year: EUR 0.30).

In the first half of 2018, the adjusted result for the period of the SAF-HOLLAND Group decreased by 7.2% versus the previous year and amounted to EUR 28.2 million (previous year: EUR 30.4 million).

Adjusted basic earnings per share came in at EUR 0.62 (previous year: EUR 0.67), while adjusted diluted earnings per share reached EUR 0.53 (previous year: EUR 0.58).

Reconciliation of adjusted earnings figures

in EUR million

	Q1–Q2/2018	Q1–Q2/2017	Q2/2018	Q2/2017
Result for the period	21.8	23.0	12.0	11.8
Income taxes	8.7	10.4	5.2	5.0
Finance result	6.2	8.2	2.3	3.9
Depreciation/amortization from PPA	3.5	2.7	2.3	1.3
PPA step-up from inventory measuring of acquisitions	0.4	0.0	0.4	0.0
Restructuring and transaction costs	3.5	7.4	1.6	4.8
Adjusted EBIT	**44.1**	**51.8**	**23.8**	**26.7**
in % of sales	6.9	8.8	6.9	8.9
Adjusted result for the period	**28.2** [1]	**30.4** [2]	**15.8** [1]	**15.9** [2]
in % of sales	4.4	5.2	4.6	5.3
Number of shares [3]	45,394,302	45,361,112	45,394,302	45,361,112
Adjusted basic earnings per share in EUR [4]	**0.62**	**0.67**	**0.35**	**0.35**
Adjusted diluted earnings per share in EUR [5]	**0.53**	**0.58**	**0.29**	**0.30**

[1] A uniform tax rate of 25.5% was assumed when calculating the adjusted result for the period.
[2] A uniform tax rate of 30.2% was assumed when calculating the adjusted result for the period.
[3] Weighted average number of ordinary shares.
[4] The calculation of adjusted basic earnings per share also includes the result attributable to non-controlling interests of EUR –0.2 million (previous year: EUR –0.7 million).
[5] The calculation takes into account 8.3 million share equivalents (previous year: 8.1 million) and EUR 1.2 million (previous year: EUR 1.2 million) of earnings contribution from the convertible bond issued in 2014 as well as non-controlling interests of EUR –0.2 million (previous year: EUR –0.7 million).

SEGMENT REPORTING

Regional Overview

in EUR million

	EMEA		Americas		APAC / China		Total	
	Q1–Q2 / 2018	Q1–Q2 / 2017	Q1–Q2 / 2018	Q1–Q2 / 2017	Q1–Q2 / 2018	Q1–Q2 / 2017	Q1–Q2 / 2018	Q1–Q2 / 2017
Sales	345.1	319.9	224.9	225.3	70.3	42.4	640.3	587.6
Cost of sales	–275.0	–253.7	–201.1	–188.0	–59.5	–33.8	–535.7	–475.5
Gross profit	**70.1**	**66.3**	**23.8**	**37.3**	**10.8**	**8.6**	**104.6**	**112.2**
in % of sales	20.3 %	20.7 %	10.6 %	16.6 %	15.4 %	20.3 %	16.3 %	19.1 %
Sundry operating income and expenses*	–30.5	–32.5	–23.8	–22.3	–6.3	–5.6	–60.6	–60.4
Adjusted EBIT	**39.6**	**33.8**	**0.0**	**15.0**	**4.5**	**2.9**	**44.1**	**51.8**
in % of sales	11.5 %	10.6 %	0.0 %	6.7 %	6.4 %	6.9 %	6.9 %	8.8 %

* Sundry operating income and expenses consist of selling and administrative expenses, research and development costs, other operating income and the share of net profit of investments accounted for using the equity method less restructuring and transaction costs of EUR 3.5 million (previous year: EUR 7.4 million) and depreciation/amortization from PPA of EUR 3.8 million (previous year: EUR 2.7 million).

SOLID SALES AND EARNINGS GROWTH IN THE EMEA SEGMENT

The EMEA/I region, which previously included negligible sales and earnings contributions from India, has been renamed to the EMEA region following the acquisition of the York Group. The sales and earnings contributions of the York Group, which focuses on India, have been recognized in the APAC/China segment as of the second quarter of 2018.

The market environment for trucks and trailers in Europe remained favorable in the first half of 2018. Contrary to the cautious expectations at the beginning of the year, the demand from fleet operators managed to see even a slight pickup. In the OE business, SAF-HOLLAND also benefited from new product launches, market share gains in key regions and noticeable gains with small to mid-sized vehicle manufacturers all over Europe. The truck market was particularly strong. The region's aftermarket business also recorded solid development coming from a high comparative basis.

The EMEA region increased sales by 11.5 % to EUR 177.9 million in the second quarter of 2018 (previous year: EUR 159.6 million).

Excluding the contribution of EUR 7.3 million from V.ORLANDI following its first-time consolidation and positive exchange rate effects of EUR 2.7 million, sales in the region grew by 5.2 %. The region continued to outperform the general market.

In the first half of 2018, sales in the region increased by 7.9 % (5.1 % on an organic basis) to EUR 345.1 million (previous year: EUR 319.9 million).

SAF-HOLLAND's strongest growth in the first two quarters of 2018 came from the southern European countries of Spain, Italy and France. Business in Eastern Europe, especially in Poland and Russia, also grew steadily. In addition, SAF-HOLLAND recorded positive trends in important markets in the Middle East. Contributing to this was the successful development of the new assembly plant for the production of axle systems in Düzce, Turkey, which opened in March 2017. In the meantime, the plant has not only been very productive but also well utilized, prompting the introduction of a three-shift operation in the second quarter of 2018. Demand is supported not only from domestic customers but mainly from customers in major neighboring countries and the strong export business to Western and Southern Europe.

Overall, the adjusted EBIT in the EMEA region in the second quarter of 2018 increased by 17.9 % to EUR 20.4 million (previous year: EUR 17.3 million). And the adjusted EBIT margin totaled 11.5 % (previous year: 10.8 %). Ongoing process improvements compensated for the additional personnel expenses of around EUR 0.8 million, following the wage increases agreed to in the collective agreement of the German metal industry, which took effect on April 1, 2018. The visible increase in steel prices also seen in Europe presented the Company with an added challenge. The first-time consolidation of V.ORLANDI in the EMEA region in the second quarter of 2018 helped bring up margins as V.ORLANDI's profitability was well above the average margin of the Group.

In the first half of 2018, adjusted EBIT for the EMEA segment increased by 17.2% to EUR 39.6 million (previous year: EUR 33.8 million), and the adjusted EBIT margin reached 11.5% (previous year: 10.6%).

AMERICAS REGION RETURNS TO PROFITABILITY IN THE SECOND QUARTER; OVERALL SEGMENT RESULT STILL BEHIND PLAN

Despite the inefficiencies that still remain due to the realignment of the region's production network, the Americas region was able to increase sales organically by 15.1% in the second quarter of 2018. As in the first quarter of 2018, exchange rate effects from the depreciation of the US dollar versus the Group's currency, the euro, had a significantly negative effect, so that reported sales increased by only 5.3% to EUR 123.0 million (previous year: EUR 116.8 million). As a result, the region's sales in the first half of 2018 amounted to EUR 224.9 million and were largely at the previous year's level (EUR 225.3 million). In local currency terms, sales increased 11.5%.

The market environment in North America in the second quarter of 2018 was characterized by continued strong customer demand for truck and trailer components. This led to capacity bottlenecks industry-wide across the entire supply chain, which slowed down the reduction of the remaining production inefficiencies at the plants in SAF-HOLLAND's newly restructured production network. Nevertheless, the Americas region was able to increase sales in the second quarter by more than 20% compared to the prior quarter. This increase, however, was still accompanied by sharply above-average freight and logistics costs. The additional operating expenses and start-up costs still necessary in the US in the second quarter of 2018 totaled EUR 2.3 million. Compared with the first quarter of 2018 (EUR 3.9 million), additional expenses tended to decline further and reflected the year-to-date progress in better integrating the capacity planning and logistics processes. Achieving this also led to improvements in deliveries to the aftermarket in the second quarter and to a reduction in order backlogs.

Next to additional operating expenses, the further sharp rise in steel prices expierenced in North America, also pushed costs higher. Although SAF-HOLLAND can usually pass on most of the price increases, the price adjustments are made with a time delay of up to six months. In the second quarter of 2018, the burden from the upfront material costs incurred in the Americas region totaled EUR 4.3 million (Q1 2018: EUR 2.0 million).

In the second quarter of 2018, the Americas region generated an adjusted EBIT of EUR 0.7 million (previous year: EUR 7.3 million) and an adjusted EBIT margin of 0.6% (previous year: 6.3%), thereby returning to profitability. These results reflected a continued improvement compared to the first quarter of the year, in which there was still a loss of EUR 0.7 million. Due to the factors described above such as the dynamic increase in steel prices during the quarter and the additional operating expenses still required, earnings development in the America segment fell short of the initial plan and was the main reason for the adjustment of the Group's earnings target for the full 2018 financial year reported on July 16.

In the first half of 2018, the region's adjusted EBIT reached the break-even level (previous year: EUR 15.0 million), resulting in an adjusted EBIT margin of 0.0% (previous year: 6.7%).

The Brazilian subsidiary KLL, which was acquired in 2016, was able to significantly expand its organic sales in the second quarter of 2018 amid a market environment that had started recovering from a low basis. Due to negative exchange rate effects, sales in the Group currency, the euro, advanced in the low double-digit percent range.

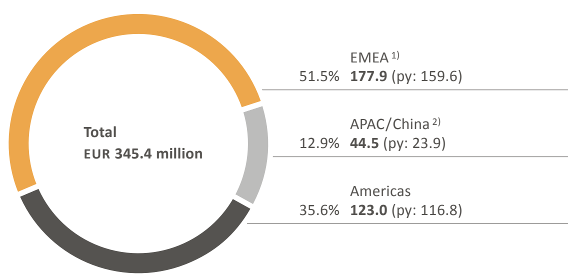
SALES IN THE APAC/CHINA SEGMENT MOVE INTO A NEW DIMENSION FOLLOWING THE YORK ACQUISITION

As previously mentioned, India was allocated to the APAC/China region (formerly part of the EMEA/I region) in the second quarter of 2018 following the acquisition of the York Group. Sales in the region grew by 86.2% to EUR 44.5 million (previous year: EUR 23.9 million) in the second quarter of 2018, supported by York's sales contribution of EUR 13.8 million (consolidated as of May 1, 2018) and strong organic growth of 38.3%.

In the first half-year, the APAC/China segment increased its sales by 65.8% (organically by 43.0%) to EUR 70.3 million (previous year: EUR 42.4 million) and, at 11.0%, accounted for a considerably higher proportion of Group sales in the first half of 2018 as in the first half of the prior year (previous year: 7.2%).

Sales by region Q2 2018

in EUR million



[1] Contains Europe, Middle East and Africa [2] Including India

Robust organic growth in the region was largely attributable to the continuing strong demand in the Chinese premium segment. The introduction of statutory load limits for commercial vehicles and stricter safety regulations for the transportation of dangerous goods and automotive transporters continued to force fleet operators to invest heavily in new vehicles. SAF-HOLLAND, with its weight-saving components and range of air suspension and axle systems featuring high-performance disc brake technology, is well positioned for this demand. Corresponding high sales growth was achieved at the subsidiary in Xiamen, where the trailer components business in China is based. In order to be able to meet the high production demand expected in the Chinese premium segment in the years to come, SAF-HOLLAND announced in early 2018 the construction of a new production center in China at the Yangzhou site. The new plant is expected to be operational in the first half of 2019. SAF-HOLLAND was also able to further increase sales and earnings in the important transportation market of Australia, where demand has risen noticeably as a result of rising raw material prices.

Business performance at the Chinese subsidiary Corpco Beijing Technology and Development Co. Ltd. (Corpco), however, was also sluggish in the second quarter of 2018. As a result, Corpco has begun to reorganize its business and expand its product portfolio beyond its previous focus on bus suspension systems to include the smaller bus segment.

Adjusted EBIT in the APAC/China region increased by 35.0% to EUR 2.7 million in the second quarter of 2018 (previous year: EUR 2.0 million), resulting in an adjusted EBIT margin of 6.1% (previous year: 8.4%). As expected, the first-time inclusion of York led to a consolidation-related, temporary dilution of the region's margin. As part of the ongoing post-merger integration measures, the York Group's adjusted EBIT margin, which was previously in the low to mid single-digit-percentage range, will gradually progress in the years ahead towards the level generated by the SAF-HOLLAND Group.

In the first half of 2018, the APAC/China region increased its adjusted EBIT to EUR 4.5 million (previous year: EUR 2.9 million). The adjusted EBIT margin was 6.4% (previous year: 6.9%).

NET ASSETS

TOTAL ASSETS SLIGHTLY INCREASED IN COMPARISON TO YEAR-END 2017

Total assets as of June 30, 2018 were EUR 1,008.4 million. The slight increase compared to the end of 2017 (EUR 998.1 million) resulted from a variety of effects. On the one hand, the Group financed both the repayment of the corporate bond in April 2018, as well as the purchase price payment for the two acquisitions from liquid funds. Accordingly, cash and cash equivalents decreased by 58% or EUR 161.9 million and amounted to EUR 116.9 million at the end of the first half of 2018. On the other hand, the first-time consolidation of V.ORLANDI and York led to an increase in total assets of EUR 136.3 million.

The repayment of the bond as well as the two acquisitions took place in the second quarter of 2018. Total assets decreased accordingly by EUR 24.0 million compared to March 31, 2018.

V.ORLANDI AND YORK RESULT TO A RISE IN NON-CURRENT ASSETS

The acquisitions of V.ORLANDI and York contributed EUR 72.4 million to the EUR 79.9 million increase in non-current assets for a total of EUR 457.7 million at the end of the first half of 2018. Most of the increase was related to goodwill (EUR 25.3 million), other intangible assets (EUR 36.8 million) and property, plant and equipment (EUR 15.5 million).

HIGHER INVENTORIES IN NORTH AMERICA RESULT IN AN INCREASE IN NET WORKING CAPITAL

Net working capital increased by EUR 83.8 million to a total of EUR 204.4 million in the first half of 2018, mainly as a result of an increase in inventories of EUR 60.6 million to a total of EUR 194.4 million. SAF-HOLLAND decided to increase its inventories in North America to give itself as much flexibility as possible in this region and ensure timely delivery to customers. The strong organic growth in the first half of 2018 also increased inventories.

In the second quarter of 2018, inventories increased by EUR 42.6 million. The two acquisitions mentioned accounted for EUR 19.5 million, or around half of the increase.

INCREASE IN TRADE RECEIVABLES LARGELY A RESULT OF THE REGIONAL SALES MIX

Trade receivables rose by EUR 70.5 million in the first half of 2018 for a total of EUR 206.1 million. Higher trade receivables were mainly due to the regional sales mix, as SAF-HOLLAND achieved significantly disproportionate sales growth in the emerging markets. In these countries, payment terms are often longer than they are in Europe and North America. Trade payables increased by EUR 61.2 million to EUR 175.4 million in the same period. Accordingly, the net effect of trade receivables and trade payables was EUR 9.3 million.

In the second quarter of 2018, trade receivables rose by EUR 28.5 million, of which V.ORLANDI and York contributed EUR 19.2 million. In the same period, trade payables increased by EUR 30.2 million, of which EUR 20.6 million was attributable to the two acquisitions.

Overview of net assets

in EUR million

	6/30/2018	3/31/2018	12/31/2017
Total assets	1,008.4	1,032.3	998.1
Equity	307.0	303.8	301.0
Equity ratio in %	30.4	29.4	30.2
Net debt [1]	252.0	142.6	105.5
Net working capital	204.4	158.3	120.6
Net working capital in % of sales	14.5	13.4	11.0

[1] Taking into account cash and cash equivalents and other short-term investments of EUR 116.9 million as of June 30, 2018 (December 31, 2017: EUR 337.1 million).

EQUITY RATIO STABLE AT APPROXIMATELY 30 %

Equity amounted to EUR 307.0 million as of June 30, 2018, which was 2 % higher than at the end of 2017 (EUR 301.0 million). The equity ratio remained almost unchanged at 30.4 % (December 31, 2017: 30.2 %). The result for the period of EUR 21.8 million in the first half of 2018 and positive exchange rate differences from the translation of financial statements from foreign operations amounting to EUR 3.5 million had a positive impact on equity. This was offset by the distribution of the dividend for the 2017 financial year of EUR 20.4 million.

Compared to March 31, 2018, there was an increase of EUR 8.1 million in non-controlling interests, mainly due to the 30 % stake in V.ORLANDI, which is still held by the former owner.

DECREASE OF AROUND 17 % IN CURRENT AND NON-CURRENT LIABILITIES FROM INTEREST-BEARING LOANS AND BONDS

The corporate bond with a nominal volume of EUR 75.0 million was repaid at the end of April 2018. As a result, current liabilities from interest-bearing loans and bonds fell to EUR 4.0 million as of June 30, 2018 (December 31, 2017: EUR 81.3 million). Non-current liabilities from interest-bearing loans and bonds rose in the first half of 2018 by 1 % to EUR 364.8 million. Total current and non-current liabilities from interest-bearing loans and bonds fell by around 17 % to EUR 368.9 million as of June 30, 2018 (December 31, 2017: EUR 442.6 million). Other short-term investments (December 31, 2017: EUR 58.3 million) were divested and cash and cash equivalents decreased from EUR 278.8 million as of December 31, 2017 to EUR 116.9 million as of June 30, 2018. The significant decline in liquid funds was mainly attributable to the repayment of the corporate bond and the purchase price payments for V.ORLANDI and York (net of cash acquired) in the amount of EUR 51.1 million. As a result, net debt rose to EUR 252.0 million as of June 30, 2018 (December 31, 2017: EUR 105.5 million). The purchase price payments for the two acquisitions, the dividend distribution and the negative free cash flow of EUR 46.1 million in the first half of 2018 contributed significantly to this increase. In addition, gross financial liabilities amounting to around EUR 20 million were assumed as part of the two acquisitions. Most of the increase in net debt occurred in the second quarter of 2018 (EUR 109.4 million).

FINANCIAL POSITION: CASH FLOWS

CASH FLOW BEFORE CHANGE IN NET WORKING CAPITAL DECLINES BY 6.2 %

The cash flow before change in net working capital was slightly below the previous year's level in the second quarter of 2018 at EUR 27.1 million (previous year: EUR 28.9 million). Specifically, net finance expenses decreased to EUR 2.4 million (previous year: EUR 3.9 million), while allowances of current assets totaled EUR 0.5 million (previous year: EUR 2.7 million), which was lower than in the same period of the previous year. Higher depreciation and amortization (EUR 7.5 million after EUR 6.1 million) and the EUR 0.5 million improvement in the result before taxes compared to the first quarter of the previous year had positive effects on the cash flow. In the first half of 2018, cash flow before change in net working capital reached EUR 50.0 million (previous year: EUR 55.2 million).

STRONG ORGANIC SALES GROWTH RESULTS IN HIGHER NET WORKING CAPITAL IN THE SECOND QUARTER OF 2018

As already described in the section entitled "Net Assets", the year-on-year increase in cash outflows from the changes in net working capital in the amount of EUR 31.8 million (previous year: EUR –8.5 million), resulted in a decline in operating cash flow (cash flow from operating activities before income taxes paid) to EUR –4.7 million (previous year: EUR 20.4 million). An amount of EUR 20.8 million (previous year: inflow of EUR 0.2 million) was attributable to the increase in inventories, mainly due to higher sales. The tense situation in the supply chain in North America and dynamically rising steel prices in the region also contributed to the rise in inventories. In addition, the increase in trade payables lagged the rise in sales growth. After EUR 14.8 million in the second quarter of the previous year, trade payables declined to EUR 1.6 million in the second quarter of 2018, whereas the cash outflow from trade and other receivables fell noticeably to EUR –9.4 million compared to EUR – 20.9 million in the same quarter of the previous year.

In total, this resulted in net cash flow from operating activities of EUR –8.4 million in the second quarter of 2018 (previous year: EUR 15.3 million). In the first half of 2018, net cash flow from operating activities amounted to EUR – 30.9 million (previous year: EUR 5.5 million).

HIGHER INVESTMENT

Net payments for investments in the second quarter of 2018 were much higher than in the same period of the previous year. This item included the payment for the acquisition of V.ORLANDI and York totaling EUR 46.9 million (previous year: EUR 0.0 million). Investments in property, plant and equipment and intangible assets increased slightly to EUR 8.2 million (previous year: EUR 7.8 million). As a result, net cash flow from investing activities totaled EUR –59.3 million in the second quarter of 2018 (previous year: EUR 4.4 million).

Overview of financial position

in EUR million

	Q1–Q2 / 2018	Q1–Q2 / 2017	Q2 / 2018	Q2 / 2017
Cash flow from operating activities before income taxes paid	–17.0	15.2	–4.7	20.4
Cash conversion rate in % [1]	–38.5	29.3	–19.7	76.8
Net cash flow from operating activities	–30.9	5.5	–8.4	15.3
Net cash flow from investing activities	–11.1	–96.0	–59.3	4.4
Investments in property, plant and equipment and intangible assets	15.2	13.6	8.2	7.8
in % of sales	2.4	2.3	2.4	2.6
Net cash flow from financing activities	–119.4	–30.6	–118.0	–28.0
Free cash flow [2]	–46.1	–8.0	–16.6	7.5

[1] Cash flow from operating activities before income taxes paid divided by adjusted EBIT.
[2] Net cash flow from operating activities less investments in property, plant and equipment and intangible assets.

In the first half of 2018, net cash flow from investing activities amounted to EUR – 11.1 million (previous year: EUR – 96.0 million). It should be noted that the low prior-year figure was largely attributable to the reallocation of cash and cash equivalents to other investments (EUR – 83.0 million). In the first half of 2018, in contrast, the disposal of current investments of EUR 53.9 million had a positive effect on cash flow from investing activities.

CASH FLOW FROM FINANCING ACTIVITIES AFFECTED BY CORPORATE BOND MATURITY AND DIVIDEND PAYMENT

Cash flow from financing activities in the second quarter of 2018 was EUR –118.0 million (previous year: EUR –28.0 million), primarily due to the repayment of a corporate bond with a coupon of 7.0 % at the end of April 2018 (EUR – 75.0 million), as well as the dividend payment of EUR 20.4 million.

WORKING CAPITAL REQUIREMENTS RESULT IN NEGATIVE FREE CASH FLOW IN THE SECOND QUARTER OF 2018, WITH A SIGNIFICANT IMPROVEMENT PLANNED IN THE SECOND HALF-YEAR

Free cash flow (net cash flow from operating activities less investments in property, plant and equipment and intangible assets, before acquisitions and dividend payment) amounted to EUR – 16.6 million in the second quarter of 2018 (previous year: EUR 7.5 million). For the half-year, it amounted to EUR – 46.1 million (previous year: EUR –8.0 million). The negative free cash flow in the first and second quarters of 2018 was essentially the result of the expansion in net working capital already described, which was disproportionately higher than the growth in sales.

A significant improvement in free cash flow is expected – also as a result of seasonal factors – in the second half of the 2018 financial year.

OPPORTUNITIES AND RISK REPORT

There were no fundamental changes in the reporting period compared with the statements made in the 2017 Annual Report on pages 61 to 69 regarding the overall risk situation of the SAF-HOLLAND Group. Overall, the risks are still considered manageable, and sufficient provisions have been taken for known risks.

However, procurement risks increased in the first half of 2018 due to the sharp rise in steel prices in North America. In most customer contracts, SAF-HOLLAND has linked the prices of its products to the development of commodity prices. Thus, raw material price increases can essentially be passed on to the customers, although this usually occurs with a certain time delay, so that initially temporary additional costs arise in procurement. Further explanations on this topic can be found on page 65 of the 2017 Annual Report.

EVENTS AFTER THE BALANCE SHEET DATE

On July 24, 2018, SAF-HOLLAND announced the acquisition of the digital trailer management specialist Axscend Ltd., UK. Effective July 24, 2018, SAF-HOLLAND acquired 69.99 % of the shares in the logistics service provider for a purchase price in the mid single-digit million euro range, with an option to acquire the remaining shares in 2022. Axscend currently employs ten specialists in the field of engineering, hardware and software development and focuses on the digitization of trailer management with its product Trailer Master Connect.

No other relevant events occurred after the balance sheet date beyond those already mentioned.

OUTLOOK

ECONOMIC AND SECTOR ENVIRONMENT

GLOBAL ECONOMIC ENVIRONMENT REMAINS FAVORABLE; TRADE CONFLICTS INCREASE RISK

According to experts, the global economy is expected to continue its expansion this and next year. In its latest outlook, the International Monetary Fund (IMF) confirmed its estimate of 3.9 % global growth in both 2018 and 2019. However, the IMF expressed its concern about the tariffs and trade restrictions initiated by the US government and the countermeasures that were subsequently announced. As a result, the IMF is seeing the first signs that the performance of the global economy will be less balanced in the coming quarters and that there will be larger regional differences. Accordingly, in July 2018, the IMF lowered expectations for some export-dependent countries such as Germany. The IMF is now forecasting growth of 2.2 % for the eurozone as a whole, after assuming an increase of 2.4 % in April 2018. This level still represents very robust growth. Due to the positive effects of the tax reform, the IMF continues to expect the US economy to accelerate in 2018, confirming its April forecast of 2.9 %.

SECTOR OUTLOOK: TREND CONTINUES HIGHER IN THE GLOBAL COMMERCIAL VEHICLE MARKETS

The environment in the three most important markets for SAF-HOLLAND – Europe, North America and China – will remain positive in the further course of the year 2018, with the biggest impetus coming from the North American truck market. The main limiting factor in this market is less the record-high demand than the existing capacity bottlenecks throughout the entire supply chain. For Europe, which is the most important region for SAF-HOLLAND in terms of sales, continued moderate growth is expected at a very high level. In China, SAF-HOLLAND is not concerned with the overall market but primarily with the premium segment. Here, the tightened regulatory requirements will continue to lead to ongoing investments by fleet operators.

FORECASTS RAISED FOR THE EUROPEAN TRAILER MARKET

At the beginning of 2018, the market research institute CLEAR had forecasted a consolidation of the Western European trailer market at a high level for the year as a whole and a reduction in trailer production of up to 5%. CLEAR increased its forecast in May on the back of continued favorable macroeconomic performance in the region and now expects production to increase by as much as 1%. In its medium-term forecast, CLEAR even expects a record level of production and registrations for the 5-year period 2017 to 2021. For Eastern Europe, CLEAR experts estimate slightly higher trailer production growth of just under 3% in 2018. Pan European trailer production is, thereby, expected to grow by 1.3% in 2018.

EUROPEAN TRUCK MARKET STABLE TO SLIGHTLY HIGHER

The forecasts for the European truck market in 2018 continue to predict slight growth rates. For the heavy truck segment, which is relevant to SAF-HOLLAND, industry observers expect a production increase of up to 1%.

CAPACITY RESTRICTIONS LIMIT EVEN-STRONGER GROWTH IN THE NORTH AMERICAN MARKET FOR HEAVY TRUCKS IN THE YEAR 2018; FORECAST FOR 2019 IS REVISED HIGHER

The heavy truck market will continue to be in high demand in North America in 2018. Not only will accelerated economic growth in the US lead to a disproportionate increase in freight volumes but also the regulations for the introduction of an Electronic Logging Device (ELD) by the Federal Motor Carrier Safety Administration (FMCSA) came into force on April 1, 2018. In daily practice, this regulation requires the driver to document break times, which, in turn, leads to shorter operating times. This causes an additional tightening of the already strained transport capacities. Truck manufacturers can hardly satisfy the additional demand for new equipment due to their limited capacity. Accordingly, ACT has lowered its forecast for the production of Class 8 trucks in July to around 316,000 units. Compared to the previous year, this represents an increase of 23.7%. In April 2018, ACT had forecast a plus of 28.0%. At the same time, however, the outlook for 2019 was raised to 334,000 trucks, signaling further growth in 2019. Originally, ACT had expected a slight decline in the market in 2019.

EXPECTATIONS IMPROVE FOR THE NORTH AMERICAN TRAILER MARKET

The growth of the North American trailer market will also be limited by capacity bottlenecks in 2018. Similar to the situation with Class 8 trucks, this led to a noticeable increase in order backlogs and thus also the delivery times for trailers. FTR is now expecting that in 2018, 8.4% more trailers will roll off the production lines than in the already strong previous year. At the beginning of 2018, FTR had expected a slightly declining to stagnating trailer market.

RECOVERY IN THE BRAZILIAN TRUCK MARKET CONTINUES

The Brazilian truck market in 2018 is set to continue the recovery trend that began in the previous year. Based on expectations of a moderate economic recovery and steps to political reform, industry observers expect a very high percentage growth rate in the production of heavy trucks of just under 40%. In absolute terms, however, the production figures will still be well below the pre-crisis level of 2013, while political risks continue to exist.

TRUCK AND TRAILER DEMAND IN CHINA CONSOLIDATES; PREMIUM SEGMENT ON THE RISE

After several years of high growth rates, most market observers originally anticipated a noticeable slowdown in demand for trucks and trailers in 2018 accompanied by a double-digit decline in production figures. Due to the continued robust market conditions in the first half of the year, forecasts for 2018 were gradually raised. In the meantime, only a single-digit percentage decline in production is expected.

The introduction of the second phase of the GB 1589 standard in July 2018 and the GB 7258 standard as of January 1, 2019, will continue to have a strong influence on demand for trailers in China in 2018. The newly introduced load limits and safety regulations significantly impact the segment of automobile and dangerous goods transporters in particular. These types of transporters require high investments by fleet operators in trailers with more sophisticated equipment, such as air suspension systems and disc brake technology – SAF-HOLLAND's area of expertise. Accordingly, market observers are forecasting solid growth rates for the premium segment in 2018 as well as in the years that follow.

INDIAN TRAILER MARKET EXHIBITS SOLID GROWTH

For the Indian trailer market, which has become increasingly important for SAF-HOLLAND since the acquisition of York Transport Equipment, CLEAR expects production to increase by 12.8% in 2018, which represents a continuation in the market's long-standing upward trend.

COMPANY OUTLOOK

OUTLOOK FOR ORGANIC SALES GROWTH RAISED TO A RANGE OF 5.0 % TO 7.0 % FOR 2018; EARNINGS FORECAST ADJUSTED TO A RANGE OF 7.0 % TO 8.0 % FOR THE ADJUSTED EBIT MARGIN

SAF-HOLLAND's planning for the 2018 financial year is based on the expectation that the global economy will grow slightly more than 3.5 % in the current year and that overall economic growth in its current core markets of Europe, North America and China will continue to develop positively. The company also expects to raise its sales per vehicle and expand market share based on the structural growth driven by innovative solutions in areas such as lightweight construction, disc brake technology and automated driving.

On July 16, 2018, SAF-HOLLAND adjusted its sales and earnings forecast for the current 2018 financial year. Based on the sales growth achieved in the first half of 2018 that was substantially above plan, SAF-HOLLAND now expects to exceed its original forecast and generate organic sales growth ranging from 5.0 % to 7.0 % in full-year 2018. Previously, SAF-HOLLAND had forecasted organic growth of 4.0 % to 5.0 %.

POSITIVE DEVELOPMENT OF ACQUISITIONS

In addition, the two newly acquired companies, V.ORLANDI and York, are expected to contribute EUR 60 million to Group sales in the 2018 financial year compared to original expectations of only about EUR 50 million.

ADJUSTED EBIT MARGIN FOR 2018 NOW SEEN WITHIN A RANGE OF 7.0 % TO 8.0 %

In light of the 2018 second quarter results, falling short of our initial schedule in reducing the additional operating expenses in the US in the current market environment and in order to reflect the effects of the continued increase in raw material prices for steel and components, SAF-HOLLAND adjusted its full-year 2018 target for the adjusted EBIT margin from originally 8.0 % to 8.5 % to a range of 7.0 % to 8.0 %.

GRADUAL REDUCTION IN PRODUCTION INEFFICIENCIES AND START-UP COSTS FOR THE RESTRUCTURED PLANT NETWORK IN NORTH AMERICA; SUCCESSIVE EARNINGS IMPROVEMENT PLANNED FOR FULL-YEAR 2018

SAF-HOLLAND is still planning a successive earnings improvement in the Americas region in the coming quarters. In addition to cost optimization and price increases, the improved integration of capacity planning and logistics processes in North America currently being implemented should also make a significant contribution. After a reduction in the necessary additional operating expenses in the US from EUR 3.9 million in the first quarter of 2018 to EUR 2.3 million in the second quarter of 2018, these additional burdens are to be fully eliminated as the year progresses. In light of the fact that efficiency improvements associated with the US plant consolidation are being successively realized, SAF-HOLLAND expects the Americas region to gradually improve its cost structure and profitability over the course of 2018.

The Group's one-off restructuring and transaction costs are expected to decline to a mid single-digit million figure in 2018, after having reached approximately EUR 13.2 million in the previous year due to the US plant consolidation.

Overall, the company expects the Group's adjusted EBIT margin to improve gradually and come in higher in the second half of the year than in the first six months of 2018.

RESULT FOR THE PERIOD AND EARNINGS PER SHARE BENEFIT FROM FALLING FINANCING COSTS AND US TAX REFORM

As stated in the 2017 Annual Report, SAF-HOLLAND expects the development of the Group's result for the period and earnings per share to outperform that of the adjusted EBIT.

The bond issued in 2012 with a nominal volume of EUR 75.0 million and a coupon of 7.0 % matured at the end of April 2018. For the remaining eight months of the 2018 financial year, the bond's repayment will provide noticeable relief of around EUR 3.5 million as regards the Group's interest expenses.

In addition, the overall corporate income tax rate in the US, which was lowered from approx. 37 % to approx. 23 %, will tend to have a positive impact, depending on the further earnings development in the US.

2020 MEDIUM-TERM FORECAST CONFIRMED

With regard to the medium-term goals of Strategy 2020, the Management Board of SAF-HOLLAND confirms the target for an adjusted EBIT margin of at least 8.0 % and expects the Group's adjusted EBIT margin to again reach the range of 8.0 % to 9.0 % in the 2019 financial year.

In line with the objectives of the 2020 growth strategy, further sales and earnings contributions may arise from collaborations, joint ventures and acquisitions concluded during the financial year.

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousands

	Notes	Q1–Q2/2018	Q1–Q2/2017	Q2/2018	Q2/2017
Sales	(5)	640,308	587,633	345,438	300,301
Cost of sales		−535,721	−475,468	−291,420	−245,342
Gross profit		**104,587**	**112,165**	**54,018**	**54,959**
Other operating income		724	463	501	220
Selling expenses		−30,138	−31,952	−16,060	−15,805
Administrative expenses		−28,701	−28,948	−14,036	−13,807
Research and development costs		−10,769	−11,289	−5,362	−5,542
Operating result	(5)	**35,703**	**40,439**	**19,061**	**20,025**
Share of net profit of investments accounted for using the equity method		1,074	1,202	545	592
Earnings before interest and taxes		**36,777**	**41,641**	**19,606**	**20,617**
Finance income	(6)	742	1,210	581	494
Finance expenses	(6)	−6,993	−9,393	−2,952	−4,387
Finance result	(6)	**−6,251**	**−8,183**	**−2,371**	**−3,893**
Result before tax		**30,526**	**33,458**	**17,235**	**16,724**
Income tax	(7)	−8,753	−10,436	−5,242	−4,958
Result for the period		**21,772**	**23,022**	**11,992**	**11,766**
Attributable to:					
Equity holders of the parent		21,982	23,710	11,961	12,134
Non-controlling interests		−210	−688	31	−368
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plans			102	–	102
Income tax effects on items recognized in other comprehensive income			−26	–	−26
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	(10)	3,497	−16,342	10,005	−15,378
Other comprehensive income		**3,497**	**−16,266**	**10,005**	**−15,302**
Comprehensive income for the period		**25,269**	**6,756**	**21,997**	**−3,536**
Attributable to					
Equity holders of the parent		25,662	7,814	22,108	−2,733
Non-controlling interests		−393	−1,058	−111	−803
Basic earnings per share in EUR		**0.48**	**0.52**	**0.26**	**0.26**
Diluted earnings per share in EUR		**0.41**	**0.45**	**0.22**	**0.23**

CONSOLIDATED BALANCE SHEET

in EUR thousands

	Notes	6/30/2018	12/31/2017*
Assets			
Non-current assets		**457,700**	**377,849**
Goodwill		79,418	54,134
Other intangible assets		177,096	140,336
Property, plant and equipment		153,231	137,766
Investments accounted for using the equity method		17,916	16,234
Financial assets		776	858
Other non-current assets		3,863	3,180
Deferred tax assets		25,400	25,341
Current assets		**550,673**	**620,259**
Inventories		194,383	133,745
Trade receivables		206,131	135,662
Income tax assets		2,681	1,865
Other current assets		24,363	11,824
Financial assets		6,203	82
Other short-term investments	(8)	-	58,306
Cash and cash equivalents	(9)	116,912	278,775
Balance sheet total		**1,008,373**	**998,108**
Equity and liabilities			
Total equity	(10)	**306,965**	**300,975**
Equity attributable to equity holders of the parent		**297,038**	**298,842**
Subscribed share capital		454	454
Share premium		269,044	269,044
Legal reserve		45	45
Other reserve		720	720
Retained earnings		62,499	67,983
Accumulated other comprehensive income		−35,724	−39,404
Shares of non-controlling interests		**9,927**	**2,133**
Non-current liabilities		**480,023**	**461,880**
Pensions and other similar benefits		36,752	34,134
Other provisions		6,747	9,333
Interest bearing loans and bonds	(11)	364,834	361,284
Finance lease liabilities		35	23
Other financial liabilities	(12)	20,835	15,910
Other liabilities		582	595
Deferred tax liabilities		50,238	40,601
Current liabilities		**221,385**	**235,253**
Other provisions		8,748	8,205
Interest bearing loans and bonds	(11)	4,032	81,321
Finance lease liabilities		219	32
Trade payables		175,383	114,219
Income tax liabilities		7,826	8,966
Other financial liabilities	(12)	710	655
Other liabilities		24,467	21,855
Balance sheet total		**1,008,373**	**998,108**

* Under the adoption methods we chose for IFRS 9 prior years are not restated to conform to the new policies.
See Section 2.1. Changes in Accounting and Measurement standards.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousands

	Q1 – Q2 / 2018								
	Attributable to equity holders of the parent								
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount	Shares of non-controlling interests	Total equity (Note 10)
As of 1/1/2018 (as before reported)	454	269,044	45	720	67,983	−39,404	**298,842**	2,133	**300,975**
Effects from the adoption of IFRS 9					−471	-	**−471**	-	**−471**
As of 1/1/2018	**454**	**269,044**	**45**	**720**	**67,512**	**−39,404**	**298,371**	**2,133**	**300,504**
Result for the period	–	–	–	–	21,982	–	**21,982**	−210	**21,772**
Other comprehensive income	–	–	–	–		3,680	**3,680**	−183	**3,497**
Comprehensive income for the period	**–**	**–**	**–**	**–**	**21,982**	**3,680**	**25,662**	**−393**	**25,269**
Dividend	–	–	–	–	−20,427	–	**−20,427**	–	**−20,427**
Put option for acquisition of remaining shares of V.ORLANDI S.p.A.	-	--	-	-	−6,568	-	**−6,568**	-	**−6,568**
Addition of non-controlling interests from business combinations	–	–	–	–	-	–	**–**	8,187	**8,187**
As of 6/30/2018	**454**	**269,044**	**45**	**720**	**62,499**	**−35,724**	**297,038**	**9,927**	**306,965**

	Q1 – Q2 / 2017								
	Attributable to equity holders of the parent								
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount	Shares of non-controlling interests	Total equity (Note 10)
As of 1/1/2017 (as before reported)	**454**	**268,644**	**45**	**720**	**45,055**	**−14,519**	**300,399**	**5,178**	**305,577**
Effect of the retroactive correction due to IAS 8.42	–	–	–	–	–	–	**–**	−684	**−684**
As of 1/1/2017	**454**	**268,644**	**45**	**720**	**45,055**	**−14,519**	**300,399**	**4,494**	**304,893**
Result for the period	–	–	–	–	23,710	–	**23,710**	−688	**23,022**
Other comprehensive income	–	–	–	–	–	−15,896	**−15,896**	−370	**−16,266**
Comprehensive income for the period	**–**	**–**	**–**	**–**	**23,710**	**−15,896**	**7,814**	**−1,058**	**6,756**
Dividend	–	–	–	–	−19,959	–	**−19,959**	–	**−19,959**
As of 6/30/2017	**454**	**268,644**	**45**	**720**	**48,806**	**−30,415**	**288,254**	**3,436**	**291,690**

CONSOLIDATED CASH FLOW STATEMENT

in EUR thousands

	Notes	Q1–Q2/2018	Q1–Q2/2017
Cash flow from operating activities			
Result before tax		**30,526**	**33,458**
– Finance income	(6)	–742	–1,210
+ Finance expenses	(6)	6,993	9,393
+/– Share of net profit of investments accounted for using the equity method		–1,074	–1,202
+ Amortization/depreciation of intangible assets and property, plant and equipment		13,544	12,351
+ Allowance of current assets		710	2,237
+/– Loss/Gain on disposal of property, plant and equipment		30	142
+ Dividends from investments accounted for using the equity method		20	21
Cash flow before change of net working capital		**50,007**	**55,190**
+/– Change in other provisions and pensions		–1,776	–624
+/– Change in inventories		–40,714	–13,957
+/– Change in trade receivables and other assets		–63,961*	–64,420*
+/– Change in trade payables and other liabilities		39,494	38,984
Change of net working capital		**–66,957**	**–40,017**
Cash flow from operating activities before income tax paid		**–16,950**	**15,173**
– Income tax paid		–13,906	–9,648
Net cash flow from operating activities		**–30,856**	**5,525**
Cash flow from investing activities			
+ Proceeds from sale of other short tem investments		53,879	–
– Purchase of property, plant and equipment		–12,360	–11,114
– Purchase of intangible assets		–2,878	–2,442
+ Proceeds from sales of property, plant and equipment		243	212
– Purchase of other financial assets		–	–83,000
– Payments for acquisition of subsidiaries net of cash	(4)	–50,134	
+ Interest received		187	326
Net cash flow from investing activities		**–11,063**	**–96,018**
Cash flow from financing activities			
– Payments for repayment of bonds		–75,000	
– Dividend payments to shareholders of SAF-HOLLAND S.A.		–20,427	–19,959
– Proceeds from foreign currency derivatives		–243	–186
– Payments for finance lease		–16	–1,585
– Interest paid		–8,219	–7,795
– Repayments of current and non-current financial liabilities	(11)	–15,069	–
+/– Change in drawings on the credit line and other financing activities	(11)	–406	–1,087
Net cash flow from financing activities		**–119,380**	**–30,612**
Net increase / decrease in cash and cash equivalents		**–161,299**	**–121,105**
+/– Effect of changes in exchange rates on cash and cash equivalents		–564	–2,438
Cash and cash equivalents at the beginning of the period	(9)	**278,775**	**344,568**
Cash and cash equivalents at the end of the period	(9)	**116,912**	**221,025**

* As of June 30, 2018, trade receivables in the amount of EUR 32,4 million (previous year: EUR 26,3 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, 2018

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 2018 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 2017 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, 2017. Except for the changes discussed in the section "Changes to Accounting and Measurement Standards," the same accounting principles were applied as those applied to the consolidated financial statements for the 2017 financial year.

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 = 1.15664 (previous year: 1.14094) and CAD/EUR = 1.53775 (previous year: 1.48588). The weighted average exchange rates for these two currencies were USD/EUR = 1.21033 (previous year: 1.08142) and CAD/EUR = 1.54564 (previous year: 1.44202).

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

2.1. CHANGES TO ACCOUNTING AND MEASUREMENT STANDARDS

The applied accounting and measurement policies are basically the same as those applied in the prior year, with the following exception:

IFRS 9 "FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT"

The Group has applied IFRS 9 "Financial Instruments" as of January 1, 2018. The main impact of the new standard was on the classification and measurement of financial assets, the impairment of financial assets and hedge accounting.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

As a result of the application of IFRS 9, the Group has classified its financial assets as measured at either amortized cost or fair value through profit or loss, depending on its business model for managing those financial assets and the assets' contractual cash flow characteristics. The previous classifications of "at fair value through profit or loss," "loans and receivables" and "financial assets at amortized costs" were discontinued as of January 1, 2018. In accordance with the transitional provisions of IFRS 9, the Group has not restated prior periods but has classified the financial assets held as of January 1, 2018, retrospectively according to the business model and based on the facts and circumstances under which the assets were held at that date. The classification of the Group's financial liabilities remained unchanged.

The following summarizes the classification and measurement changes for the Group's financial assets and financial liabilities upon the initial application of IFRS 9:

in EUR thousands

	Original measurement category and carrying amount under IAS 39				New measurement category and carrying amount under IFRS 9		
	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortized cost	Remeasurements upon application of IFRS 9	Fair value through profit and loss	Amortized cost	Retained earnings on 1/1/2018
Assets							
Cash and cash equivalents	–	278,775	–	–	–	278,775	–
Trade receivables	–	135,662	–	–471	–	135,191	–471
Other financial assets	–	940	–	–	–	940	–
Other short-term investments	–	58,306	–	–	–	58,306	–
Total assets	**–**	**473,683**	**–**	**–471**	**–**	**473,212**	**–471**
Liabilities							
Trade payables	–	–	114,219	–	–	114,219	–
Interest bearing loans and borrowings	–	–	442,605	–	–	442,605	–
Other financial liablities	15,910	–	–	–	15,910	–	–
Derivatives without a hedging relationship	655	–	–	–	655	–	–
Total liabilities	**16,565**	**–**	**556,824**	**–**	**16,565**	**556,824**	**–**

IMPAIRMENT OF FINANCIAL ASSETS

On January 1, 2018, the Group changed the impairment of its financial assets from the incurred loss model under IAS 39 to the expected credit loss concept under IFRS 9. Until December 31, 2017, the Group estimated the incurred losses arising from the failure or inability of customers to make payments when due. These estimates were assessed on an individual basis, taking into account the aging of customers' balances, specific credit circumstances and the Group's historical default experience. Under the new approach, it is no longer necessary for a loss event to occur before an impairment loss is recognized. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets.

The following table compares the closing balances of impairment allowances as at December 31, 2017 with the opening balances of impairment allowances as at January 1, 2018 upon the initial application of IFRS 9 for trade receivables measured at amortized cost:

in EUR thousands

	Allowance as of 1/1/2018	Allowance as of 12/31/2017
Cash and cash equivalents	–	–
Trade receivables	6,675	6,204
Other financial assets	–	–
Other short-term investments	–	–

Impairment allowances on overdue trade receivables and other financial assets measured at amortized costs remained the same after the change from the incurred loss model under IAS 39 to the expected credit loss concept under IFRS 9. This change to the expected credit loss concept, however, resulted in an adjustment of EUR -0.5 million for trade receivables that are measured at amortized cost and not impaired. This adjustment was recognized in retained earnings on January 1, 2018.

HEDGE ACCOUNTING

The Group uses foreign exchange derivatives and interest rate swaps to hedge underlying cash flows against currency and interest rate fluctuations. The IAS 39 accounting rules for hedge accounting have not been applied because certain requirements have not yet been met. Hedge accounting at the SAF-HOLLAND Group has not changed due to the first-time adoption of IFRS 9.

IFRS 15 “REVENUE FROM CONTRACTS WITH CUSTOMERS”

IFRS 15 establishes a comprehensive framework for determining whether in what amount and at what time revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenues”, IAS 11 “Construction Contracts” and IFRIC 13 “Customer Loyalty Programs”.

SAF-HOLLAND has been applying the new IFRS 15 revenue recognition standard to its customer contracts since January 1, 2018. As already described in the 2017 notes to the consolidated financial statements, we assume that the application of IFRS 15 will have no impact on the consolidated financial statements.

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

The changes to the scope of consolidation compared to the consolidated financial statements as of December 31, 2017 are as follows:

Acquisition of V.ORLANDI S.p.A.

On April 9, 2018, SAF-HOLLAND GmbH acquired a 70 % stake in the Italian manufacturer of coupling systems for trucks, trailers, semi-trailers and agricultural vehicles V.ORLANDI S.p.A., headquartered in Flero, Italy. As part of the acquisition, the parties agreed to a call/put option for the sale/purchase of the remaining 30 % interest. The put option may be exercised during the period from January 1, 2019 to January 31, 2026. The exercise period of the call option starts after the end of the exercise period of the put option and is six months. The other liability resulting from the put option is accounted for in accordance with IAS 39. Due to the fact that SAF-HOLLAND GmbH has the majority of voting rights, it has obtained control of V.ORLANDI S.p.A. as of the acquisition date.

The first-time consolidation of V.ORLANDI S.p.A. will be carried out in accordance with IFRS 3 using the purchase method.

The preliminary purchase price of roughly EUR 39.1 million was paid in cash.

The following table shows the preliminary purchase price allocation and the amounts of the main groups of acquired assets and assumed liabilities at the time of acquisition:

in EUR thousands

	Fair value as of acquisition date
Brand	3,126
Other intangible assets	16,451
Property, plant and equipment	6,951
Inventories	6,208
Trade receivables	7,093
Other assets	2,525
Cash and cash equivalents	1,360
	43,714
Deferred tax liabilities	5,154
Interest bearing loans and borrowings	3,460
Trade payables	5,335
Other liabilities	713
Pension liabilities	1,085
Other Provisions	95
Income Tax liability	586
	16,428
Total of identified net assets	**27,285**
Shares with non-controlling interests	-8,187
Goodwill from the acquisition	20,013
Consideration transferred	**39,111**

The gross amount of trade receivables amounted to EUR 7,172 thousand at the time of acquisition.

The preliminary goodwill of EUR 20,013 thousand includes non-separable intangible assets, such as sales synergies that mainly result from the expansion of the portfolio, as well as cost synergies, particularly in the area of purchasing.

The non-controlling interests in the acquired company are measured at the fair value of the relevant share in the identifiable net assets of the acquired company and amounted to EUR 8,187 thousand at the time of acquisition.

The cash outflow as a result of the acquisition is as follows:

in EUR thousands	
Cash outflow	39,111
Cash acquired	1,360
Actual cash outflow	**37,751**

V.ORLANDI S.p.A. was assigned to the EMEA region.

The value of the put option for the remaining 30 % of the shares in V.ORLANDI S.p.A. is dependent on future earnings figures and amounted to EUR 6,568 thousand at the time of acquisition.

Acquisition of York Transport Equipment (Asia) Pte. Ltd.
On April 30, 2018, SAF-HOLLAND GmbH acquired 100 % in the manufacturer of axle and suspension systems York Transport Equipment (Asia) Pte. Ltd., headquartered in Singapore. York Transport Equipment (Asia) Pte. Ltd. and its subsidiaries ("York-Group") are one of the leading suppliers of trailer axle and suspension systems in India and distribute a full range of truck and trailer components throughout the entire APAC-region.

Due to the fact that SAF-HOLLAND GmbH has the majority of voting rights, it has obtained control of York Transport Equipment (Asia) Pte. Ltd. as of the acquisition date.

The preliminary purchase price of roughly EUR 32.5 million was paid in cash.

The following table shows the preliminary purchase price allocation and the amounts of the main groups of acquired assets and assumed liabilities at the time of acquisition:

in EUR thousands	Fair value as of acquisition date
Brand	2,570
Other intangible assets	14,604
Property, plant and equipment	4,665
Inventories	13,289
Trade receivables	12,127
Other assets	1,813
Cash and cash equivalents	20,075
	69,143
Deferred tax liabilities	6,056
Interest bearing loans and borrowings	15,982
Trade payables	15,248
Other liabilities	2,675
Pension liabilities	85
Income Tax liability	614
	40,660
Total of identified net assets	**28,483**
Goodwill from the acquisition	3,975
Consideration transferred	**32,458**

The gross amount of trade receivables amounted to EUR 12,330 thousand at the time of acquisition.

The preliminary goodwill of EUR 3,975 thousand is mainly attributable to synergies, such as sales synergies that are primarily a result of the expansion of the portfolio and cost synergies in the areas of research and development, purchasing, general administration and production.

The cash outflow as a result of the acquisition is as follows:

in EUR thousands	
Cash outflow	32,458
Cash acquired	20,075
Actual cash outflow	**12,383**

The York-Group was allocated for the most part to the APAC/China region.

5. SEGMENT REPORTING

A new segmentation in corporate management and reporting was introduced on May 1, 2018 in the course of the York-acquisition in order to better achieve the goals defined in the corporate strategy. India, which was previously part of the EMEA/India region, has been assigned to the APAC/China region as of the changeover date. As of May 1, 2018, corporate management and group reporting have been conducted through the "EMEA", "Americas" and "APAC/China" segments. The three regions cover both original equipment and spare parts business.

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

in EUR thousands

	Q1–Q2/2018	Q1–Q2/2017
Operating result	35,703	40,439
Share of net profit of investments accounted for using the equity method	1,074	1,202
EBIT	**36,777**	**41,641**
Additional depreciation and amortization from PPA	3,470	2,701
PPA step-up from inventory measuring of acquisitions	379	22
Restructuring and transaction costs	3,490	7,445
Adjusted EBIT	**44,116**	**51,809**

Information on segment sales and results for the period from January 1 to June 30, 2018:

in EUR thousands

	Q1–Q2/2018			
	Regions			
	Americas[1]	EMEA[2]	APAC/China[3]	Consolidated
Sales	224,938	345,096	70,274	**640,308**
Adjusted EBIT	**–39**	**39,622**	**4,533**	**44,116**
Adjusted EBIT margin	0.0%	11.5%	6.5%	6.9%

[1] Includes Canada, the USA as well as Central and South America.
[2] Includes Europe, Middle East and Africa.
[3] Includes Asia/Pacific, China and India.

in EUR thousands

	Q1–Q2/2017			
	Regions[1]			
	Americas[2]	EMEA[3]	APAC/China[4]	Consolidated
Sales	225,319	319,817	42,497	**587,633**
Adjusted EBIT	**15,035**	**33,832**	**2,942**	**51,809**
Adjusted EBIT margin	6.7%	10.6%	6.9%	8.8%

[1] Adjustment to Q2/2017 reported figures due to the change in segment reporting.
[2] Includes Canada, the USA as well as Central and South America.
[3] Includes Europe, Middle East and Africa.
[4] Includes Asia/Pacific, China and India.

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

6. FINANCE RESULT

Finance income and expenses consist of the following:

in EUR thousands	Q1–Q2/2018	Q1–Q2/2017
Unrealized foreign exchange gains on foreign curreny loans and dividends	10	377
Realized foreign exchange gains on foreign currency loans and dividends	152	136
Finance income due to derivatives	390	526
Interest income	186	146
Other	4	25
Total	**742**	**1,210**

in EUR thousands	Q1–Q2/2018	Q1–Q2/2017
Interest expenses due to interest bearing loans and bonds	–5,612*	–6,868*
Finance expenses due to derivatives	–325	–909
Finance expenses due to pensions and other similar benefits	–458	–582
Amortization of transaction costs	–178	–355
Other	–420	–679
Total	**–6,993**	**–9,393**

* Includes the non-cash interest expense of kEUR 328 (previous year: kEUR 323) for the convertible bond.

7. INCOME TAXES

The Group's effective income tax rate has improved by 2.5 percentage points year-over-year and amounted to 28.68% as of the reporting date (previous year: 31.19%). The lower effective income tax rate was a result of lower losses for which no income from the capitalization of deferred tax assets had been recognized for reasons of prudence.

The difference between the effective income tax rate and the Group's income tax rate of 25.5% (previous year: 30.2%) is particularly attributable to non-deductible operating expenses and unrecognized tax loss carryforwards.

The decline in the Group's tax rate to 25.5% (previous year: 30.2%) is due in particular to the lower corporate tax rate in the US as a result of the US tax reform that came into effect at the beginning of the year.

8. OTHER CURRENT INVESTMENTS

Other current investments held in the previous year resulted from short-term treasury management in the amount of EUR 58.3 million.

9. CASH AND CASH EQUIVALENTS

in EUR thousands	6/30/2018	12/31/2017
Cash on hand, cash at banks and checks	116,911	278,737
Short-term deposits	1	38
Total	**116,912**	**278,775**

The decline in cash and cash equivalents is due to the repayment of a bond with a volume of EUR 75.0 million and the net payments for the acquisition of V.ORLANDI S.p.A. and York Transport Equipment (Asia) Pte. Ltd. amounting to EUR 50.1 million. For further information regarding the development of cash and cash equivalents, please refer to the cash flow statement.

10. EQUITY

The Company's subscribed share capital was unchanged compared to December 31, 2017 and as of June 30, 2018 amounted to EUR 453,943.02 (previous year: 453,611.12). Subscribed share capital is fully paid-in and consists of 45,394,302 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, 2017.

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

in EUR thousands	Before tax amount		Tax (income) / expense		Net of tax amount	
	Q1–Q2/2018	Q1–Q2/2017	Q1–Q2/2018	Q1–Q2/2017	Q1–Q2/2018	Q1–Q2/2017
Revaluation defined benefit plan	–	102	–	–26	–	76
Exchange differences on translation of foreign operations	3,497	–16,342	–	–	3,497	–16,342
Total	**3,497**	**–16,240**	**–**	**–26**	**3,497**	**–16,266**

At the Annual General Meeting on April 26, 2018, it was resolved to distribute a dividend from the result for the period of the past financial year in the amount of EUR 0.45 per share to the shareholders. The distribution amount totaled EUR 20,427 thousand.

In the previous year, a dividend of EUR 0.44 per share was paid. The payout totaled EUR 19,959 thousand.

11. INTEREST-BEARING LOANS AND BONDS

Interest-bearing loans and bonds consisted of the following:

in EUR thousands	Non-current		Current		Total	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Interest bearing bank loans	12,651	12,369	–	–	**12,651**	**12,369**
Convertible bond	98,441	97,990	–	–	**98,441**	**97,990**
Bond	–	–	–-	75,000	**–**	**75,000**
Promissory note loan	200,000	200,000	–	–	**200,000**	**200,000**
Financing costs	–928	–1,138	–384	–498	**–1,312**	**–1,636**
Accrued interests	–	–	1,646	4,268	**1,646**	**4,268**
Other loans	54,670	52,063	2,770	2,551	**57,440**	**54,614**
Total	**364,834**	**361,284**	**4,032**	**81,321**	**368,866**	**442,605**

On April 26, the bond with a nominal volume of EUR 75.0 million issued in 2012 became due and was redeemed from existing cash.

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:

in EUR thousands

	6/30/2018				
	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	5,480	120,000	–	–	114,520
Facility B	–	30,260	–	–	30,260
Other Facilities	7,171	7,184*	116,912	–	116,925
Total	**12,651**	**157,444**	**116,912**	**–**	**261,705**

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

in EUR thousands

	12/31/2017				
	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	5,380	120,000	–	–	114,620
Facility B	–	29,219	–	–	29,219
Other Facilities	6,989	7,053*	278,775	58,306	337,145
Total	**12,369**	**156,272**	**278,775**	**58,306**	**480,984**

* 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 equivalents. In accordance with accounting policies, however, these are recorded 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:

in EUR thousands

		6/30/2018		12/31/2017	
	Category in accordance with IFRS 9	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Assets					
Cash and cash equivalents	FAAC	116,912	116,912	278,775	278,775
Trade receivables	FAAC	206,131	206,131	135,662	135,662
Other financial assets					
Other financial assets	FAAC	6,979	6,979	940	940
Other short-term investments	FAAC			58,306	58,306
Liabilities					
Trade payables	FLAC	175,383	175,383	114,219	114,219
Interest bearing loans and bonds	FLAC	384,227	368,866	487,118	442,605
Finance lease liabilities	n.a.	254	254	55	55
Other financial liabilities					
Other financial liabilities	FLtPL	20,835	20,835	15,910	15,910
Derivatives without a hedging relationship	FLHfT	710	710	655	655
Of which aggregated by category in accordance with IFRS 9					
Financial Assets measured at amortized cost	FAAC	330,022	330,022	473,683	473,683
Financial liabilities measured at amortized cost	FLAC	559,610	544,249	601,337	556,824
Financial liabilities held for trading	FLHfT	710	710	655	655
Financial Liabilities at fair Value through profit and loss	FLtPL	20,835	20,835	15,910	15,910

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

in EUR thousands

	6/30/2018			
	Level 1	Level 2	Level 3	Total
Bonds	–	–	–	–
Convertible bond	–	112,294	–	**112,294**
Promissory note loan	–	199,739	–	**199,739**
Interest bearing loans and borrowings	–	72,194	–	**72,194**
Put options for the remaining shares in KLL Equipamentos para Transporte Ltda.	–	–	20,835	**20,835**
Derivative financial liabilities	–	710	–	**710**

in EUR thousands

	12/31/2017			
	Level 1	Level 2	Level 3	Total
Bonds	76,272	–	–	**76,272**
Convertible bond	–	138,925	–	**138,925**
Promissory note loan	–	199,748	–	**199,748**
Interest bearing loans and borrowings	–	72,173	–	**72,173**
Put option for the remaining shares in KLL Equipamentos para Transporte Ltda.	–	–	15,910	**15,910**
Derivative financial liabilities	–	655	–	**655**

Derivative financial liabilities as of June 30, 2018 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 managing body of the SAF-HOLLAND Group's operating business and consists of selected managers of the Group, as well as the composition of 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 3/1/2017)
Arne Jörn	Chief Operating Officer (COO) (until 2/28/2018)
Steffen Schewerda	President Region Americas
Alexander Geis	President Region EMEA
Guoxin Mao	President Region China

Board of Directors

Martina Merz	Chairman of the Board of Directors (since 4/27/2017)
Dr. Martin Kleinschmitt	Deputy Chairman of the Board of Directors (since 4/27/2017)
Detlef Borghardt	Member of the Board of Directors
Jack Gisinger	Member of the Board of Directors (since 4/27/2017)
Anja Kleyboldt	Member of the Board of Directors
Carsten Reinhardt	Member of the Board of Directors (since 4/27/2017)

Transactions with related parties and companies in which members of the Company's management hold key management positions:

in EUR thousands

	Sales to related party		Purchases from related party	
	Q1 – Q2 / 2018	**Q1 – Q2 / 2017**	**Q1 – Q2 / 2018**	**Q1 – Q2 / 2017**
Joint Ventures	277	194	–	–
Associates	220	–	17,863	14,957
Total	**497**	**194**	**17,863**	**14,957**

in EUR thousands

	Amounts owed by related party		Amounts owed to related party	
	6/30/2018	**12/31/2017**	**6/30/2018**	**12/31/2017**
Joint Ventures	425	426	–	1
Associates	–	–	2,319	1,278
Total	**425**	**426**	**2,319**	**1,279**

14. EVENTS AFTER THE BALANCE SHEET DATE

Purchase of Axscend Ltd.

With effect from July 24, 2018, SAF-HOLLAND GmbH has acquired 69.99 % of the shares in the English telematics and connectivity specialist Axscend Ltd. based in Canterbury, U.K. Axscend Ltd. is active in the area of hardware and software development and focuses on the digitization of trailer management with its product Trailer Master Connect.

As part of the takeover, the parties were granted a call/put option for the acquisition/sale of the remaining 30.01 %, which can be exercised for the first time in the year 2022.

Due to the voting right majority, SAF-HOLLAND GmbH has obtained control over Axscend Ltd. at the time of acquisition. The first-time consolidation of Axscend will be carried out pursuant to IFRS 3 using the acquisition method.

The preliminary purchase price is roughly EUR 5.0 million and was paid in cash.

It was not possible to carry out a preliminary purchase price allocation for the acquired assets and liabilities as of the acquisition date due to the short period of time between the acquisition and the publication of this interim report.

Beyond this, no other significant events occurred after the interim reporting date.

Luxembourg, August 14, 2018

Martina Merz
Chair of the
Board of Directors

Detlef Borghardt
Chief Executive Officer (CEO),
Member of the Board
of Directors and Member of
the Management Board

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 14, 2018
SAF-HOLLAND S.A.

Martina Merz
Chair of the
Board of Directors

FINANCIAL CALENDAR AND CONTACT INFORMATION

FINANCIAL CALENDAR

November 9, 2018
Report on Q3 2018 results

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Date of publication: August 14, 2018
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This report is also available in German.

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