# Efficiency

HALF-YEAR REPORT AS OF JUNE 30, 2011

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## Key Figures

| EUR million | Q1–Q2/2011 | Q1–Q2/2010 | Q2/2011 | Q2/2010 |
|---|---|---|---|---|
| Sales | 417.9 | 287.5 | 215.5 | 162.2 |
| Cost of sales | -341.2 | -232.3 | -176.8 | -130.7 |
| Gross profit | 76.7 | 55.2 | 38.7 | 31.5 |
| Adjusted result for the period | 11.9 | -0.6 | 7.0 | 1.0 |
| Adjusted EPS in EUR[1] | 0.37 | -0.03 | 0.17 | 0.05 |
| Adjusted EBITDA | 37.0 | 22.3 | 18.8 | 13.7 |
| Adjusted EBIT | 30.0 | 14.6 | 15.4 | 9.8 |
| Operating cash flow[2] | 23.6 | 19.7 | 12.8 | 12.5 |

1) Adjusted net result/weighted average number of ordinary shares outstanding in the period under review.

2) The operating cash flow is the cash flow from operating activities before income tax payments.

## Sales by Region

| EUR million | Q1–Q2/2011 | Q1–Q2/2010 | Q2/2011 | Q2/2010 |
|---|---|---|---|---|
| Europe | 235.1 | 135.6 | 124.2 | 76.8 |
| North America | 163.9 | 133.7 | 82.1 | 74.7 |
| Other | 18.9 | 18.2 | 9.2 | 10.7 |
| **Total** | **417.9** | **287.5** | **215.5** | **162.2** |

## Sales by Business Unit

| EUR million | Q1–Q2/2011 | Q1–Q2/2010 | Q2/2011 | Q2/2010 |
|---|---|---|---|---|
| Trailer Systems | 241.8 | 136.0 | 127.3 | 79.3 |
| Powered Vehicle Systems | 73.8 | 61.5 | 36.5 | 34.0 |
| Aftermarket | 102.3 | 90.0 | 51.7 | 48.9 |
| **Total** | **417.9** | **287.5** | **215.5** | **162.2** |

## Other Financial Information

| | 06/30/2011 | 03/31/2011 | 12/31/2010 |
|---|---|---|---|
| Total assets (EUR million) | 519.6 | 656.1 | 484.7 |
| Equity ratio (%) | 33.8 | 26.1 | 5.1 |

| | Q1–Q2/2011 | Q1–Q2/2010 |
|---|---|---|
| Employees (average) | 3,061 | 2,480 |
| Sales per employee (kEUR) | 136.5 | 115.9 |

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# Foreword from the Management Board

Ladies and gentlemen,
dear shareholders,

In the first six months of 2011, SAF-HOLLAND continued its growth and achieved important strategic objectives. This applies to both the operating business as well as for the financial standing of our company.

In our key markets within Europe and North America, demand in the second quarter once again rose strongly. For the full year, we expect that we will also record strong growth as compared to 2010. In the first half of 2011, SAF-HOLLAND achieved a sales increase of 45% as compared to the prior year period and an adjusted EBIT which, as of June 30, had doubled to EUR 30 million. We thus have made good progress.

At the same time, as a result of the successful capital increase in March and the positive business development, we have achieved an equity ratio of nearly 34%. Our balance sheet structure has improved substantially within the six-month period providing the company with sufficient financial strength to finance our further growth.

In our operating business, we have made excellent progress in a number of areas. There's one thing in particular that we would like to point out: in the USA we now also offer a complete product family of air suspension systems for a variety of applications and weight classes. On the basis of this technology platform, we can thus serve the most diverse customer requirements from a single source. With our expertise in the area of weight reduction we offer the lightest products in this product segment. At the Mid-America Trucking Show, the most important commercial vehicles fair in the USA, the new product family was well-received and the first systems have already been delivered. We now intend to double our market share in the medium term on the basis of this success, a significant component of our growth strategy in America. In China and Brazil, as well, we have made progress in the expansion of our product range: in China we began trailer axle production at the beginning of the year; in Brazil we are also developing and testing products that are specifically designed for the market.

Detlef Borghardt

Effective July 1, I assumed the role of CEO in the Management Board of SAF-HOLLAND S.A. from Rudi Ludwig. Rudi Ludwig led and helped shape our company for a long time. The merger of SAF and Holland put together along with Sam Martin, in particular, bears his signature. The fact that Rudi Ludwig returned to head the company in the midst of the commercial vehicle industry's most severe crisis in order to put SAF-HOLLAND back on a path toward success and to lay the groundwork for future growth deserves our utmost respect. Today, in all growth markets around the world, our company is positioned as an innovative and customer-oriented provider of quality products and can participate fully in the global economic upswing. I have inherited a strong hand from Rudi Ludwig, for which I am extremely grateful. Together with the Management Board, I will continue the strategy that he helped to develop and put into action.

For the second half of the year, we expect stable market development as compared to the first half. The strong market growth in Europe and North America is leading to some bottlenecks in capacity among our suppliers. We are therefore maintaining close communication with our current suppliers and potential additional suppliers to ensure the delivery of our primary products. In the USA in particular we are experiencing supply bottlenecks for certain components and this is being felt by our customers, especially the truck manufacturers. In addition, the market is currently characterized by rising prices for raw materials. We have already reacted to these developments with a comprehensive series of counter-measures.

Against this backdrop, SAF-HOLLAND maintains its positive estimate for the full year: we will increase sales as compared with the previous year by up to 25%. Earnings will also be improved although, as already announced, earnings growth will not be able to keep pace with sales growth. In light of the continued optimistic evaluations from leading market experts, we anticipate a positive business development for the coming financial year 2012.

Detlef Borghardt
Chief Executive Officer (CEO)

# First Half-Year 2011 at a Glance

>> **Group sales increases by 45% to EUR 417.9 million**

- Trailer Systems Business Unit grows by 78% as compared to the previous year
- Powered Vehicle Systems Business Unit with 20% higher sales
- Aftermarket Business Unit increases gross margin

>> **Earnings situation improved significantly in the first half year**

- Adjusted EBIT margin reaches 7.2% (previous year: 5.1%)
- Adjusted profit for the period rises to EUR 11.9 million (previous year: EUR -0.6 million)
- Adjusted earnings per share improved to EUR 0.37 (previous year: EUR -0.03)

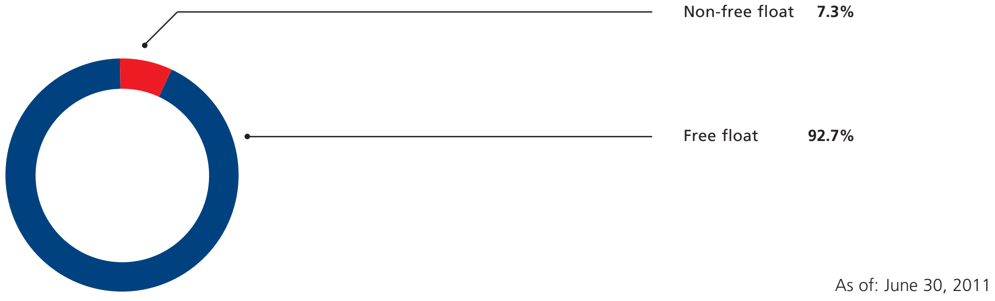
>> **Equity ratio higher at 33.8%**

- Successful capital increase generates net proceeds of EUR 139.4 million
- Liabilities from interest-bearing loans and borrowings decreased from EUR 310.7 million to EUR 172.3 million
- More favorable financing conditions reached

>> **Product portfolio and presence expanded on a global scale**

- USA: new product family for air suspension systems well-received by customers
- Brazil: introduction of a new mechanical suspension system planned for October
- China: start of production for a new axle system for the local market
- New subsidiary in Turkey begins business operations
- New subsidiary founded in Dubai

# The Share




In the first half of 2011, the SAF-HOLLAND share rose much stronger than the SDAX. As of June 30, 2011 the share was quoted at EUR 8.59 and thus 35% higher than at the beginning of the year when it had a starting price of EUR 6.36. The share reached its high for the first six months on May 31, 2011 when it was quoted at EUR 9.47.

Share price drivers were, on the one hand, the strong increase in demand as a result of positive economic development and, on the other hand, the improved financial strength of the company. In the course of turbulence on the international financial markets in the first half of August, however, SAF-HOLLAND also had to face significant drops in its share price. SAF-HOLLAND successfully completed a capital increase in March: net proceeds for the company amounted to EUR 139.4 million. The placement consisted of 20,535,100 new shares at a price of seven euro. The free float increased to 92.7% as a result of the transaction. The subscribed share capital now amounts to EUR 412,373.75. With the successful capital increase, new and improved financing conditions also came into effect. SAF-HOLLAND had agreed on these with the banking syndicate in February.

The shareholders decided at the Annual General Meeting on April 28, 2011 that no dividend would be paid for financial year 2010. On the occasion of the shareholder meeting, Rudi Ludwig, CEO of SAF-HOLLAND Group announced he would leave the company at his own request as of June 30, 2011 and following the successful completion of the operative and financial restructuring of the company. Detlef Borghardt succeeds him as CEO of the company effective July 1, 2011. At the same time, the mandate for Bernhard Schneider, Chairman of the Board of Directors, as member of the Board of Directors was extended until the Annual General Meeting 2015 and the mandate of Richard Muzzy as member of the Board Directors was also extended by an additional two years until the Annual General Meeting 2013. The former head of the US business and COO of the SAF-HOLLAND Group, Sam Martin, was appointed to the Board of Directors until 2013.

# Group Interim Management Report

For the First Half-Year of 2011 of SAF-HOLLAND S.A.

## I BUSINESS AND FRAMEWORK CONDITIONS

SAF-HOLLAND S.A., hereinafter also referred to as SAF-HOLLAND, the Group, or the company, is one of the world's leading manufacturers and providers of premium systems and components for commercial vehicles (trucks and trailers) as well as buses and recreational vehicles. The product range encompasses axle and suspension systems, fifth wheels, coupling devices, kingpins, and landing legs. The Group, with its three Business Units – Trailer Systems, Powered Vehicle Systems, and Aftermarket – currently utilizes 16 production sites in Europe, North and South America, Brazil, Australia, China, and India. In addition, the company operates a worldwide service and distribution network and has cooperative agreements with well-known manufacturers.

## II OVERVIEW OF BUSINESS DEVELOPMENT

### II.1 Overall Economic Environment

**Continued growth in the global economy**

The economic recovery continues around the world, even though we are now seeing the first signs of somewhat slower growth. In June 2011, the International Monetary Fund (IMF) slightly lowered its expectations for the current year and now anticipates an increase of 4.3% in the global economy (April 2011: 4.4%). The situation is similar for the USA where expectations were lowered to 2.5% (2.8%). For the Eurozone and Germany, on the other hand, the outlook was increased significantly to a plus of 2.0% (1.6%) and 3.2% (2.5%) respectively. The catching-up process is continuing in the world's growth regions: for China, the IMF is forecasting growth of 9.6%, for India growth of 8.2% and for Russia 4.8%. For Brazil, expectations were lowered to 4.1% (4.5%). Global trading volume is expected to rise by 8.2%.

With the good economic development, demand for trucks and trailers has risen substantially. According to statements from the Automotive Industry Association, the international commercial vehicles business "is bustling". The trailer industry is also benefiting from strong demand in the transport sector. Overall, the number of new truck registrations (over 16 tons) in Germany in the first half year increased by over 62% to more than 21,000. In Europe (EU 27), the number increased by nearly 56% to close to 120,000 new registrations, as reported by the industry association ACEA. According to a July 2011 forecast from market research institute ACT, truck production (class 8) in the USA will increase by about 70% to 184,000 vehicles – that means that demand should increase at a rate even greater than expected in April. With an equally strong growth of 68% to about 208,000 units, the number of trailers delivered in the USA should also rise.

Meritor, one of our competitors in Europe, has withdrawn from the trailer axle market where it had held a market share of between 6% and 7%. We expect to gain a number of customers from this former competitor for SAF-HOLLAND, resulting in further market opportunities for us.

## II.2 Significant Events in the First Half of 2011

**Strong growth as compared to previous year, first signs of bottlenecks**

Strong growth in the commercial vehicles industry around the world also shaped the development of sales at SAF-HOLLAND. Compared to the first half year of 2010, sales rose by 45% to EUR 417.9 million (previous year: EUR 287.5 million). Adjusted earnings before interest and taxes (EBIT) doubled as compared to the previous year to EUR 30.0 million (previous year: EUR 14.6 million). The adjusted EBIT margin was at the same level as in the first quarter of 2011 at 7.2% (previous year: 5.1%). Incoming orders continued to show strong growth, especially in the USA truck market. Customers in North America displayed great interest in our new family of air suspension systems which we presented in March 2011 at the Mid-America Trucking Show in Louisville, Kentucky. This new product range is an important sales driver in our strategy of doubling our market share in the USA in the medium term.

As compared to the first quarter of 2011, sales increased by 6.5% to EUR 215.5 million (Q1: EUR 202.4 million). Adjusted EBIT in the second quarter amounted to EUR 15.4 million (Q1: EUR 14.6 million), which corresponds to an increase of 5.5%.

The rise in demand also led to a further increase in the number of jobs. Plants in the USA and some in Germany are currently operating in up to three shifts. On top of that, preparations are now underway at one German plant to add a fourth shift in order to gain more flexibility in production. This means that we are very close to full utilization in Europe with our current capacities. First measures have been taken in order to meet the future increase of demand.

We have improved our service quality in the Aftermarket Business Unit by centralizing our spare parts warehouses in both Germany and in the USA. This will considerably simplify the ordering and delivery process for customers. The previous two spare parts warehouses in Singen and Aschaffenburg have now been consolidated at the Aschaffenburg location. In the USA, a new central warehouse was opened in Cincinnati, Ohio. This efficient structure not only offers improved service for customers, it also reduces the logistics expense for SAF-HOLLAND.

In Turkey, our subsidiary began business operations. In accordance with our growth strategy, we always want to remain close to our customers. Because Turkey is currently developing into one of the most important locations for the truck and trailer industry, the founding of a company there was a logical step. Almost all well-known European manufacturers have already built up their production capacities in that country or plan to do so.

In China, a government economic stimulus program expired, leading to a temporary decrease in the market. Nevertheless, we remain on course to expand our position. To this end, we are relying on our landing leg production and a new axle system which was developed specifically for the local market with a corresponding price and quality profile. In Brazil, as well, we are seeking growth with products that are being offered specifically for the local market: in October 2011, the Group will present a new mechanical suspension system at Fenatran, the country's main trade fair in Sao Paulo.

As a result of growing demand, we are seeing occasional supply bottlenecks and rising raw materials prices. In the USA, we are currently experiencing delivery delays to our customers. We are countering this situation with a series of measures. These include the expansion of our production capacities, the renegotiation of procurement prices, the expansion of our supplier base, the transfer of raw material price increases to our customers and new and revised design and manufacturing processes for our products which conserve materials.

## II.3 Earnings development

### Sales grows by 45%

SAF-HOLLAND increased its sales in the first half year of 2011 by 45% as compared to the previous year period. Overall, revenues amounted to EUR 417.9 million (previous year: EUR 287.5 million). Sales also increased as compared to the first quarter of 2011 by 6.5% to EUR 215.5 million in the second quarter (previous year: EUR 162.2 million; Q1 2011: EUR 202.4 million).

The Group achieved this growth primarily in the core markets of Europe and North America. In Europe, sales in the first half year rose to EUR 235.1 million (previous year: EUR 135.6 million), corresponding to growth of more than 73%. Europe thus accounts for 56.3% of Group sales. In North America, sales were up 22.6% to EUR 163.9 million (previous year: EUR 133.7 million). The share of Group sales amounts to 39.2%. In other regions, sales rose by 3.9% to EUR 18.9 million (previous year: EUR 18.2 million). In view of the strong growth, primarily in Europe, the relative share of the other regions in total sales declined to 4.5%.

### Sales development by region

| EUR million | Q1–Q2/2011 | | Q1–Q2/2011 (exchange rate-adjusted) | | Q1–Q2/2010 | |
|---|---|---|---|---|---|---|
| Europe | **235.1** | 56.3% | **235.1** | 54.9% | 135.6 | 47.2% |
| North America | **163.9** | 39.2% | **173.1** | 40.5% | 133.7 | 46.5% |
| Other | **18.9** | 4.5% | **19.7** | 4.6% | 18.2 | 6.3% |
| **Total** | **417.9** | **100.0%** | **427.9** | **100.0%** | **287.5** | **100.0%** |

| EUR million | Q2/2011 | | Q2/2011 (exchange rate-adjusted) | | Q2/2010 | |
|---|---|---|---|---|---|---|
| Europe | **124.2** | 57.6% | **124.2** | 54.8% | 76.8 | 47.3% |
| North America | **82.1** | 38.1% | **92.4** | 40.7% | 74.7 | 46.1% |
| Other | **9.2** | 4.3% | **10.1** | 4.5% | 10.7 | 6.6% |
| **Total** | **215.5** | **100.0%** | **226.7** | **100.0%** | **162.2** | **100.0%** |

### Adjusted EBIT doubles as compared to the previous year

Despite increased procurement prices for raw materials and primary products, SAF-HOLLAND was able to maintain the adjusted EBIT margin in the second quarter at a constant level of 7.2%. Thanks to the strong growth in sales, adjusted EBIT in the first half year increased to EUR 30.0 million (previous year: EUR 14.6 million). In the second quarter, the adjusted EBIT was at EUR 15.4 million (previous year: EUR 9.8 million; Q1 2011: EUR 14.6 million). As a result of a changed product mix and increases in the prices for materials, the gross margin decreased in the first half year to 18.4% (previous year: 19.2%). The adjusted result for the period rose to EUR 11.9 million, whereas the figure for the previous year period was negative (EUR -0.6 million). Adjusted earnings per share improved to EUR 0.37 (previous year: EUR -0.03) – this despite a substantial rise in the number of shares following the capital increase in March 2011.

## Reconciliation Statement for Adjusted Figures

| EUR million | Q1-Q2/2011 | Q1-Q2/2010 | Q2/2011 | Q2/2010 |
|---|---|---|---|---|
| Result for the period | **14.4** | -8.9 | **6.7** | 0.5 |
| Income tax | **-5.8** | 1.9 | **1.8** | 1.9 |
| Finance result | **18.0** | 17.8 | **5.4** | 5.3 |
| Depreciation and amortization from PPA[1] | **3.2** | 3.3 | **1.6** | 1.7 |
| Restructuring and integration costs | **0.2** | 0.5 | **-0.1** | 0.4 |
| **Adjusted EBIT** | **30.0** | **14.6** | **15.4** | **9.8** |
| as a percentage of sales | **7.2** | 5.1 | **7.1** | 6.0 |
| Depreciation and amortization | **7.0** | 7.7 | **3.4** | 3.9 |
| **Adjusted EBITDA** | **37.0** | **22.3** | **18.8** | **13.7** |
| as a percentage of sales | **8.9** | 7.8 | **8.7** | 8.4 |
| Depreciation and amortization | **-7.0** | -7.7 | **-3.4** | -3.9 |
| Finance result | **-18.0** | -17.8 | **-5.4** | -5.3 |
| Restructuring and integration costs | **5.2**[2] | 2.4 | **0.1** | -3.0 |
| **Adjusted result before taxes** | **17.2** | **-0.8** | **10.1** | **1.5** |
| Income tax | **-5.3**[3] | 0.2 | **-3.1** | -0.5 |
| **Adjusted result for the period** | **11.9** | **-0.6** | **7.0** | **1.0** |
| as a percentage of sales | **2.8** | -0.2 | **3.2** | 0.6 |
| | | | | |
| Number of shares[4] | **31,768,412** | 20,702,275 | **41,237,375** | 20,702,275 |
| **Adjusted earnings per share in EUR** | **0.37** | **-0.03** | **0.17** | **0.05** |

1) Purchase price allocation (PPA) from the acquisition of the SAF Group and Holland Group in 2006 as well as Austin-Westran Machinery Co., Ltd. and the current SAF-HOLLAND Verkehrs-technik GmbH in 2008.

2) One-time effects mainly from the early redemption of bank loans of EUR 4.4 million and swaps of EUR 0.7 million.

3) A uniform tax rate of 30.80% (previous year: 28.59%) was assumed for the adjusted result for the period. One-time effects from the creation of deferred tax assets on previously unre-cognized interest carry-forwards in the amount of EUR 9.4 million are not considered (see Note 7).

4) Weighted average number of shares outstanding in the period under review.

## II.4 Development in the Business Units

### Business Unit Overview

| | Business Unit Trailer Systems | | Business Unit Powered Vehicle Systems | | Business Unit Aftermarket | | Adjustments/ eliminations | | **Total** | |
|---|---|---|---|---|---|---|---|---|---|---|
| EUR million | Q1–Q2 2011 | Q1–Q2 2010 | Q1–Q2 2011 | Q1–Q2 2010 | Q1–Q2 2011 | Q1–Q2 2010 | Q1–Q2 2011 | Q1–Q2 2010 | Q1–Q2 2011 | Q1–Q2 2010 |
| Sales | **241.8** | 136.0 | **73.8** | 61.5 | **102.3** | 90.0 | **–** | – | **417.9** | 287.5 |
| exchange rate-adjusted | **245.5** | | **77.1** | | **105.3** | | | | **427.9** | |
| Cost of sales | **-219.1** | -130.6 | **-59.9** | -46.0 | **-62.1** | -55.7 | **-0.1** | – | **-341.2** | -232.3 |
| **Gross profit** | **22.7** | **5.4** | **13.9** | **15.5** | **40.2** | **34.3** | **-0.1** | **–** | **76.7** | **55.2** |
| as a percentage of sales | **9.4** | 4.0 | **18.8** | 25.2 | **39.3** | 38.1 | **–** | – | **18.4** | 19.2 |
| Other income and expense | **-15.0** | -14.8 | **-6.3** | -3.6 | **-23.6** | -20.7 | -1.8 | -1.5 | **-46.7** | -40.6 |
| **Adjusted EBIT** | **7.7** | **-9.4** | **7.6** | **11.9** | **16.6** | **13.6** | **-1.9** | **-1.5** | **30.0** | **14.6** |
| as a percentage of sales | **3.2** | -6.9 | **10.3** | 19.3 | **16.2** | 15.1 | **–** | – | **7.2** | 5.1 |

**Trailer Systems**
Business in the Trailer Systems Business Unit continued to show dynamic growth. Among other things, here we are also seeing catch-up effects from the customer side. Compared to the previous year period, sales in the first six months rose by about 78% to EUR 241.8 million (previous year: EUR 136.0 million). As a result of higher utilization and despite an increase in procurement prices, the gross margin rose to 9.4% (previous year: 4.0%). The segment thus contributes 57.8% to Group sales (previous year: 47.3%).

In the second quarter, sales as compared to the first quarter of 2011 were up by 11.2% to EUR 127.3 million (Q1 2011: EUR 114.5 million).

**Powered Vehicle Systems**
The Powered Vehicle Systems Business Unit once again expanded its business as compared to the first half of 2010. Volume in Europe, in particular, was higher. In the USA, on the other hand, truck manufacturers were not always able to manage the full scope of the strong demand due to the inability of the supply base to maintain the pace of growth. SAF-HOLLAND is also feeling this effect. Segment sales increased by 20% to EUR 73.8 million (previous year: EUR 61.5 million). In the period under review, the ongoing major project from a public-sector customer continued to generate a high utilization of capacity, but its importance will fall back significantly in the next two quarters according to plan. The gross margin was influenced by a changed product mix and rising material prices; in the first half year it amounted to 18.8% (previous year: 25.2%). We have taken measures to counter this development accordingly. Due to the strong growth in the Trailer Systems Business Unit, the share of the Powered Vehicle Systems Business Unit in total Group sales decreased to 17.7% (previous year: 21.4%). At EUR 36.5 million in the second quarter of 2011, the Business Unit nearly reached the same level of EUR 37.3 million achieved in the first quarter.

**Aftermarket**
The Aftermarket Business Unit was an important earnings driver in the first half year. Sales rose by about 14% to EUR 102.3 million (previous year: EUR 90.0 million). Despite increases in the price of materials, the gross margin rose slightly to 39.3% (previous year: 38.1%). The segment generated 24.5% of Group sales (previous year: 31.3%). The spare parts business profits not only from increasing transport volumes and the associated rise in demand for spare parts, but also from the global presence of SAF-HOLLAND. With new subsidiaries in Turkey and Dubai as well as the improved logistics in the USA and in Germany, we have once again increased the segment's volume potential. As compared to the previous quarter, sales growth in the second quarter of 2011 was 2.2% to EUR 51.7 million (Q1 2011: EUR 50.6 million).

## II.5 Financing

**Interest-bearing loans and borrowings reduced by 44.5%**
SAF-HOLLAND significantly strengthened its financial position with a capital increase in the first half of 2011. Net proceeds for the company amounted to EUR 139.4 million. The placement on March 24, 2011 consisted of 20,535,100 new shares at a price of seven euro. The subscribed share capital now amounts to EUR 412,373.75. SAF-HOLLAND used a major portion of the proceeds to reduce existing interest-bearing loans and borrowings from EUR 310.7 million to EUR 172.3 million.

With the successful capital increase, the company also gained more favorable conditions for the existing credit lines. This agreement was already concluded with the banking syndicate on February 24, 2011. The amendment agreement includes a significantly lower interest rate margin which was lowered in a first step from 5.95% to 4.25%. We will thus save about EUR 14 million annually in interest expenses. Should key debt figures improve, the interest rate margin will be lowered even further. In addition, the banks have waived the opportunity of a simplified liquidation of assets. The one-time costs for the capital increase and the adjustment to the financing amount to EUR 9.4 million. They were deducted from the proceeds of the capital increase and capitalized as transaction costs from the existing loans.

In connection with the capital increase and the adjustment of conditions, the following repayments were made on April 7, 2011:

- Repayment of all accrued interest liabilities to that date (PIK interest) in the amount of EUR 14.3 million
- Repayment of EUR 49.2 million from the euro loan tranche "facility A1"
- Repayment of USD 56.7 million from the dollar loan tranche "facility A2"
- Minimized use of the revolving credit line "facility B"

Further, the loans granted by members of the Board of Directors and Management Board in the amount of EUR 1.4 million including interest were repaid by the company.

Against this backdrop, SAF-HOLLAND on April 19, 2011 released interest rate hedge instruments with a nominal value of EUR 56.8 million and USD 40.0 million. The Group thus avoids over-hedging in the scope of the new financing structure. One-time payments of EUR 2.0 million and USD 8.8 million were required for the disposal (see Notes 12 and 13).

Further, the expected cash flows from the loans were adjusted for the premature repayment in April 2011. This resulted in an earnings effect of EUR 4.4 million (see Note 6).

As of June 30, 2011, liabilities from interest-bearing, secured bank loans amounted to EUR 175.8 million (December 31, 2010: EUR 295.0 million) while net debt was EUR 160.4 million.

## II.6 Investments

**Focus on investments for expansion**

Net investments in the first half year of 2011 amounted to EUR 3.9 million (previous year: EUR 3.0 million). Currently, the company is focusing primarily on replacement and expansion investments in order to meet increased demand. For the full year, SAF-HOLLAND expects an investment ratio of under 2% of sales, which corresponds to a maximum amount of EUR 14 million.

## II.7 Liquidity

**Operating cash flow sustainably positive**

Cash and cash equivalents rose in the reporting period to EUR 11.9 million (December 31, 2010: EUR 8.5 million). The cash flow primarily reflects the cash inflow from the successful capital increase and the resulting partial repayment of dept. Cash flow from financing activities totaled EUR -13.5 million (previous year: EUR -25.1 million). In view of the net proceeds of EUR 139.4 million, the credit lines were partially repaid in the amount of EUR 89.1 million. Furthermore, payments were made for the amendment of the financing agreement, interest payments and the repayment of loans from the Board of Directors and Management Board of the company (see also section II.6 Financing). With the positive business development, cash flow from operating activities before income tax payments increased to EUR 23.6 million (previous year: EUR 19.7 million). Cash flow from investments totaled EUR -3.9 million (previous year: EUR -3.0 million). Irrespective of the growth course, the net working capital in the first half year improved once again to 8.3% of sales or EUR 71.5 million (December 31, 2010: 9.1% or EUR 62.7 million). The positive business development could lead to a slight increase of net working capital in the second half year, whereby the target figure of under 10% of sales for this relevant key parameter will not be exceeded. The efficient positioning of the Group is confirmed by the continued low days inventory outstanding of 44 days (December 31, 2010: 43 days), which means that the figure was once again lower than the target of 45 days. In the first half year of 2010 the days of inventory outstanding was at 47 days.

## II.8 Assets

**Equity ratio reaches about 34%**

The balance sheet on the reporting date of June 30, 2011 is shaped primarily by the capital increase and the reduction of debt as well as by improving business development. The equity ratio improved significantly to 33.8% (December 31, 2010: 5.1%). Total assets increased to EUR 519.6 million (December 31, 2010: EUR 484.7 million).

Non-current assets decreased slightly to EUR 312.2 million (December 31, 2010: EUR 317.9 million). Current assets, however, rose substantially to EUR 207.4 million (December 31, 2010: EUR 166.1 million) because inventories increased significantly to EUR 86.4 million (December 31, 2010: EUR 68.1 million) and receivables to EUR 100.5 million (December 31, 2010: EUR 80.4 million) as a result of growth.

In light of the cash inflow from the capital increase, equity increased substantially to EUR 175.5 million (December 31, 2010: EUR 24.9 million). As a result of the partial repayment of the credit line, non-current liabilities declined to EUR 210.3 million (December 31, 2010: EUR 362.4 million). The increase in current liabilities to EUR 133.8 million (December 31, 2010: EUR 97.4 million) resulted primarily from higher trade payables of EUR 95.6 million (December 31, 2010: EUR 69.9 million) as a result of the expansion in business volume.

## II.9 Employees

**New jobs created**

In view of growing demand and expanded production, the number of employees (including temporary employees) rose Group-wide as of the balance sheet date on June 30 to 3,158 (June 30, 2010: 2,557; December 31, 2010: 2,774).

In the USA and in Europe, employees were hired primarily in the areas of Research and Development as well as Production. Some of the new hires are temporary employees, which allows us to react flexibly to demand. In addition, all trainees who completed their apprenticeships were given employment contracts. For the new training year, we will increase the number of apprenticeship places in Germany to 22 – after 15 new apprenticeship places in summer 2010. In Germany, SAF-HOLLAND offers a total of 64 apprenticeship places. In an industry comparison, that corresponds to an above-average rate of 6.3 percent. For all workers, including those who are not part of the collective bargaining agreement, salaries increased by 2.7% in April.

## II.10 Research and Development

**Focus on efficient products**

We expanded our development activities in the first half of 2011. In so doing, we intend to complete our product range and advance the exchange of technology within the Group. The Group presented a new product family of air suspension systems at the Mid-America Trucking Show in the USA in March. We pay particular attention to solutions which improve the efficiency of trucks and trailers. Weight reduction and longer maintenance intervals make up the focus of our efforts. It is our objective to reduce costs for trucking companies and fleet operators by offering high-quality products and comprehensive service. In the reporting period, EUR 7.7 million went toward Research and Development, for an R&D ratio of 1.9% (previous year: EUR 7.0 million; R&D ratio: 2.4%), of that total, EUR 0.6 million was capitalized (previous year: EUR 0.5 million).

# III EVENTS AFTER THE BALANCE SHEET DATE

Effective July 1, 2011, Detlef Borghardt assumed the role of CEO of the SAF-HOLLAND Group. He succeeds Rudi Ludwig, who has stepped down from active business at his own request (see Note 16).

In order to restructure the external financing in a favorable financial market situation, SAF-HOLLAND has prepared a corporate bond emission. The objective is to reduce dependency on the banking syndicate and to achieve a long-term predictable external financing structure. The bond is planned with a term of seven years. As soon as the situation on the capital markets, currently burdened by budget issues in Europe and the USA, becomes more favorable, we will be in a position to quickly start with the marketing and placement of the bond. Parallel to the planned bond, the company negotiated a new flexible credit framework with four banks for EUR 90 million and a term of five years which will take effect following the successful placement of the bond.

In Dubai we founded a subsidiary in July, which will cover the markets in Middle East, North and Central Africa.

In July we took a significant step forward in our preparations for a leaner corporate structure. Effective retroactively to January 1, 2011, several intermediary companies will be gradually merged with SAF-HOLLAND GROUP GmbH (see Note 16). We believe that this step will make our company management more efficient, give us greater transparency and lower administrative costs.

## IV RISK REPORT

Compared with the risk profile at the end of financial year 2010, as outlined in the annual report, the Group has recorded no changes. Overall, the risks are manageable and sufficient provisions have been made for known risks. In addition, it was decided by the Board of Directors last year to set up a specific independent department in the Group that deals with the development and review of internal control. Initial steps have already been taken to implement this plan.

## V OUTLOOK

Positive economic development around the world should continue into the second half of the year, giving the commercial vehicle industry a boost. For the full year, market research institutes expect an increase in truck production (class 8) of approximately 70% in the USA alone and a growth of 68% in the number of trailers delivered. We assume, however, that the dynamic growth will even out at the current level for the time being. From today's perspective, it is impossible to predict the extent to which the turbulence on the financial markets that began at the beginning of August will effect the real economy. With our product portfolio, particularly with the new products introduced in 2011, and our global presence, the company has been aligned to the needs of our customers. In light of favorable framework conditions, SAF-HOLLAND continues to expect sales growth in financial year 2011 of up to 25% as compared with the previous year, following the upward adjustment of the forecast in May 2011. Earnings will also improve considerably. With a view to the changed product and customer mix as well material prices which are once again rising, earnings growth will not, as announced, keep pace with sales growth. This particularly affects our OEM business in the Powered Vehicle Systems Business Unit. In light of the continued optimistic evaluations from leading market experts, we also anticipate a positive business development for the coming financial year 2012.

# Consolidated Interim Financial Statements

# Consolidated Statement of Comprehensive Income

| kEUR | Notes | Q1–Q2/2011 | Q1–Q2/2010 | Q2/2011 | Q2/2010 |
|---|---|---|---|---|---|
| **Result for the period** | | | | | |
| Sales | (5) | 417,906 | 287,524 | 215,544 | 162,239 |
| Cost of sales | | -341,153 | -232,356 | -176,723 | -130,763 |
| **Gross profit** | | **76,753** | **55,168** | **38,821** | **31,476** |
| Other income | | 374 | 895 | 289 | 480 |
| Selling expenses | | -24,022 | -20,528 | -12,037 | -11,511 |
| Administrative expenses | | -19,491 | -18,154 | -9,637 | -9,373 |
| Research and development costs | | -7,162 | -6,554 | -3,570 | -3,380 |
| **Operating result** | (5) | **26,452** | **10,827** | **13,866** | **7,692** |
| Finance income | (6) | 740 | 462 | 54 | 331 |
| Finance expenses | (6) | -18,865 | -18,277 | -5,532 | -5,660 |
| Share of net profit of investments accounted for using the equity method | | 208 | -32 | 107 | 81 |
| **Result before tax** | | **8,535** | **-7,020** | **8,495** | **2,444** |
| Income tax | (7) | 5,831 | -1,899 | -1,790 | -1,922 |
| **Result for the period** | | **14,366** | **-8,919** | **6,705** | **522** |
| **Other comprehensive income** | | | | | |
| Exchange differences on translation of foreign operations | (10) | -5,430 | 16,118 | -1,216 | 8,037 |
| Changes in fair values of derivatives designated as hedges, recognized in equity | (13) | 3,118 | -5,286 | -1,666 | -6,973 |
| Income tax effects on items recognized directly in other comprehensive income | (10) | -900 | 1,523 | 480 | 2,076 |
| **Other comprehensive income** | | **-3,212** | **12,355** | **-2,402** | **3,140** |
| **Comprehensive income for the period** | | **11,154** | **3,436** | **4,303** | **3,662** |
| **Attributable to equity holders of the parent** | | **11,154** | **3,436** | **4,303** | **3,662** |
| **Basic and diluted earnings per share in EUR** | (11) | **0.45** | **-0.43** | **0.16** | **0.03** |

# Consolidated Balance Sheet

| kEUR | Notes | 06/30/2011 | 12/31/2010 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | **312,214** | **317,864** |
| Goodwill | | 44,174 | 45,822 |
| Intangible assets | | 134,775 | 140,886 |
| Property, plant, and equipment | | 93,943 | 100,630 |
| Investments accounted for using the equity method | | 7,901 | 7,744 |
| Financial assets | (13) | 13 | 18 |
| Other non-current assets | | 3,508 | 3,357 |
| Deferred tax assets | (7) | 27,900 | 19,407 |
| **Current assets** | | **207,435** | **166,056** |
| Inventories | | 86,411 | 68,082 |
| Trade receivables | | 100,501 | 80,336 |
| Income tax assets | | 146 | 731 |
| Other current assets | | 8,453 | 8,361 |
| Cash and cash equivalents | (8) | 11,924 | 8,546 |
| **Non-current assets classified as held for sale** | (9) | **–** | **738** |
| **Total assets** | | **519,649** | **484,658** |
| **Equity and liabilities** | | | |
| **Equity attributable to equity holders of the parent** | | **175,493** | **24,927** |
| Subscribed share capital | (10) | 412 | 207 |
| Share premium | (10) | 245,661 | 106,454 |
| Legal reserve | | 21 | 21 |
| Other reserve | (10) | 232 | – |
| Retained earnings | | -63,777 | -77,911 |
| Accumulated other comprehensive income | (10) | -7,056 | -3,844 |
| **Non-current liabilities** | | **210,348** | **362,410** |
| Pensions and other similar benefits | | 11,414 | 11,730 |
| Other provisions | | 3,735 | 4,089 |
| Interest bearing loans and borrowings | (12) | 161,265 | 306,917 |
| Finance lease liabilities | | 15 | 40 |
| Other financial liabilities | (13) | 2,069 | 5,758 |
| Other liabilities | | 271 | 273 |
| Deferred tax liabilities | | 31,579 | 33,603 |
| **Current liabilities** | | **133,808** | **97,321** |
| Pensions and other similar benefits | | 2,418 | 2,732 |
| Other provisions | | 5,817 | 5,748 |
| Interest bearing loans and borrowings | (12) | 11,009 | 3,758 |
| Finance lease liabilities | | 81 | 131 |
| Trade payables | | 95,554 | 69,938 |
| Income tax liabilities | | 3,282 | 2,449 |
| Other liabilities | | 15,647 | 12,565 |
| **Total equity and liabilities** | | **519,649** | **484,658** |

# Consolidated Statement of Changes in Equity

| | 2011 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Attributable to equity holders of the parent | | | | | | |
| kEUR | Subscribed share capital (Note 10) | Share premium (Note 10) | Legal reserve | Other reserve (Note 10) | Retained earnings | Accumulated other comprehensive-income (Note 10) | **Total equity** |
| **As of 01/01/2011** | **207** | **106,454** | **21** | **–** | **-77,911** | **-3,844** | **24,927** |
| Comprehensive income for the period | – | – | – | – | 14,366 | -3,212 | 11,154 |
| Issue of share capital | 205 | 143,540 | – | – | – | – | 143,745 |
| Transaction costs | – | -4,333 | – | – | – | – | -4,333 |
| Other reclassifications | – | – | – | 232 | -232 | – | – |
| **As of 06/30/2011** | **412** | **245,661** | **21** | **232** | **-63,777** | **-7,056** | **175,493** |

| | 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Attributable to equity holders of the parent | | | | | |
| kEUR | Subscribed share capital | Share premium | Legal reserve | Retained earnings | Accumulated other comprehensive income (Note 10) | **Total equity** |
| **As of 01/01/2010** | **207** | **106,454** | **21** | **-69,601** | **-13,325** | **23,756** |
| Comprehensive income for the period | – | – | – | -8,919 | 12,355 | 3,436 |
| **As of 06/30/2010** | **207** | **106,454** | **21** | **-78,520** | **-970** | **27,192** |

# Consolidated Cash Flow Statement

| kEUR | Notes | Q1–Q2/2011 | Q1–Q2/2010 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Result before tax** | | **8,535** | **-7,020** |
| - Finance income | (6) | -740 | -462 |
| + Finance expenses | (6) | 18,865 | 18,277 |
| -/+ Share of net profit of investments accounted for using the equity method | | -208 | 32 |
| + Amortization and depreciation of intangible assets and property, plant, and equipment | | 10,258 | 11,045 |
| + Allowance of current assets | | 1,591 | 348 |
| -/+ Gain/Loss on disposal of property, plant, and equipment | | -188 | 143 |
| + Dividends from investments accounted for using the equity method | | 22 | 11 |
| **Result before change of net working capital** | | **38,135** | **22,374** |
| | | | |
| - Change in other provisions and pensions | | -153 | -1,079 |
| - Change in inventories | | -22,998 | -8,085 |
| - Change in trade receivables and other assets | | -23,578 | -24,986 |
| + Change in trade payables and other liabilities | | 32,217 | 31,477 |
| **Cash flow from operating activities before income tax paid** | | **23,623** | **19,701** |
| | | | |
| - Income tax paid | (7) | -2,451 | -3,196 |
| **Net cash flow from operating activities** | | **21,172** | **16,505** |
| | | | |
| **Cash flow from investing activities** | | | |
| - Purchase of property, plant, and equipment | | -3,982 | -2,732 |
| - Purchase of intangible assets | | -889 | -517 |
| - Purchase of investments accounted for using the equity method | | – | -58 |
| + Proceeds from sales of property, plant, and equipment | | 982 | 168 |
| + Interest received | | 35 | 110 |
| **Net cash flow from investing activities** | | **-3,854** | **-3,029** |
| | | | |
| **Cash flow from financing activities** | | | |
| + Proceeds from capital increase | (10) | 143,745 | – |
| - Payments for transaction costs relating to the capital increase | (10) | -6,068 | – |
| - Payments for expenses relating to amended finance agreement | (12) | -3,289 | – |
| - Repayments of Management and Board of Directors loan | | -1,098 | -109 |
| - Payments for finance lease | | -75 | -171 |
| - Interest paid | | -23,821 [1] | -6,407 |
| - Repayments of current and non-current financial liabilities | (12) | -89,100 [2] | – |
| - Change in drawings on the credit line and other financing activities | (12) | -33,813 | -18,469 |
| **Net cash flow from financing activities** | | **-13,519** | **-25,156** |
| | | | |
| **Net increase/decrease in cash and cash equivalents** | | **3,799** | **-11,680** |
| Net foreign exchange difference | | -421 | 1,901 |
| **Cash and cash equivalents at the beginning of the period** | **(8)** | **8,546** | **20,742** |
| **Cash and cash equivalents at the end of the period** | **(8)** | **11,924** | **10,963** |

1) Thereof kEUR 14,272 from the repayment of accrued PIK interest

2) Repayment of Facilities A1 and A2

# Notes to the Consolidated Interim Financial Statements

For the period January 1 to June 30, 2011

## 1 CORPORATE INFORMATION

SAF-HOLLAND S.A. (the "Company") was incorporated on December 21, 2005 under the legal form of a "Société Anonyme" according to Luxembourg law. The registered office of the Company is in Luxembourg. The shares of the Company are listed in the Prime Standard of the Frankfurt Stock Exchange.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries (the "Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and in effect as of the closing date.

The consolidated interim financial statements for the first half of 2011 have been prepared in accordance with IAS 34 "Interim Financial Reporting". As a rule, the same accounting policies and consolidation methods were applied as in the Group's annual financial statements for the financial year 2010. Therefore, the consolidated interim financial statements should be read in conjunction with the Group's annual financial statements as of December 31, 2010. Exceptions to the accounting principles stated there are new or revised standards and interpretations, whose application is required beginning in financial year 2011 and which have not been adopted early (see annual report 2010). The new regulations, however, have no significant impact on the consolidated interim financial statements.

In addition to the changes stated in the consolidated financial statements as of December 31, 2010, the following new or revised standards have been issued by the International Accounting Standards Board (IASB) since its publication:

- IAS 1 Presentation of Financial Statements (amended) – effective for annual periods beginning on or after July 1, 2012
- IAS 19 Employee Benefits (amended) – effective for annual periods beginning on or after January 1, 2013
- IFRS 10 Consolidated Financial Statements – effective for annual periods beginning on or after January 1, 2013
- IFRS 11 Joint Arrangements – effective for annual periods beginning on or after January 1, 2013
- IFRS 12 Disclosure of Interests in Other Entities – effective for annual periods beginning on or after January 1, 2013
- IFRS 13 Fair Value Measurement – effective for annual periods beginning on or after January 1, 2013

The Group reviews the impact of these new and amended standards on the consolidated financial statements.

During the preparation of the consolidated interim financial statements, management must make assumptions and estimates which affect the reported amounts of assets, liabilities, income, expenses, and contingent liabilities as of the reporting date. In certain cases, actual amounts may deviate from these estimates.

Expenses and income incurred unevenly during the financial year were anticipated or deferred if it would also be appropriate to do so at the end of the financial year.

The consolidated interim financial statements and the Group Interim Management Report have neither been audited nor reviewed by an auditing firm.

## 3 SEASONAL EFFECTS

Seasonal effects during the year can result in variations in sales and the resulting profits. Please see the Group Interim Management Report for further details regarding earnings development.

## 4 SCOPE OF CONSOLIDATION

Holland Eurohitch Ltd., Great Britain, was deconsolidated upon its liquidation on March 29, 2011.

## 5 SEGMENT INFORMATION

For management purposes, the Group is organized into customer-oriented Business Units based on their products and services. The three reportable operating segments are the Business Units Trailer Systems, Powered Vehicle Systems, and Aftermarket. There has been no change in the division of operating segments since December 31, 2010. For more information, please see the notes of the 2010 annual report.

Management assesses the performance of the operating segments based on adjusted EBIT. The reconciliation from operating result to adjusted EBIT is provided as follows:

| kEUR | Q1–Q2/2011 | Q1–Q2/2010 |
|---|---|---|
| Operating result | 26,452 | 10,827 |
| Share of net profit of investments accounted for using the equity method | 208 | -32 |
| **EBIT** | **26,660** | **10,795** |
| Additional depreciation and amortization from PPA | 3,218 | 3,325 |
| Restructuring and integration costs | 167 | 471 |
| **Adjusted EBIT** | **30,045** | **14,591** |

Information on segment sales and earnings for the period from January 1 to June 30:

| | 2011 | | | | |
|---|---|---|---|---|---|
| | Business Units | | | | |
| kEUR | Trailer Systems | Powered Vehicle Systems | Aftermarket | Adjustments/ eliminations | **Consolidated** |
| Sales | 241,753 | 73,819 | 102,334 | – | **417,906** |
| Adjusted EBIT | 7,766 | 7,580 | 16,615 | -1,916 | **30,045** |

| | 2010 | | | | |
|---|---|---|---|---|---|
| | Business Units | | | | |
| kEUR | Trailer Systems | Powered Vehicle Systems | Aftermarket | Adjustments/ eliminations | **Consolidated** |
| Sales | 136,025 | 61,466 | 90,033 | – | **287,524** |
| Adjusted EBIT | -9,404 | 11,897 | 13,655 | -1,557 | **14,591** |

Adjustments and eliminations include expenses of the parent company as well as other expenses and income which are not allocated to any Business Unit.

Please see the Group Interim Management Report regarding earnings development.

**6 FINANCE RESULT**

Finance income and expenses consist of the following:

**Finance Income**

| kEUR | **Q1–Q2/2011** | Q1–Q2/2010 |
|---|---|---|
| Interest income | 21 | 64 |
| Finance income due to derivates | 506 | 47 |
| Finance income due to pensions and other similar benefits | 198 | – |
| Other | 15 | 351 |
| **Total** | **740** | **462** |

**Finance expenses**

| kEUR | Q1–Q2/2011 | Q1–Q2/2010 |
|---|---|---|
| Interest expenses due to interest bearing loans and borrowings | -11,339 | -13,217 |
| Transaction costs | -4,466 | – |
| Amortization of transaction costs | -1,085 | -1,016 |
| Finance expenses due to pensions and other similar benefits | -383 | -381 |
| Finance expenses due to derivatives | -699 | -2,794 |
| Other | -893 | -869 |
| **Total** | **-18,865** | **-18,277** |

In the context of the partial repayment of the bank loans, the hedging relationships of some derivatives were terminated prematurely in the first quarter 2011. Accordingly changes in the fair value of these interest rate hedging instruments of EUR 0.7 million, which had previously been reported in equity, were recognized in the finance result (see Notes 10 and 13).

In addition, the expected cash flows relating to the loans were adjusted to current developments with regard to their premature repayment, resulting in a write-up of loan book values of EUR 1.2 million as well as a premature write-off of capitalized transaction costs in the total amount of EUR 3.2 million, recognized in the finance result in the first quarter of 2011 (see Note 12).

## 7 INCOME TAXES

The major components of income taxes are as follows:

| kEUR | Q1–Q2/2011 | Q1–Q2/2010 |
|---|---|---|
| Current income taxes | -3,963 | -4,604 |
| Deferred income taxes | 9,794 | 2,705 |
| **Income tax reported in the result for the period** | **5,831** | **-1,899** |

Positive income taxes, which appear high when earnings before taxes are taken into consideration, result primarily from deferred tax assets of EUR 9.4 million that the Group recognized for tax interest carry-forwards unrecognized in previous years. Management assumes that their future utilization can be regarded as sufficiently probable due to the changed financial structure (see Note 12).

## 8 CASH AND CASH EQUIVALENTS

| kEUR | 06/30/2011 | 12/31/2010 |
|---|---|---|
| Cash at banks and on hand | 7,509 | 7,121 |
| Short-term deposits | 4,415 | 1,425 |
| **Total** | **11,924** | **8,546** |

Cash at banks includes restricted cash of kEUR 3,085.

## 9 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In January 2011, the Group sold a property with building in the USA (Holland, Michigan). The property and the building were classified as non-current assets held for sale already as of December 31, 2010. A gain of kEUR 60 results from the sale.

## 10 EQUITY

### Subscribed share capital

On March 24, 2011, SAF-HOLLAND S.A. decided to issue an additional 20,535,100 ordinary shares with a par value of EUR 0.01 each. The shares were placed at an offering price of EUR 7.00 each.

As a result of this measure, the subscribed share capital of the company increased by EUR 205,351.00 to EUR 412,373.75.

### Share premium

The share premium increased through premiums from the issue of the shares by kEUR 143,540. Directly attributable transaction costs of the capital increase kEUR 6,068 less associated income tax advantages kEUR 1,735 were deducted from the share premium (kEUR 4,333). As of June 30, 2011, the share premium amounted to kEUR 245,661.

### Other reserve

Furthermore, on April 28, 2011, the Annual General Meeting resolved to transfer kEUR 232 into an other reserve that is subject to a distribution restriction. With this, the Group takes account of the specific requirements of Luxembourg tax law.

### Dividend

No dividend payment was approved for 2010.

## Accumulated other comprehensive income

| kEUR | Q1–Q2/2011 Before tax amount | Q1–Q2/2011 Tax expenses | Q1–Q2/2011 Net of tax amount | Q1-Q2/2010 Before tax amount | Q1-Q2/2010 Tax income | Q1-Q2/2010 Net of tax amount |
|---|---|---|---|---|---|---|
| Exchange differences on translation of foreign operations | -5,430 | – | -5,430 | 16,118 | – | 16,118 |
| Changes in fair values of derivatives designated as hedges, recognized in equity | 3,118 | -900 | 2,218 | -5,286 | 1,523 | -3,763 |
| **Total** | **-2,312** | **-900** | **-3,212** | **10,832** | **1,523** | **12,355** |

Changes in the fair value of derivatives of EUR 0,7 million previously designated as hedges and recognized in equity were recorded in the finance result in the first quarter of 2011 (see Notes 6 and 13 for details).

### 11 EARNINGS PER SHARE

| | | Q1–Q2/2011 | Q1–Q2/2010 |
|---|---|---|---|
| **Result for the period** | **kEUR** | **14,366** | **-8,919** |
| Weighted average number of shares outstanding | thousands | 31,768 | 20,702 |
| **Basic and diluted earnings per share** | **Euro** | **0.45** | **-0.43** |

Basic earnings per share is calculated by dividing the result for the period attributable to shareholders of SAF-HOLLAND S.A. by the average number of shares outstanding. Newly issued shares are taken into account on a pro rata basis during the period in which they are in circulation.

The weighted average number of shares is determined as follows:

| | Par value (EUR) | Number | Days | Weighted number |
|---|---|---|---|---|
| 01/01/2011-03/23/2011 | 0.01 | 20,702,275 | 83 | 1,718,288,825 |
| 03/24/2011-06/30/2011 | 0.01 | 41,237,375 | 97 | 4,000,025,375 |
| **Total** | | | **180** | **5,718,314,200** |
| **Average** | | **31,768,412** | | |

In the reporting period, the weighted average number of shares increased as a result of the issue of 20,535,100 new shares in the context of the capital increase on March 24, 2011. In 2010, the weighted average number of shares remained constant at 20,702,275.

Earnings per share can be diluted by potential ordinary shares. No dilutive effects occurred during the reporting period or in the comparison period for 2010.

## 12 INTEREST BEARING LOANS AND BORROWINGS

| | Non-current | | Current | | Total | |
|---|---|---|---|---|---|---|
| kEUR | 06/30/2011 | 12/31/2010 | 06/30/2011 | 12/31/2010 | 06/30/2011 | 12/31/2010 |
| Interest bearing collateralized bank loans | 164,766 | 294,572 | 11,025 | 424 | **175,791** | **294,996** |
| Transaction costs | -7,707 | -9,684 | -497 | – | **-8,204** | **-9,684** |
| Bank overdrafts | 72 | 92 | 27 | 127 | **99** | **219** |
| Success fee | 3,508 | 2,310 | – | – | **3,508** | **2,310** |
| Accrued interests | – | 12,082 | 126 | 1,166 | **126** | **13,248** |
| Management and Board of Directors loans | – | 1,358 | – | – | **–** | **1,358** |
| Other loans | 626 | 6,187 | 328 | 2,041 | **954** | **8,228** |
| **Total** | **161,265** | **306,917** | **11,009** | **3,758** | **172,274** | **310,675** |

In November 2009, an agreement was signed with a banking syndicate that extended the credit agreement, which had existed since February 19, 2008, until September 2014. In March 2011, the following changes were included in the credit agreement in the context of the capital increase:

- Reduction of the interest margin in a first step to 4.25% (effective April 7, 2011)
- Discontinuation of the PIK structure
- Changes in the calculation of additional mandatory prepayments (50% of excess cash flow is repaid, whereby free liquidity shall be at least EUR 30 million)
- Change of the calculation method for interest margin adjustment (transition to total net debt to consolidated EBITDA ratio, previously equity ratio)
- Change of the amount for factoring to EUR 10 million
- Determination of the financial covenants effective as of June 30, 2011
  - Net interest cover (adjusted consolidated EBITDA divided by net finance expenses)
  - Total net debt cover (net debt divided by adjusted consolidated EBITDA)
  - Equity ratio cover (consolidated equity divided by consolidated assets)
- Increase of permitted capital expenses
- Changes in conditions for dividend payments
- Discontinuation of the trustee model and the associated contracts

Due to the capital increase and the associated changes in the financing agreement, on April 7, 2011, repayments of EUR 14.3 million for deferred PIK interest, of EUR 49.2 million for facility A1 as well as of USD 56.7 million for facility A2 were made. In addition, the loans granted by members of management and the Board of Directors of EUR 1.4 million including interest were repaid.

There was also a partial repayment in the amount of EUR 7.4 million of other loans from the financing of the prolongation options for interest rate swaps in the previous year.

New transaction costs incurred due to the changed financing agreement of EUR 3.3 million were capitalized and will be amortized over the remaining term of the bank loans. As a result of the changed cash flows relating to the loans following the premature repayment, capitalized transaction costs of EUR 3.2 million were written-off in the period.

The short-term interest bearing collateralized bank loans include the agreed repayments in the first half of 2012.

The following table summarizes the determination of overall liquidity defined as available undrawn credit lines measured at the initial borrowing rate plus cash and cash equivalents:

| | 06/30/2011 | | | | |
|---|---|---|---|---|---|
| kEUR | Amount drawn valued as at the period-end exchange rate | Amount drawn valued as at the borrowing date exchange rate | Agreed credit lines valued as at the borrowing date exchange rate | Cash and cash equivalents | Total liquidity |
| Facility A1 | 22,692 | 22,692 | 22,692 | – | – |
| Facility A2 | 18,157 | 17,419 | 17,419 | – | – |
| Facility B | 134,544 | 134,544 | 188,800 | 11,924 | 66,180 |
| Bank overdraft China | 398 | 398 | 645 | – | 247 |
| **Total** | **175,791** | **175,053** | **229,556** | **11,924** | **66,427** |

| | 12/31/2010 | | | | |
|---|---|---|---|---|---|
| kEUR | Amount drawn valued as at the period-end exchange rate | Amount drawn valued as at the borrowing date exchange rate | Agreed credit lines valued as at the borrowing date exchange rate | Cash and cash equivalents | Total liquidity |
| Facility A1 | 71,911 | 71,911 | 71,911 | – | – |
| Facility A2 | 62,481 | 55,200 | 55,200 | – | – |
| Facility B | 160,180 | 160,180 | 188,800 | 8,546 | 37,166 |
| Bank overdraft China | 424 | 424 | 687 | – | 263 |
| **Total** | **294,996** | **287,715** | **316,598** | **8,546** | **37,429** |

The increase in total liquidity is due to reduced drawings on facility B in the context of the capital increase.

The collateral granted for the credit line is described in the annual report as of December 31, 2010.

## 13 FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

| | 01/01/2011 | | | | | 06/30/2011 | 06/30/2011 | |
|---|---|---|---|---|---|---|---|---|
| kEUR | **Fair value** | Changes recognized in equity (before tax) | Changes recognized in profit or loss (before tax) | Release | Foreign currency translation | **Fair value** | **Financial assets** | **Other financial liabilities** |
| Interest rate cap | **18** | – | -5 | – | – | **13** | **13** | **–** |
| Interest rate swaps EUR | **-3,543** | 2,424 | 506 | -239 | – | **-852** | **–** | **-852** |
| Interest rate swaps USD | **-2,215** | 694 | -694 | 949 | 49 | **-1,217** | **–** | **-1,217** |
| **Total** | **-5,740** | **3,118** | **-193** | **710** | **49** | **-2,056** | **13** | **-2,069** |

In the context of the partial repayment of bank loans, SAF-HOLLAND discontinued hedge accounting for derivatives with a nominal volume of USD 40.0 million and EUR 56.8 million. As the hedged cash flows from these hedging relationships will no longer occur due to the partial repayment in April 2011, changes in the fair value of these hedging instruments which had previously been reported in equity, were recognized in the finance result in the first quarter (see Note 6). For the release of the derivatives payments of kEUR 710 were made.

The remaining interest rate hedging instruments continue to be classified as cash flow hedges which meet the criteria for hedge accounting. Changes in market values must therefore be recorded directly in equity, if the hedging relationship is effective.

## 14 RELATED PARTY DISCLOSURES

### Management Board and Board of Directors

Changes in the composition of the Management Board and Board of Directors are disclosed in 'Events after the balance sheet date' (see Note 16).

Further details regarding loans granted in February 2009 by members of management and the Board of Directors and repaid in April 2011 are provided in Note 12.

### Transactions with related parties and companies in which the key management personnel of the Group hold key management positions

| | Q1–Q2/2011 | | 06/30/2011 | |
|---|---|---|---|---|
| kEUR | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
| SAF-HOLLAND Nippon, Ltd. | 325 | – | 253 | 187 |
| Lakeshore Air LLP | – | 61 | – | 10 |
| FWI S.A. | – | 3,962 | – | 406 |
| Irwin Seating Company[1] | 515 | – | 120 | – |
| Madras SAF-HOLLAND Manufacturing (I) P. Ltd. | – | – | 91 | – |
| **Total** | **840** | **4,023** | **464** | **603** |

1) The Irwin Seating Company is a company in which a member of the Group's management holds a key management position.

| | Q1–Q2/2010 | | 12/31/2010 | |
|---|---|---|---|---|
| kEUR | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
| SAF-HOLLAND Nippon, Ltd. | 236 | – | 42 | 182 |
| Lakeshore Air LLP | – | 50 | – | 14 |
| FWI S.A. | – | 2,487 | – | 150 |
| Irwin Seating Company[1] | 686 | – | 28 | – |
| Madras SAF-HOLLAND Manufacturing (I) P. Ltd. | 8 | – | 110 | – |
| **Total** | **930** | **2,537** | **180** | **346** |

## 15 CASH FLOW STATEMENT

Please see the Group Interim Management Report for further explanations of the cash flow statement.

## 16 EVENTS AFTER THE BALANCE SHEET DATE

### Changes to the scope of consolidation

In July 2011, a new subsidiary was founded in Dubai.

In August, a decision was made to merge various German Group companies into the German parent company, SAF-HOLLAND GROUP GmbH. This means that, in future, the operational business of SAF-HOLLAND GmbH will be handled by SAF-HOLLAND GROUP GmbH which, once the merger is concluded, will be renamed SAF-HOLLAND GmbH. The merger will be carried out retroactively to January 1, 2011.

### Emission of a corporate bond

SAF-HOLLAND is planning the emission of a bond with a term of seven years. The date of the placement depends on future developments on the financial markets. In this context, an agreement was made on July 20, 2011 with four banks regarding a new credit line of EUR 90 million and a term of five years which will take effect following the successful placement of the bond.

### Management Board and Board of Directors

Rudi Ludwig announced on April 28, 2011 that he would step down from operating activities as Chairman of the Management Board effective June 30, 2011 at his own request and after restructuring the Group. Detlef Borghardt succeeds him as CEO effective July 1, 2011. Effective July 1, 2011, additional changes in management were also made in connection with the change in the company's Chairman of the Management Board. Steffen Schewerda took over as Head of the Trailer Systems Business Unit. He also continues in his role as Head of Group Operations. Alexander Geis, responsible for the Aftermarket Business Unit and current deputy member of the Management Board, was appointed as a full member of the Board.

At the Annual General Meeting on April 28, 2011, it was decided to extend the Board of Directors mandates of Bernhard Schneider (Chairman) and Richard Muzzy until the Annual General Meeting 2015 and 2013 respectively. Gerhard Rieck resigned from the Board of Directors with the end of his contract term on June 30, 2011. Further, Sam Martin was appointed to the committee for two years until the Annual General Meeting 2013.

No additional material events have occurred since the reporting date.

# Responsibility Statement

To the best of our knowledge, and in accordance with all applicable financial principles for interim reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group's interim management report provides 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 over the remainder of the fiscal year.

Luxembourg, August 17, 2011
SAF-HOLLAND S.A.

Bernhard Schneider
Chairman of the Board of Directors

# Financial Glossary

**Adjusted EBIT:** Earnings before interest and taxes (EBIT) is adjusted for special items, such as depreciation and amortization from purchase price allocations, as well as restructuring and integration costs.

**Business Units:** For management purposes, the Group is organized into customer-oriented Business Units (Trailer Systems, Powered Vehicle Systems, and Aftermarket).

**Days inventory outstanding:** Inventory / cost of sales per day (cost of sales of the quarter / 90 days).

**Effective income tax rate:** Income tax / earnings before tax x 100.

**Equity ratio:** Equity / total assets x 100.

**Fair value:** Amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties.

**Gross margin:** Gross profit / sales x 100.

**IFRS/IAS** (International Financial Reporting Standards/International Accounting Standards): The standard international accounting rules are intended to make company data more comparable. Under the EU resolution, accounting and reporting at exchange-listed companies must be done in accordance with these rules.

**Net working capital:** Current assets less cash and cash equivalents less current and non-current other provisions less trade payables less other current liabilities less income tax liabilities.

**Purchase Price Allocation (PPA):** Distribution of the acquisition costs of a business combination to the identifiable assets, liabilities and contingent liabilities of the (acquired) subsidiary company.

**Prime Standard:** Prime Standard is a market segment of the German Stock Exchange that lists German companies which comply with international transparency standards.

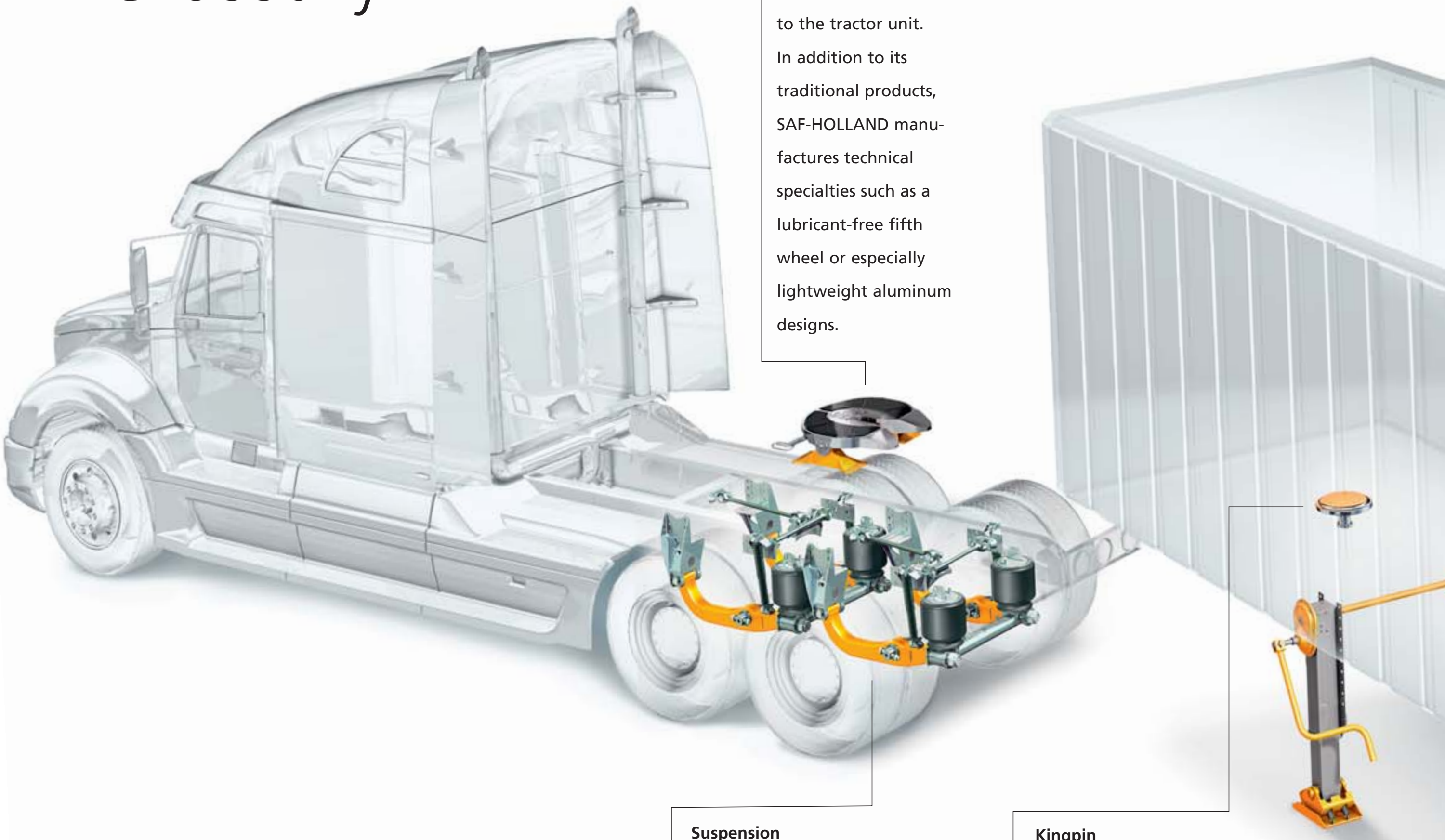
**R&D ratio:** R&D cost and capitalized development cost / sales x 100.

**Sales per employee:** Sales / average number of employees (including temporary employees).

**SDAX:** The Small-Cap-Dax (SDAX) contains 50 companies that rank immediately below Mid-Cap-DAX (MDAX) shares in terms of market capitalization and order book volume. In addition to DAX, TecDAX and MDAX, the SDAX belongs to Prime Standard.

# Technical Glossary

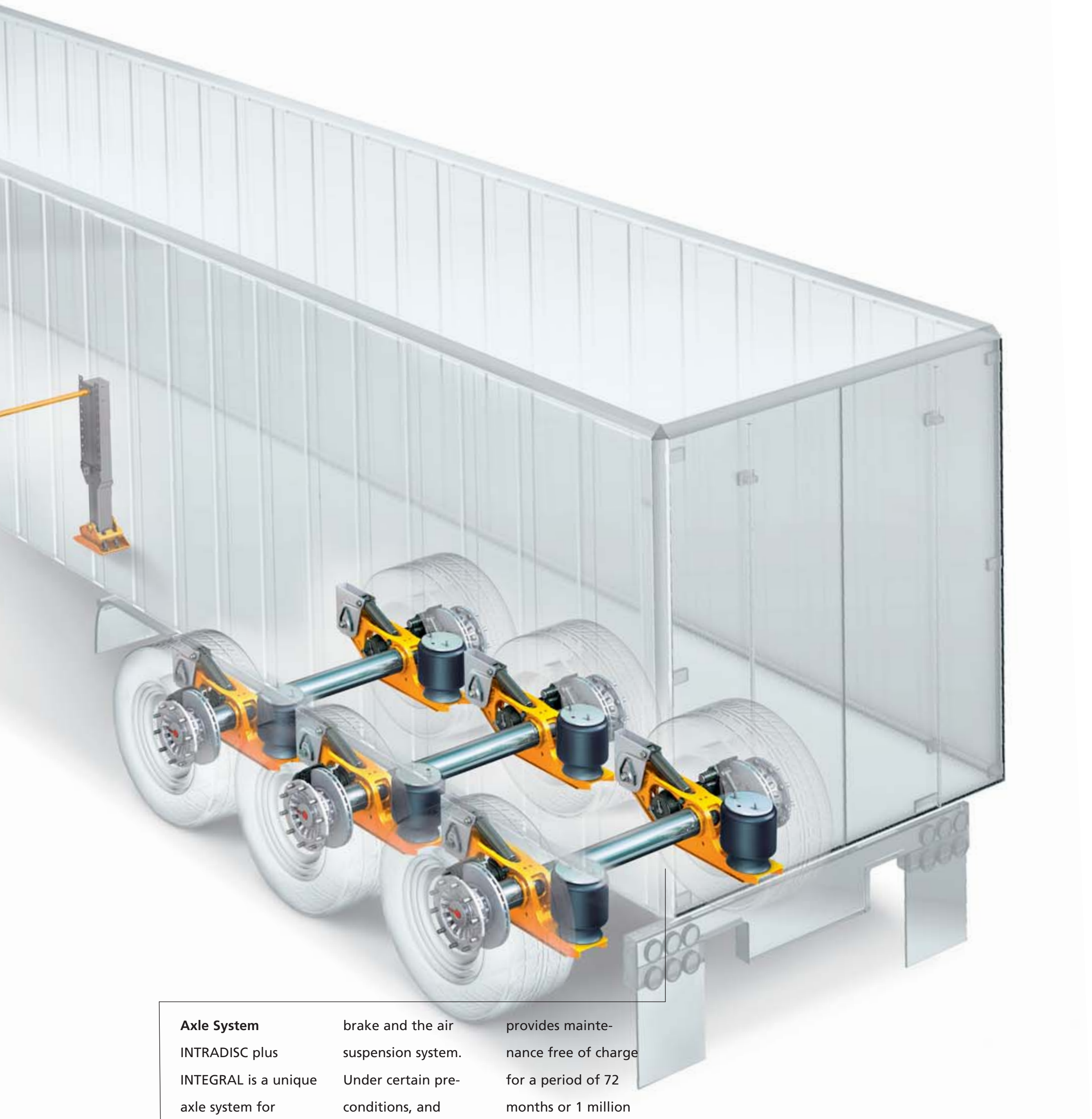
**Fifth Wheel**
Mounts with the kingpin and serves to secure the semi-trailer to the tractor unit. In addition to its traditional products, SAF-HOLLAND manufactures technical specialties such as a lubricant-free fifth wheel or especially lightweight aluminum designs.



**Suspension**
The suspension creates the link between the axle and the vehicle in order to compensate for road irregularities and improve maneuverability. The SAF-HOLLAND suspension system with its modular design can be used for up to three interlinked powered axles. Each axle is suspended individually. Suitable for gross vehicle weights of between 10 and 40 tons.

**Kingpin**
Mounts on the semi-trailer and couples with the tractor fifth wheel. SAF-HOLLAND products are sold around the world and are among the safest on the market.

**Landing Legs**
Retractable legs that support the front of a semi-trailer when it is not secured to the tractor unit. SAF-HOLLAND landing legs have a special coating that increases their service life significantly.



**Axle System**
INTRADISC plus INTEGRAL is a unique axle system for trailers, which consists of the axle itself fitted with a disk brake and the air suspension system. Under certain preconditions, and taking into account the existing warranty terms, SAF-HOLLAND provides maintenance free of charge for a period of 72 months or 1 million kilometers for the INTRA ALL-IN axle system.

# List of Abbreviations

| | |
|---|---|
| **ACEA** | Association des Constructeurs Européens d'Automobiles (European Automobile Manufacturers' Association) |
| **BRIC** | Brasil, Russia, India, and China |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **COO** | Chief Operating Officer |
| **DAX** | Deutscher Aktienindex (German stock index) |
| **EBIT** | Earnings before interest and taxes |
| **EBITDA** | Earnings before interest, taxes and depreciation |
| **IAS** | International Accounting Standards |
| **IFRS** | International Financial Reporting Standards |
| **IMF** | International Monetary Fund |
| **OEM** | Original equipment manufacturer |
| **PIK** | Pay-in-kind |
| **PPA** | Purchase price allocation |
| **R&D** | Research and development |
| **SDAX** | Small-Cap-DAX |

# Financial Calendar and Contact Information

**Financial Calendar**

| | |
|---|---|
| **November 17, 2011** | Publication of Q3 Report, Analyst conference |

**Contact Information**

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