Half-year Report of SAF-HOLLAND S.A.
as of June 30, 2016

2

STRATEGY 2020

SAF Holland

KEY FIGURES

EUR million	Q1-Q2/2016	Q1-Q2/2015	Q2/2016	Q2/2015
Sales	533.6	558.7	273.7	287.7
Cost of sales	-424.3	-450.0	-217.6	-230.0
Gross profit	109.3	108.7	56.1	57.7
in % of sales	20.5	19.5	20.5	20.1
Adjusted result for the period	29.4	35.3	17.0	15.0
in % of sales	5.5	6.3	6.2	5.2
Adjusted EPS in EUR[1]	0.65	0.78	0.38	0.33
Adjusted EBITDA	57.3	56.8	30.5	30.6
in % of sales	10.7	10.2	11.1	10.6
Adjusted EBIT	49.0	49.5	26.3	26.9
in % of sales	9.2	8.9	9.6	9.4
Operating cash flow[2]	35.8	14.9	13.3	12.6

[1] Adjusted net result / weighted average number of ordinary shares outstanding as of the reporting period.
[2] The operating cash flow is the cash-flow from operating activities before income tax payments.

SALES BY REGION

EUR million	Q1-Q2/2016	Q1-Q2/2015	Q2/2016	Q2/2015
Americas	205.0	239.4	104.8	121.7
EMEAI	297.2	280.4	152.0	144.7
APAC/China	31.4	38.9	16.9	21.3
Total	**533.6**	**558.7**	**273.7**	**287.7**

OTHER FINANCIAL INFORMATION

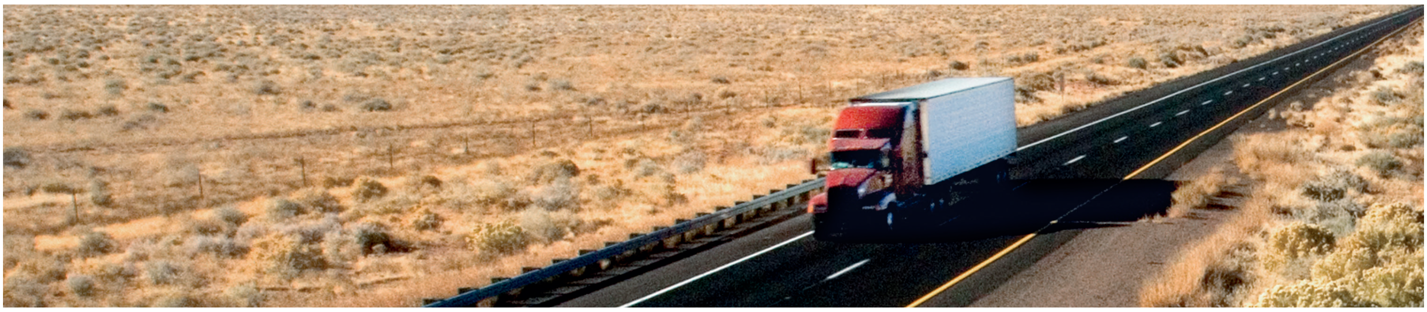
	06/30/2016	03/31/2016	12/31/2015
Total assets (EUR million)	965.0	924.7	888.5
Equity ratio (%)	29.8	31.8	32.4

	Q1-Q2/2016	Q1-Q2/2015
Employees (average)	3,203	3,408
Sales per employee (kEUR)	166.6	164.0

2016

Half-year Report as of June 30, 2016

STRATEGY 2020



FOREWORD FROM THE MANAGEMENT BOARD

Detlef Borghardt,
Chief Executive Officer (CEO)

Ladies and Gentlemen, Dear Shareholders and Investors,

we are pleased to present a very solid performance in the first half of 2016. In these first six months, we rose above the situation in our industry by delivering essentially stable sales and improved profitability despite the difficult market environment in North America and the persistent challenges we faced in our important transportation markets in Brazil, Russia, and Australia.

This success is the result of some important steps taken in fiscal year 2015. One of these steps was completing the consolidation of our German plants, which drove their efficiency and productivity to a new level. Another was our growth Strategy 2020 under which we set our sights squarely on the future's growth markets and, at the same time, emphasized the high strategic importance of the spare parts business for the Group.

In the first half year, our organic sales were fairly stable, declining just 2.0%. The driving force behind this performance was our steady growth in Western Europe and the Middle East where we not only profited from the supportive market environment but were also able to expand our market share. We also had solid performance in our spare parts business, where sales momentum saw a clear acceleration in the second quarter.

The adjusted EBIT margin in the first half-year increased 30 basis points year-on-year to 9.2% – a product of the successful execution of measures to boost our efficiency and the increased bundling of our purchasing activities. Operating improvements were even more clearly reflected in our cash flow. Cash flow from operating activities before income tax paid in the first half of 2016 more than doubled year-on-year and free cash flow improved by almost EUR 28 million, primarily as a result of our better working capital Management.

Naturally, we do not intend to rest on our achievements but will continue to seek new ways to optimize our production network in North America to realize additional savings. This will mean making it a priority to set up competence centers with each site focused on a specific manufacturing technology.

We are also on track to capture the growth potential that lies outside our existing core markets – especially in the APAC/China region. This year's international management meeting of the SAF-HOLLAND Group in early May was held in Shanghai for the first time. We deliberately chose this location to emphasize the importance this region has for us. The meeting focused on the next steps to executing our growth Strategy 2020 and specifically the various challenges facing the SAF-HOLLAND Group in both the established and emerging markets. The topics customer orientation, team work, and innovation, particularly in reference to the future opportunities from the growing digitization of products and business processes, were also a key focus of the meeting.

The global commercial vehicle markets in the first half of 2016 were underpinned by widely divergent regional trends. The slowdown for heavy trucks in the North American market that was already visible early in the year, turned out to be more severe than most market experts expected. The longstanding market weakness in our important transportation markets Brazil, Russia, and Australia is not yet showing any vital signs of improvement. There are however numerous signs that the markets have started building a base in the first half-year that may go on to take the form of a gradual recovery by the end of 2016. Thanks to our positive development in Europe, we are in a position to offset a majority of this weakness.

We therefore reconfirm our forecast for a constant to slightly increased organic sales development as compared to the previous year. From today´s perspective, we expect that Group sales will tend to be closer to the lower end of the corridor of between EUR 1,050 million and EUR 1,070 million. For the year 2016, the Group is budgeting for an adjusted EBIT margin of between 8% and 9%. With the cost savings and productivity improvements already achieved to date and a generally advantageous product mix, we are in a position to compensate for the up-front investment planned for our business expansion in connection with Strategy 2020. This leads to our anticipation for the full year of an adjusted EBIT margin that will tend to reach the upper half of our originally projected corridor.

On behalf of my colleagues on the Management Board and the Board of Directors, I would like to thank our customers, suppliers, business partners, employee representatives, employees, and shareholders for their solid and productive cooperation and their trust. We hope that you will continue to accompany us on the road ahead and join us in writing the next chapter in the company's history.

Sincerely,

Detlef Borghardt (CEO)

SAF-HOLLAND ON THE CAPITAL MARKET

SUMMARY OF SHARE PRICE DEVELOPMENT

Turbulent development on the stock markets

The international stock markets began 2016 with a significant degree of fluctuation. Concerns related to declining economic growth in China, falling oil prices and the end of the zero interest policy on the side of the U.S. Federal Reserve led to drops in share prices in the first weeks of the year. The leading German index, DAX, slipped for a time below the 9,000 point mark.

This was followed, however, by a gradual recovery, buoyed by more optimistic economic expectations and the hope that interest rate increases in the United States would be carried out more slowly than expected and that the economic recovery would not be threatened. Furthermore the European Central Bank (ECB) had been maintaining its extremely expansive monetary policy and even holding up the prospect of further measures. By the end of May, the DAX index, therefore, rebounded to over 10,300 points once again. Weaker U.S. economic data and increasing fears of a "Brexit" and the associated departure of Great Britain from the EU led to a decrease in the second half of June, a trend that was strengthened as a result of the referendum against Great Britain remaining in the EU. The DAX closed out the first half of the year at 9,680 points and thus recorded a minus of 9.9%.

SDAX development stronger than DAX

The SDAX, the selection index of Deutsche Börse AG for 50 smaller stock companies, so-called small caps, was less vulnerable to the global economic worries in the first half of the year and again performed better than the DAX index. The SDAX closed on June 30 with 8,782 points and ended the first half of the year with a minus of 3.5%.

SAF-HOLLAND share impacted by sector environment

In line with the development of the overall market, SAF-HOLLAND's share price initially declined at the beginning of 2016. The share recorded its low for the year at EUR 9.07 on February 9, 2016. In addition to the general market correction, decreasing order intake and registration figures for heavy trucks in North America also burdened the share price. The SAF-HOLLAND share was nevertheless able to benefit at a disproportionately high rate from the subsequent recovery of the overall market and substantially reduce the losses suffered until the beginning of March. Strong business figures for the first quarter of 2016 brought on a rally which pushed the share price above eleven euros once again by early June. The share price was once again not able to escape the subsequent renewed weakness of the overall market. It closed out the first half of 2016 at a price of EUR 9.94. With a price decrease of 20.4%, the SAF-HOLLAND share nevertheless performed significantly better in the first half of the year than the relevant industry index, the DAXsector Automobile Index, which fell 25.4% in the same period.

On the basis of the closing price on June 30, 2016 and the 45,361,112 shares issued, the market capitalization of SAF-HOLLAND was EUR 450.9 million at the end of the quarter.

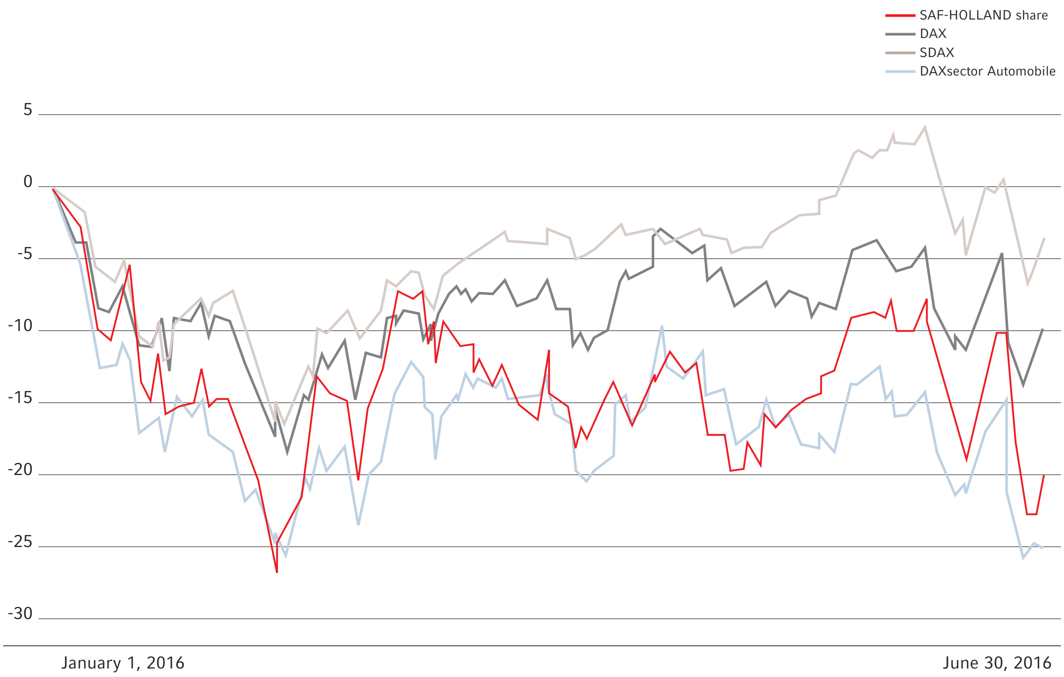
Slight increase in trading volume as compared to second half of 2015

Compared to the very strong comparable period from the previous year, the trading volume of the SAF-HOLLAND share decreased in the first six months. The average daily trading volume on all German stock exchanges decreased by 39.0% to 163,248 shares or by 53.2% to EUR 1.7 million as compared to EUR 3.7 million in the prior year. In comparison to the second half of 2015 (153,457 shares per day), there was a slight increase in trading volume.

Position in index rankings

In the index ranking of Deutsche Börse AG which serves as a basis for deciding on the composition of the MDAX and SDAX, SAF-HOLLAND as of June 30, 2016 was in 74th position in terms of the free float market capitalization and in 63rd position in terms of trading volume.

DEVELOPMENT OF THE SAF-HOLLAND SHARE AS COMPARED TO DAX, SDAX AND DAXSECTOR AUTOMOBILE in %



Source: Deutsche Börse AG, Frankfurt.

INVESTOR RELATIONS AND CAPITAL MARKET RELATIONSHIPS

Further expansion of investor relations efforts

In the first half of 2016, SAF-HOLLAND further intensified its investor relations activities. As part of a total of five road shows and eight investor conferences both in Germany and abroad, the Management Board and IR team presented the current business development, growth perspectives and the strategic objectives of the company. As in the previous year, the focus of activities – in addition to Germany – was on the large international financial centers such as London, Paris and the USA.

For the second half of 2016, SAF-HOLLAND plans, in addition to participation in further road shows and investor conferences, an exchange with analysts and investors at the IAA Commercial Vehicles trade fair 2016.

A further highlight in the reporting period was the go-live of the new SAF-HOLLAND corporate website at the beginning of May. With an updated design and clearly-structured user guidance, the new website is now also optimized for tablet computers and smartphones and consistently offers investors and the general public current and more detailed information about the company, the share, the corporate bond and the convertible bond. In addition to key figures and financial news, it also offers reports, presentations and recordings of telephone conferences for download: http://corporate.safholland.com/en/investor-relations. There you can also find all relevant information related to the Annual General Meeting.

Mainly positive analyst ratings

SAF-HOLLAND is observed and analyzed by both national and international banks and research institutes. Detailed company analyses therefore are published in close succession. At the end of the first half of 2016, an unchanged eleven analysts followed SAF-HOLLAND.

At the time of publication of this interim financial report, nine of eleven analysts gave the share a “buy” recommendation or expected a better share price development than for the overall market and two analysts issued a “hold” recommendation. The relevant share price targets varied between EUR 12.00 and EUR 18.00.

CURRENT ANALYST RECOMMENDATIONS

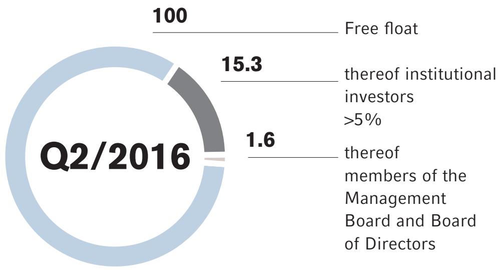
Bankhaus Lampe KG	August 5, 2016	buy
Commerzbank AG	August 4, 2016	hold
Deutsche Bank AG	May 10, 2016	hold
equinet Bank AG	July 14, 2016	buy
Exane BNP Paribas	May 9, 2016	outperform
Hauck & Aufhäuser	July 20, 2016	buy
Kepler Cheuvreux	August 4, 2016	buy
Macquarie Capital	July 15, 2016	outperform
Montega AG	May 9, 2016	buy
ODDO SEYDLER BANK AG	July 14, 2016	buy
quirin bank	July 26, 2016	buy

Stable shareholder structure

SAF-HOLLAND shares are broadly held. According to the definition of Deutsche Börse AG, all of the company’s shares are attributable to free float as of June 30, 2016. Shareholders continue to consist primarily of institutional investors such as funds and asset managers, banks and insurance companies as well as private investors in Germany and abroad. In addition to German funds, major shareholders include, for the most part, investment companies from the United Kingdom, USA, France, Scandinavia and the Benelux countries.

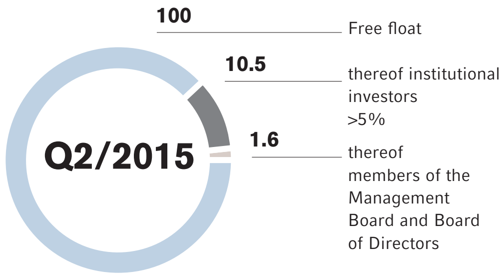
Investments of more than 5% in the share capital of SAF-HOLLAND S.A. are held by Franklin Templeton Investment Management Limited, Delta Lloyd Asset Management N.V. as well as FMR LLC. In the case of the latter two positions mentioned, the surpassing of the reporting threshold was announced in the first half of 2016. Members of SAF-HOLLAND's Management Board and the Board of Directors held 1.6% of outstanding shares as of the reporting date, which is the same as the level at the end of 2015.

SHAREHOLDER STRUCTURE 2016 in %



As of June 30, 2016

SHAREHOLDER STRUCTURE 2015 in %



As of June 30, 2015

Annual General Meeting 2016 approves dividend increase to EUR 0.40 per share

The Annual General Meeting of SAF-HOLLAND S.A. held on April 28, 2016 approved a dividend payment of EUR 0.40 per share for financial year 2015 (previous year: EUR 0.32). The shareholders approved the proposal from the Board of Directors. The dividend amount paid out of EUR 18.1 million (previous year: EUR 14.5 million) corresponds to approximately 39% (previous year: 44%) of the available net earnings in the 2015 financial year. In the determination of this amount, the purely accounting-related and non-cash earnings from the valuation of intercompany foreign currency loans in the amount of EUR 4.7 million after taxes were not taken into consideration. With this distribution ratio, the objective of generally distributing between 40% and 50% of the available net earnings as a dividend was, for the most part, achieved. Relative to the end-of-year share price for 2015, this means a dividend yield of 3.2% (previous year: 2.9%).

KEY SHARE FIGURES

WKN/ISIN	A0MU70/LU0307018795
Stock exchange symbol	SFQ
Number of shares	45,361,112 shares
Designated Sponsors	Commerzbank AG, ODDO SEYDLER BANK AG, Kepler Cheuvreux
Highest/lowest price for the period[1]	EUR 12.14/EUR 9.07
Half-year closing price[1]	EUR 9.94
Market capitalization	EUR 450.9 million
Undiluted adjusted earnings per share[2]	EUR 0.65

[1] XETRA closing price
[2] Based on the weighted average number of shares outstanding in the period under review.

CORPORATE BONDS OVERVIEW

SAF-HOLLAND corporate bond

The SAF-HOLLAND corporate bond has been listed on the Prime Standard for corporate bonds on the Frankfurt Stock Exchange since 2012. The total nominal value is EUR 75.0 million. The bond has a maturity until April 26, 2018 and an interest coupon of 7.00%.

In the first half of the year, the corporate bond recorded a slightly declining price development. On the relevant date at the end of the half year, the bond was quoted at 104.3% as compared to 111.0% at the end of the year 2015. The yield to maturity thus amounted to 4.46%.

Company rating of BBB again confirmed

The rating agency Euler Hermes again confirmed the investment grade rating of SAF-HOLLAND of “BBB”. In an analysis dated April 6, 2016, Euler Hermes also expressed its expectations of a stable rating in the next twelve months. This assessment is based on the assumption of a slightly increased business risk due to the cyclical nature of the commercial vehicles industry which is, however, partially compensated for by high market entry barriers and the more economically stable spare parts business. As a result of the excellent capital structure and the financial flexibility, the rating agency assesses the Group’s financial risk as limited.

KEY FIGURES FOR THE CORPORATE BOND

WKN	A1HA97
ISIN	DE000A1HA979
Volume	75.0 EUR million
Denomination	EUR 1,000
Coupon	7.00% p.a.
Interest date	April 26
Term	5.5 years
Maturity	April 26, 2018
Bond segment	Prime Standard
Stock Exchange	Frankfurt
Status	Senior
Company rating	BBB, stable outlook (Euler Hermes)
Half-year closing price[1]	104.3%

[1] Source: IKB Deutsche Industriebank AG, Düsseldorf.

SAF-HOLLAND convertible bonds

In 2014, within the scope of a private placement, SAF-HOLLAND issued convertible bonds with a total nominal value of EUR 100.2 million. The convertible bonds have a final maturity on September 12, 2020 and an annual interest rate of 1.00%. They are listed on the OTC trade of the Frankfurt Stock Exchange.

The convertible bonds with a nominal value of EUR 100,000 were initially convertible into 8.1 million new or existing shares of SAF-HOLLAND S.A. with a par value of EUR 0.01, which represented approx. 17.8% of SAF-HOLLAND S.A.'s outstanding share capital. As a result of the cash dividend payment approved by the Annual General Meetings of 2015 and 2016 payable to shareholders of SAF-HOLLAND S.A., the conversion price and the conversion ratio were adjusted in accordance with the terms and conditions of the bonds.

In line with the development of SAF-HOLLAND's share price, development of the convertible bond also recorded a price decrease in the first half of 2016. After a year-end closing price of 118.7% on December 30, 2015, the price of the convertible bond at the half-year closing date on June 30, 2016 was 105.8%.

No conversions took place in the first half of 2016.

KEY CONVERTIBLE BOND FIGURES

WKN	A1ZN7J
ISIN	DE000A1ZN7J4
Volume	EUR 100.2 million
Denomination	EUR 100,000
Coupon	1.00% p.a.
Method of payment	Semi-annual
Term	6 years
Maturity	September 12, 2020
Status	Senior and unsecured
Conversion price	EUR 12.1823 per share
Conversion ratio	8,208.6306 per bond
Dividend protection	Up to EUR 0.27 per share annually
Stock exchange listing	Over the counter market of the Frankfurt Stock Exchange
Half-year closing price[1]	105.8%

[1] Source: IKB Deutsche Industriebank AG, Düsseldorf.

GROUP INTERIM MANAGEMENT REPORT

ECONOMY AND INDUSTRY ENVIRONMENT

OVERALL ECONOMIC DEVELOPMENT: RECOVERY IN THE GLOBAL ECONOMY CONTINUES

The world economy recorded a continued moderate dynamic in the first half of 2016. In light of the turbulence on the international financial markets and a dramatic drop in some prices of raw material at the beginning of 2016, the acceleration of growth anticipated by many economists did not appear in the first half of the year. On the other hand, worries that turbulence on the financial markets could spread to the global economy or could be the forerunner of a global recession proved unfounded. The moderate economic recovery in the advanced economies continued over the course of 2016 to date and benefited on the one hand on the consumption side from the low prices of raw materials but, on the other hand, was burdened on the export side by weaker demand from the raw materials exporting emerging countries.

In the United States, gross domestic product in the first quarter of 2016 grew at an annualized rate of a mere 0.8% after 0.9% at the end of 2015. In the second quarter, economic growth accelerated slightly to 1.2%. The recovery in the manufacturing sector has so far been relatively tentative. The ISM Manufacturing Index has been above the threshold of 50% since March 2016, which would usually signal growth in the industry, but the figure of 53.2% in June 2016 indicated only moderate growth. The development of the labor market also slowed slightly in the second quarter; the average monthly creation of jobs outside of the agriculture sector was recently slightly lower than 150,000. Accordingly, the U.S. Federal Reserve at its meeting in June left the prime interest rate unchanged and withdrew expectations with regard to further upcoming interest rate increases.

In the euro zone, economic development remains on a moderate but generally very stable course of recovery. In the first quarter of 2016, gross domestic product grew by 1.7% as compared to the previous year. This recovery was supported by the extremely loose monetary policy of the European Central Bank, low oil prices and the weak exchange rate of the euro. Growth in the euro zone was buoyed primarily by the domestic economy, especially by consumer demand, while export weaknesses continued – a reflection of the economic problems in many emerging countries.

There continued to be varied economic development in the major emerging countries. India, for example, recorded robust and stable growth of over 7% in the course of the year to date. In China, growth in the first half-year of 2016 weakened to 6.7% (after 6.9% in 2015). This, however, for the most part, eliminated concerns related to a possible “hard landing” of the Chinese economy. The situation in Brazil is different: here the gross domestic product shrank against the backdrop of unsolved structural and political problems in the first quarter by another 5.4% from an annual perspective. Initial glimmers of hope, however, are coming from a stabilization of inflation and an improvement in exports. Due to the raw materials dependency of Russia and the continuing sanctions from the West, the situation of the Russian economy remained difficult. The decrease in GDP in the first quarter of 2016 of 1.2% was, however, more moderate than feared and Russia's industrial data indicate a stabilization in economic output in the second quarter.

INDUSTRY DEVELOPMENT: EUROPE AS A PILLAR OF GROWTH, WEAKENING IN NORTH AMERICA

The global commercial vehicles markets continued to demonstrate strongly varying regional tendencies in the first half of 2016. While the Western European truck and trailer market was able to continue the good development of the previous year, the market correction in heavy trucks (class 8) in North America, which began in the third quarter of 2015, intensified. Development of the truck and trailer markets in emerging countries was uneven. The important market in Brazil remained under pressure. In Russia, the market in the second quarter, on the other hand, stabilized and in China the recovery even picked up speed.

The commercial vehicles markets of the countries in the European Union again recorded unexpectedly high growth rates in the first half of 2016 and were thus able to seamlessly continue the positive development of the previous year. Overall, new registrations for commercial vehicles of all kinds again had a double-digit growth rate of 13.5% in the first six months of 2016. In relation to the second quarter of 2016, the increase was 14.9%. In the segment for heavy trucks over 16 tons, the vehicle class that is relevant for SAF-HOLLAND, new registrations increased at an even greater rate of 17.6% in the first half and 16.6% in the second quarter, according to data from the industry association ACEA. The positive trend of the previous year also continued in the European trailer market. The market research institute CLEAR estimates that the Western European trailer market grew by 9.3% in the first half of 2016.

The Russian commercial vehicles market managed to stabilize in the course of the first half of 2016. Following a decrease in registration figures for heavy duty trucks in the first three months of 2016 of 23.7%, registrations in the second quarter increased by 7.3%. From the perspective of the first six months, there was a decrease in registrations of 9.4%.

The market for medium duty and heavy duty trucks in India showed strong growth of 21.4% and 27.2% respectively in the first half of 2016.

In North America, weaknesses in the truck market intensified in the second quarter of 2016. The number of newly-registered heavy trucks (class 8) declined by 22.3% from April to June. The decline in the first quarter was 7.2%. Orders received also showed a further decrease. However, there have been indications of a bottoming out at a low level since March 2016.

The North American trailer market also had a weaker performance in the first half of 2016 but in comparison to the class 8 truck market, the declines were significantly more moderate. This is a result of the continued high order backlog among the trailer manufacturers which secures a good capacity utilization until the end of the year. Orders placed in the first six months decreased by 29.1%.

The Brazilian market for heavy trucks remained under pressure in the first half of 2016. Despite the already weak comparative basis from the previous year, there was a further decrease of 13% in the period from January to June 2016. A temporary stabilization in the months of February and March was followed by a renewed decrease in the second quarter of 22.7%.

Following significant sales declines in the previous year, the Chinese commercial vehicles market stabilized in the reporting period. In the first half of 2016, truck sales increased by more than 4%. For heavy trucks, the increase was 15.1%. In contrast, buses recorded a decrease in sales of 9.5%.

SIGNIFICANT EVENTS IN THE SECOND QUARTER OF 2016

Confirmation of investment grade status by Euler Hermes

In a detailed analysis from April 06, 2016, the rating agency Euler Hermes again confirmed the investment grade rating of SAF-HOLLAND S.A. of "BBB" with a stable outlook. In its statement, the rating agency acknowledged the growth prospects in particular and the excellent market position of the Group in the core markets Europe and North America as well as the constant product innovations. SAF-HOLLAND's slightly increased business risk, according to Euler Hermes, is attributable to the cyclical nature of the commercial vehicles industry which is, however, partially compensated for by high market entry barriers and less cyclical spare parts business. As a result of the Group's excellent capital structure and financial flexibility, the rating agency assesses SAF-HOLLAND's financial risk as generally limited. Positively emphasized in this regard is mainly the improvement in the debt reduction period and interest coverage ratios as a result of the continuously increasing earnings power as well as lower interest expenses due to several refinancings. Euler Hermes thus expressed its expectations of a stable rating in the next twelve months.

Award for the SAF-HOLLAND aftermarket team

In April 2016, the aftermarket team from SAF-HOLLAND in North America was recognized by Martec International as "Star Supplier 2015" and thus as one of the most important partner companies. The evaluation is based on the following categories: on-time performance, complete delivery of lines, damage-free delivery of items and accurate invoicing. Martec International praised SAF-HOLLAND as a partner with a convincing delivery and service performance that is constantly developed further and improved.

SALES AND EARNINGS PERFORMANCE, NET ASSETS AND FINANCIAL POSITION

SALES AND EARNINGS PERFORMANCE

Organic Group sales only slightly lower despite significant US market weakness

In the period between January and June 2016, SAF-HOLLAND recorded Group sales of EUR 533.6 million (previous year: EUR 558.7 million). Exchange rate effects resulted in a sales reduction in the amount of EUR 9.9 million in the first six months of 2016. In addition, it should also be noted that the agricultural product line AerWay was sold at the end of 2015 and no longer contributed to Group sales in the first half of 2016. This resulted in a sales-reduction effect of EUR 3.8 million. Despite the continued difficult market environment in North America and in many emerging markets, organic sales of SAF-HOLLAND recorded only a slight decline. Excluding negative currency exchange effects and the effects of the sale of the AerWay product line, a sales decrease of just 2.0% was recorded in the first half of 2016.

In the second quarter, SAF-HOLLAND recorded Group sales of EUR 273.7 million (previous year: EUR 287.7 million). Sales fell by 4.9%. However, this was primarily attributable to negative currency exchange effects in the Group currency Euro, which amounted to EUR 7.6 million. Organically, excluding currency exchange effects and changes to the scope of consolidation, only a moderate sales decrease of 1.8% as compared to the second quarter of 2015 was recorded, following a decline of 2.2% in the first quarter of 2016.

As in the first three months of 2016, the demand situation and sales development in the individual sales markets of the Group also varied greatly in the second quarter of 2016. Solid growth was achieved in Western Europe and the Middle East, where SAF-HOLLAND benefited from both the overall solid demand as well as from its strong market position. The growth in Europe was largely able to compensate for the sales decline in North America due to market conditions, although Russia did not make a noticeable contribution to Group sales in the original equipment business. Overall, demand in the important markets for SAF-HOLLAND of Brazil and Australia remained at a very low level.

SALES DEVELOPMENT BY AREA OF ACTIVITY

EUR million	Q1-Q2/2016		Q1-Q2/2015	
Original equipment business	398.2	74.6%	421.5	75.4%
Spare parts business	135.4	25.4%	137.2	24.6%
Total	**533.6**	**100.0%**	**558.7**	**100.0%**

Original equipment: Strong development in Europe and the Middle East largely compensates for US truck market weakness

Sales in the original equipment business reached EUR 398.2 million in the first half of 2016 (previous year: EUR 421.5 million). This corresponds to a share of Group sales of 74.6% (previous year: 75.4%). Alongside negative currency exchange effects and the sale of the disinvested AerWay product line, which were no longer included in the first six months of 2016, the weak market conditions in North America and in numerous emerging markets also had an impact on sales.

In the USA, the decline in demand for heavy trucks (Class 8) impacted particularly the fifth wheel business. There was also no significant improvement in suspension systems for vocational vehicles, in particular in the exploration, agriculture and construction market segments. Demand in Brazil in the first half of 2016 remained at an extremely low level. While the first quarter of 2016 was once again weaker than in the previous year, demand in the second quarter stabilized at a very low level.

In contrast, SAF-HOLLAND recorded good growth in components for trucks and trailers in the region EMEA/India in both Western European countries as well as in some Eastern European markets, with the exception of Russia, but also in Middle Eastern markets. In the region APAC/China, sales in the first six months remained below the level of the previous year, but they increased noticeably in the second quarter of 2016 compared with the first quarter (see Region APAC/China).

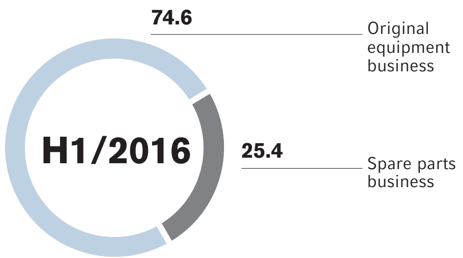
In the second quarter of 2016, sales in the original equipment business were at EUR 202.1 million in comparison with EUR 216.6 million in the same quarter of the previous year. Pleasingly, the sales decline in the region Americas was lower in the second quarter of 2016 than in the first quarter. This is particularly significant given that the market environment in North America declined further in the same period and that the production figures for heavy Class 8 trucks in particular as well as for trailers were lower. This development shows that SAF-HOLLAND was able to further strengthen its market position in North America and was also able to gain in market share in key segments.

Spare parts business improves in second quarter

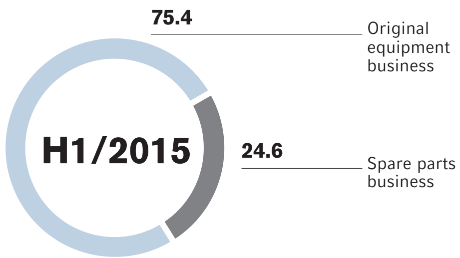
Sales in the spare parts business were nearly stable in the first half of 2016 at EUR 135.4 million (previous year: EUR 137.2 million). The share of Group sales increased to 25.4% (previous year: 24.6%) and led to a generally advantageous product mix. Solid growth was predominantly recorded in the region EMEA/India. Although slight growth was also recorded in the region APAC/China, the spare parts business is only of limited importance for SAF-HOLLAND in this region. The focus in this region is first on the development of the customer base in the original equipment business and the expansion of the product population in the market. By contrast, sales revenues in the region Americas were below the previous year's figure. The spare parts business in North America finds itself in a market environment, which is shaped by the high number of new registrations in 2014 and 2015 of Class 8 heavy trucks in particular. As a result, the demand for spare parts is still comparatively slow. However, the high fleet registrations in recent years represent the basis of the upcoming spare parts business. Market researchers therefore expect a noticeable increase in demand in the North American spare parts business over the course of the next twelve months.

The growth dynamic in the spare parts business noticeably accelerated in the second quarter, primarily driven by increasing demand in the region EMEA/India. In the three months from April to June 2016, sales increased by 0.7% to EUR 71.6 million (previous year: EUR 71.1 million), following a decrease of 3.5% in the first quarter of 2016.

AREAS OF ACTIVITY'S SHARE OF GROUP SALES in %



AREAS OF ACTIVITY'S SHARE OF GROUP SALES in %



Significant earnings increase in the second quarter of 2016

INCOME STATEMENT

EUR million	Q1-Q2/2016	Q1-Q2/2015	Q2/2016	Q2/2015
Sales	533.6	558.7	273.7	287.7
Cost of sales	-424.3	-450.0	-217.6	-230.0
Gross profit	**109.3**	**108.7**	**56.1**	**57.7**
in % of sales	20.5	19.5	20.5	20.1
Other operating income	0.2	0.9	0.1	0.5
Selling expenses	-31.2	-31.0	-15.7	-16.5
Administrative expenses	-25.0	-24.2	-12.7	-13.0
Research and development costs	-9.5	-10.7	-4.4	-5.3
Operating result	**43.8**	**43.7**	**23.4**	**23.4**
in % of sales	8.2	7.8	8.5	8.1
Finance result	-6.9 [1]	1.4 [2]	-2.0 [1]	-5.2 [2]
Share of net profit of investments accounted for using the equity method	0.8	0.8	0.4	0.5
Result before tax	**37.7**	**45.9**	**21.8**	**18.7**
in % of sales	7.1	8.2	8.0	6.5
Income tax	-12.0	-15.5	-7.2	-6.4
Result for the period	**25.7**	**30.4**	**14.6**	**12.3**
in % of sales	4.8	5.4	5.3	4.3
Number of shares[3]	45,361,112	45,361,112	45,361,112	45,361,112
Undiluted earnings per share in EUR	**0.57**	**0.67**	**0.32**	**0.27**
Diluted earnings per share in EUR	**0.50**	**0.58**	**0.28**	**0.24**

[1] From 2016, unrealized foreign exchange gains/losses from the valuation of inter-company foreign currency loans are no longer recognized in the finance result. Unrealized exchange rate losses in the amount of EUR 1.2 million in the first half of 2016 (Q2/2016: unrealized exchange rate gains of EUR 0.7 million) from the valuation of inter-company foreign currency loans as of the balance sheet date were recognized directly in other comprehensive income for the first time.

[2] The finance result of the first half of 2015 includes unrealized exchange rate gains from the valuation of inter-company foreign currency loans in the amount of EUR 5.6 million as of the balance sheet date (Q2/2015: exchange rate losses of EUR 3.2 million).

[3] Weighted average number of ordinary shares.

Gross margin increases again

Despite the lower sales volumes and slightly declining revenue, the gross margin of the Group has noticeably improved in the first six months of 2016. This was particularly significant given that the increasing scrap steel price in the USA tended to have a burdening effect on earnings. The increasing purchase prices can only be passed on to the customer with a delay.

The already effective cost reductions from the plant consolidation in Germany as well as the effectively implemented efficiency enhancement measures in the plant in Warrenton, Missouri, USA, had a positive impact. Savings effects from the accelerated bundling of purchasing activities also contributed. We quickly and effectively implemented measures to adjust manufacturing capacities to the lower truck production figures in North America in the first six months of 2016 and were thereby able to curtail effects on the earnings side as far as possible.

As a result, the gross profit of the Group increased to EUR 109.3 million in the first six months of 2016 (previous year: EUR 108.7 million). The gross margin increased by one percentage point to 20.5% (previous year: 19.5%). The gross margin of 20.5% (previous year: 20.1%) achieved in the second quarter of 2016 exceeded the already solid figure of the previous year once again. Other operating income was below the first half of 2015 at EUR 0.2 million (previous year: EUR 0.9 million).

Selling expenses in the first six months of 2016 were above the level of the previous year at EUR 31.2 million (previous year: EUR 31.0 million). It should be noted that expenses for the company's trade fair appearance at this year's international bauma trade fair in April as well as in part for marketing activities prior to the IAA commercial vehicles trade fair in September 2016 were incurred in this period. The selling expenses' share of Group sales thereby increased slightly to 5.8% (previous year: 5.5%). The administrative expenses increased slightly to EUR 25.0 million in the first six months of 2016 (previous year: EUR 24.2 million) and reflected, among other things, expenses for the development of central functions in the Group's new regional organization structure.

In the first six months of 2016, SAF-HOLLAND spent EUR 9.5 million for research and development (previous year: EUR 10.7 million). Because several development projects were completed during this period, research and development costs were slightly below average. The research and development ratio not including capitalized development costs amounted to 1.8% in the first half of 2016 (previous year: 1.9%); EUR 1.9 million was capitalized (previous year: EUR 1.2 million). The capitalized development costs were countered by amortization in the amount of EUR 0.4 million (previous year: EUR 0.3 million). Under consideration of the capitalized development costs, research and development costs in the first half of 2016 amounted to EUR 11.4 million (previous year: EUR 11.9 million). Compared with the previous year, unchanged research and development costs as a percentage of sales amounted to 2.1% (previous year: 2.1%).

Operating result slightly improved despite decrease in sales

SAF-HOLLAND slightly increased its operating result in the first half of 2016 to EUR 43.8 million (previous year: EUR 43.7 million). In the second quarter of 2016, despite the 4.9% decrease in sales, the Group was able to maintain the operating result at the high level of the previous year, achieving EUR 23.4 million (previous year: EUR 23.4 million). In relation to Group sales, the operating result increased to 8.5% (previous year: 8.1%) in the three months April to June 2016 and was thereby higher than in the previous quarter (7.8%).

Significant improvement in finance result in the second quarter

As expected, the finance result recorded a significant decrease to EUR -6.9 million in the first half of 2016 (previous year: EUR 1.4 million). The significant change in the finance result was however primarily attributable to the unrealized and non-cash foreign exchange gains from the valuation of inter-company foreign currency loans in the first six months of 2015 in the amount of EUR 5.6 million. In contrast, there was no appreciable effect in the finance result from this position in the first half of 2016 because translation effects from the valuation of the majority of inter-company foreign currency loans have been treated as part of a net investment in a foreign operation in accordance with IFRS and are therefore recognized directly in other comprehensive income. On the interest side, additional interest expenses for the promissory note loan issued in November 2015 were incurred. The balance of interest income and expenses from interest bearing loans and bonds thus amounted to EUR -5.4 million (previous year: EUR -4.3 million). Finance expenses relating to derivative financial instruments increased to EUR 1.0 million (previous year: EUR 0.3 million). This increase was primarily attributable to the issuing of the promissory note loan at the end of 2015.

The considerable unrealized exchange rate gains from the valuation of inter-company foreign currency loans in the first quarter of 2015 (EUR 8.8 million) were seen alongside unrealized exchange rate losses in the net amount of EUR 3.2 million in the second quarter of 2015. Overall, a noticeable improvement in the finance result to EUR -2.0 million in the second quarter of 2016 (previous year: EUR -5.2 million) was recorded, primarily as a result of this situation.

Result for the period for the second quarter increases by 19%

The aforementioned change in the net finance result led to an overall decrease in the result before tax by 17.9% to EUR 37.7 million in the first half of 2016 (previous year: EUR 45.9 million), despite an increased operating result.

By contrast, the Group increased the result before tax in the second quarter of 2016 as compared to the same quarter of the previous year by 16.6% to EUR 21.8 million (previous year: EUR 18.7 million).

As a result of a lower income tax rate which stood at 31.9% (previous year: 33.8%) the result for the period in the first half of 2016 recorded a better percentage development than the result before tax. The result for the period decreased by 15.5% to EUR 25.7 million (previous year: EUR 30.4 million). Based on an unchanged number of 45.4 million issued ordinary shares, this resulted in undiluted earnings per share of EUR 0.57 (previous year: EUR 0.67). Taking into consideration the impact on profit and loss as well as the share equivalents of the convertible bonds issued in 2014, diluted earnings per share amounted to EUR 0.50 in the first half of 2016 (previous year: EUR 0.58).

In the second quarter of 2016, the result for the period increased by 18.7% to EUR 14.6 million (previous year: EUR 12.3 million). Undiluted earnings per share therefore increased to EUR 0.32 (previous year: EUR 0.27). Diluted earnings per share rose to EUR 0.28 (previous year: EUR 0.24).

RECONCILIATION OF ADJUSTED EARNINGS FIGURES

EUR million	Q1-Q2/2016	Q1-Q2/2015 adjusted [2]	Q1-Q2/2015	Q2/2016	Q2/2015 adjusted	Q2/2015
Result for the period	25.7	30.4	30.4	14.6	12.3	12.3
Income tax	12.0	15.5	15.5	7.2	6.4	6.4
Finance result	6.9 [1]	-1.4	-1.4 [3]	2.0 [1]	5.2	5.2 [3]
Depreciation and amortization from PPA	2.8	3.2	3.2	1.2	1.6	1.6
Restructuring and integration costs	1.6	1.8	1.8	1.3	1.4	1.4
Adjusted EBIT	**49.0**	**49.5**	**49.5**	**26.3**	**26.9**	**26.9**
in % of sales	9.2	8.9	8.9	9.6	9.4	9.4
Depreciation and amortization	8.3	7.3	7.3	4.2	3.7	3.7
Adjusted EBITDA	**57.3**	**56.8**	**56.8**	**30.5**	**30.6**	**30.6**
in % of sales	10.7	10.2	10.2	11.1	10.6	10.6
Depreciation and amortization	-8.3	-7.3	-7.3	-4.2	-3.7	-3.7
Finance result	-6.9 [1]	-4.2 [2]	1.4 [3]	-2.0 [1]	-3.4 [2]	-5.2 [3]
Adjusted result before tax	**42.1**	**45.3**	**50.9**	**24.3**	**23.5**	**21.7**
Income tax	-12.7 [4]	-13.9 [5]	-15.6 [5]	-7.3 [4]	-7.2 [5]	-6.7 [5]
Adjusted result for the period	**29.4**	**31.4**	**35.3**	**17.0**	**16.3**	**15.0**
in % of sales	5.5	5.6	6.3	6.2	5.7	5.2
Number of shares [6]	45,361,112	45,361,112	45,361,112	45,361,112	45,361,112	45,361,112
Undiluted adjusted earnings per share in EUR [7]	**0.65**	**0.69**	**0.78**	**0.38**	**0.36**	**0.33**
Diluted adjusted earnings per share in EUR [8]	**0.56**	**0.59**	**0.67**	**0.32**	**0.31**	**0.29**

[1] From financial year 2016, the majority of unrealized foreign exchange gains/losses from the valuation of inter-company foreign currency loans are no longer recognized in the finance result. Unrealized exchange rate losses in the amount of EUR 1.2 million in the first half of 2016 (Q2/2016: unrealized exchange rate gains of EUR 0.7 million) from the valuation of inter-company foreign currency loans as of the balance sheet date were therefore recognized directly in other comprehensive income for the first time.
[2] For better comparability, the finance result – recorded from the adjusted EBITDA – for 2015 was recorded using the same method as for 2016, which means that unrealized exchange rate gains in the amount of EUR 5.6 million in the first half of 2015 (Q2/2015: exchange rate losses of EUR 1.8 million) are no longer reported in this item.
[3] The finance result of the first half of 2015 includes unrealized exchange rate gains from the valuation of inter-company foreign currency loans in the amount of EUR 5.6 million as of the balance sheet date (Q2/2015: exchange rate losses of EUR 3.2 million).
[4] A uniform tax rate of 30.10% was assumed for the adjusted result for the period.
[5] A uniform tax rate of 30.60% was assumed for the adjusted result for the period.
[6] Weighted average number of ordinary shares.
[7] Adjusted undiluted earnings per share calculations include non-controlling interests in the amount of EUR -0.3 million (previous year: EUR 0.1 million).
[8] Calculation takes into consideration 8.1 million share equivalents (previous year: 8.1 million) and a EUR 0.8 million earnings contribution (previous year: EUR 0.8 million) from convertible bonds issued in 2014 and non-controlling interests in the amount of EUR -0.3 million (previous year: EUR 0.1 million).

Adjusted EBIT margin 20 basis points higher in the second quarter

In the first half of 2016, the EBIT of the SAF-HOLLAND Group, adjusted for effects from the purchase price allocation (depreciation and amortization from PPA) as well as restructuring and integration costs in the amount of EUR 4.4 million (previous year: EUR 5.0 million) remained stable at EUR 49.0 million (previous year: EUR 49.5 million) despite a 4.5% decrease in sales. The Group increased its adjusted EBIT margin to 9.2% (previous year: 8.9%). In the second quarter of 2016, the adjusted EBIT reached the high level of the record quarter of Q2/2015, achieving EUR 26.3 million (previous year: EUR 26.9 million). The Group increased its adjusted EBIT margin by 20 basis points to 9.6% (previous year: 9.4%).

As in the first quarter of 2016, unrealized exchange rate gains/losses from the valuation of the majority of inter-company foreign currency loans were no longer recognized in the finance result but directly in other comprehensive income, because the majority of the inter-company foreign currency loans are considered part of a net investment in a foreign operation.

In the first half of 2016, unrealized exchange rate losses from the valuation of inter-company foreign currency loans in the amount of EUR -1.2 million (previous year: EUR 5.6 million) were recognized in other comprehensive income. In contrast, in the first half of 2015 the unrealized exchange rate gains in the amount of EUR 5.6 million were included in the finance result and were not recognized in other comprehensive income. In the second quarter of 2016, EUR 0.7 million in unrealized exchange rate gains (previous year: EUR -1.8 million) were recognized in other comprehensive income. In contrast, the unrealized exchange rate losses in the second quarter of 2015 were recorded in the finance result, rather than in other comprehensive income.

The finance result in the first half of 2016 fell by EUR 8.3 million and was at EUR -6.9 million following EUR 1.4 million in the comparable period of the previous year. If the unrealized exchange rate gains in the first half of 2015 in the amount of EUR 5.6 million had been recognized in other comprehensive income, then the finance result would have been at EUR -4.2 million. The finance result in the first six months of 2016 would therefore have been just EUR 2.7 million lower than in the previous year, primarily as a result of higher interest expenses and expenses from the valuation of derivative financial instruments, which are, among other things, attributable to the issuing of a promissory note loan in September 2015.

In the second quarter of 2016 the finance result was at EUR -2.0 million (previous year: EUR -5.2 million) and thereby EUR 3.2 million higher than in the same quarter of the previous year. If the unrealized exchange rate losses in the second quarter of 2015 in the amount of EUR 1.8 million had been recognized in other comprehensive income, then the year-on-year change in the finance result would have been EUR 1.4 million.

The decline in the finance result led to a decreased adjusted result before tax of EUR 42.1 million in the first half of 2016 (previous year: EUR 50.9 million). If the unrealized exchange rate gains/losses from the valuation of inter-company foreign currency loans had also been recognized directly in other comprehensive income in the first half of 2015, as described above, the change to the adjusted result before tax would only have been EUR -3.2 million rather than EUR -8.8 million. The adjusted result before tax amounted to EUR 24.3 million in the second quarter of 2016 (previous year: EUR 21.7 million), thereby EUR 2.6 million above the level of the previous year. If the unrealized exchange rate gains/losses of the second quarter of 2015 had been treated as described above, then the adjusted result before tax would have improved by EUR 0.8 million rather than EUR 2.6 million.

After the deduction of income tax, the adjusted result for the period was EUR 29.4 million in the first half of 2016 as compared to EUR 35.3 million in the previous year. Undiluted adjusted earnings per share amounted to EUR 0.65 (previous year: EUR 0.78) and diluted adjusted earnings per share to EUR 0.56 (previous year: EUR 0.67). In the second quarter of 2016, the adjusted result for the period was EUR 17.0 million (previous year: EUR 15.0 million), the undiluted adjusted earnings per share EUR 0.38 (previous year: EUR 0.33) and the diluted adjusted earnings per share EUR 0.32 (previous year: EUR 0.29).

If the unrealized exchange rate gains/losses had been recognized in other comprehensive income in the first half of 2015, in line with the approach in 2016, the adjusted result for the period would only have been reduced by EUR 2.0 million to EUR 29.4 million (previous year: EUR 31.4 million) rather than by EUR 5.9 million. In the second quarter of 2016, the adjusted result for the period would have correspondingly improved by EUR 0.7 million, rather than by EUR 2.0 million.

Business development in the Regions: Strong business in EMEA/India largely compensates for weakness in Americas

OVERVIEW OF REGIONS

	EMEAI[1]		Americas[2]		APAC/China[3]		**Total**	
EUR million	Q1-Q2/2016	Q1-Q2/2015	Q1-Q2/2016	Q1-Q2/2015	Q1-Q2/2016	Q1-Q2/2015	Q1-Q2/2016	Q1-Q2/2015
Sales	297.2	280.4	205.0	239.4	31.4	38.9	**533.6**	**558.7**
Cost of sales	-236.4	-229.1	-164.0	-191.4	-23.9	-29.5	**-424.3**	**-450.0**
Gross profit	**60.8**	**51.3**	**41.0**	**48.0**	**7.5**	**9.4**	**109.3**	**108.7**
in % of sales	20.5	18.3	20.0	20.0	23.9	24.2	**20.5**	**19.5**
Other operating income and expense	-29.8	-27.9	-24.7	-25.4	-5.8	-5.8	**-60.3**	**-59.2**
Adjusted EBIT	**31.0**	**23.4**	**16.3**	**22.5**	**1.7**	**3.6**	**49.0**	**49.5**
in % of sales	10.4	8.3	8.0	9.4	5.3	9.3	**9.2**	**8.9**

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

EMEA/India: Improved profitability and gains in new business

Compared to the previous year period, sales in the first half of 2016 rose by 6.0% to EUR 297.2 million in the EMEA/India segment (previous year: EUR 280.4 million). The share of Group sales increased to 55.7% (previous year: 50.2%), which allowed the segment to expand its position as the largest pillar of the Group. Adjusted for exchange rate effects, sales increased by 7.5% in the first six months to EUR 301.3 million (previous year: EUR 280.4 million). In the second quarter of 2016, sales increased by 5.0% compared with the same quarter of the previous year to EUR 152.0 million (previous year: EUR 144.7 million); adjusted for exchange rate effects, this represents growth of 6.8%.

The business development benefited from the continued favorable economic development in Western Europe and the pent-up demand of previous years, as a result of which the average fleet age had significantly increased. This led to continued investments on the part of customers in the modernization of their trailer fleets.

The trailer business was able to increase its market share in important European markets such as Spain and England as well as South Africa and Iran and to successfully acquire additional new business. In Russia, business stabilized in the second quarter following a weaker first quarter. However, in absolute terms, the business volume in this market is at a very low level.

Sales of third-party products also recorded positive development overall in the region EMEA/India. In addition, increased demand in the aftermarket for products of the SAUER GERMANY QUALITY PARTS brand for trucks and trailers in their 'second life' was recorded.

The expansion of the business to new country markets, including, in particular, the Middle East and Africa, is a key focus of the growth strategy 2020. In the second quarter of 2016, the two regions continued to record positive development and important progress was made, major projects have started and new customer orders were won. Additional expansion measures are already being planned for the Parts Distribution Center in Dubai, which is operating almost at capacity. Gross profit in the region EMEA/India increased in the first half of 2016 at a disproportionately high rate by 18.5% to EUR 60.8 million (previous year: EUR 51.3 million). This brought the gross margin to 20.5% (previous year: 18.3%). In addition to economy of scale effects from the sales increase, the margin improvement primarily resulted from delayed effects from the plant consolidation in Germany, which was completed in the previous year. Savings in material procurement and other efficiency enhancement measures also had a positive effect. The adjusted EBIT in the region improved significantly by 32.5% to EUR 31.0 million (previous year: EUR 23.4 million) and the adjusted EBIT margin reached 10.4% (previous year: 8.3%).

In the second quarter of 2016, the adjusted EBIT of EUR 17.2 million (previous year: EUR 11.2 million) exceeded the level of the previous year by 53.6% and the adjusted EBIT margin reached 11.3%, supported by positive product mix effects (previous year: 7.7%).

Americas: sales and earnings performance sound despite weak market condition

Against the backdrop of a difficult market environment, sales in the Americas segment decreased by 14.4% to EUR 205.0 million in the first half of 2016 (previous year: EUR 239.4 million). The segment's share of Group sales was 38.4% (previous year: 42.8%). On an organic basis, i.e. adjusted for currency effects and the sale of the AerWay product line at the end of 2015, sales fell at a lower rate in the first six months of 11.3% to EUR 209.0 million (previous year: EUR 235.6 million).

However, in the second quarter of 2016, an increase in sales by 4.6% to EUR 104.8 million was recorded in the region when compared with the first quarter of 2016. Compared with the second quarter of 2015 (EUR 121.7 million), a decrease in sales of 13.9% was recorded; on an organic basis, this represents a decline of 9.9%. Compared with the first quarter of 2016

(-12.7%), the organic sales decrease at SAF-HOLLAND was limited in the second quarter of 2016 in the region Americas.

The sales development in the Americas segment primarily resulted from the weak market condition in North America for trucks, which gained momentum in the second quarter. Because orders received for Class 8 trucks were also below deliveries, many manufacturers have reduced their production again. The fact that sales of the Americas segment still recorded a less significant decline on an organic basis in the second quarter than in the first quarter shows that SAF-HOLLAND was able to further strengthen its market position in North America in the first six months. Because demand in the truck market was shaped by record new registrations in 2014 and 2015, the average fleet age is currently relatively low and the demand for spare parts is also at a low level. However, these fleets represent the basis for the spare parts business in the coming years. An initial glimmer of hope was observed in Brazil, where the subsidiary SAF-HOLLAND do Brasil was able to stabilize its sales in the second quarter despite a continued weak market environment.

An increase in scrap steel prices, which can generally only be passed on with a delay, had an impact on the gross profit in the second quarter of 2016. However, the gross margin in the Americas segment remained stable in the first half of 2016 at 20.0% (previous year: 20.0%). This was primarily due to the early initiation of measures to adjust capacities, cost savings as a result of efficiency enhancement measures and a generally strict cost discipline. The gross profit totaled EUR 41.0 million (previous year: EUR 48.0 million) and adjusted EBIT was at EUR 16.3 million (previous year: EUR 22.5 million). The adjusted EBIT margin amounted to 8.0% (previous year: 9.4%) and thereby remained – particularly against the backdrop of the described market environment – at an overall solid level.

Adjusted EBIT amounted to a total of EUR 8.0 million in the second quarter (previous year: EUR 13.4 million) and the adjusted EBIT margin was at 7.6% (previous year: 11.0%).

APAC/China: Sequential sales growth in the second quarter of 2016

Business development in the APAC/China segment was influenced by the weak economic development on the majority of ASEAN markets as well as by the continued difficult situation in the raw materials and transport sectors in Australia in the first six months of 2016, among other things. Sales in the region fell by 19.3% to EUR 31.4 million (previous year: EUR 38.9 million). The share in Group sales in the first half of 2016 was at 5.9% (previous year: 7.0%). Adjusted for exchange rate effects, sales fell by 14.6% – therefore less sharply – compared with the first six months of 2015 to EUR 33.2 million.

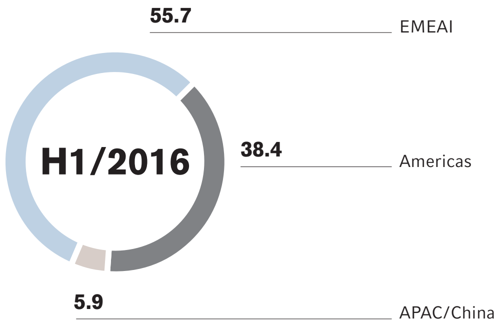
In the second quarter, sales in the APAC/China region amounted to EUR 16.9 million (previous year: EUR 21.3 million), which represents a decrease of 20.7% compared with the second quarter of 2015 (adjusted for exchange rate effects: -15.0%). However, the region recorded a sequential sales increase of 16.6% compared with the first quarter of 2016 (EUR 14.5 million).

The traditional China business with axle systems and components for trailers at the Xiamen location continued to show good capacity utilization and benefited from ongoing strong export demand for trailer chassis. At the turn of the year 2015/2016, our Group company Corpco was able to win two considerable major orders for truck suspension systems which represent important reference projects and which, however, will begin in 2018. In Australia, demand remained at a low level.

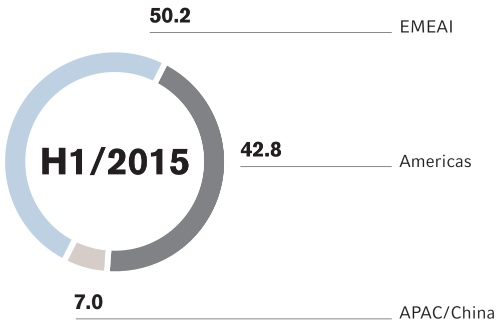
The gross margin of the APAC/China segment was at 23.9% in the first half of the year (previous year: 24.2%) and the gross profit was thereby at EUR 7.5 million (previous year: EUR 9.4 million). In light of the upfront expenses and investments in the further expansion of the business in the region, other expenses – combined with the decline in sales – resulted in a decrease in adjusted EBIT to EUR 1.7 million (previous year: EUR 3.6 million). The adjusted EBIT margin was 5.3% (previous year: 9.3%).

The adjusted EBIT in the second quarter of 2016 was EUR 1.1 million (previous year: EUR 2.3 million) and the adjusted EBIT margin was 6.5% (previous year: 10.8%).

SHARE OF GROUP SALES BY REGION in %



SHARE OF GROUP SALES BY REGION in %



NET ASSETS

Higher liquidity leads to increase in balance sheet total

In comparison with December 31, 2015 (EUR 888.5 million), the balance sheet total of the SAF-HOLLAND Group increased as of the balance sheet of June 30, 2016 by a total of EUR 76.5 million or 8.6% to EUR 965.0 million. Compared with the end of March 2016 (EUR 924.7 million), balance sheet total increased over the course of the second quarter by EUR 40.3 million.

The increase in both the first six months and the second quarter were largely attributable to the increased amount of liquid funds to a total of EUR 292.7 million (December 31, 2015: EUR 260.7 million; thereof EUR 145.7 million in cash and cash equivalents and EUR 115.0 million in other short-term investments). In the second quarter of 2016 alone, liquid funds increased by a net EUR 18.1 million. With the increased retention of liquidity, SAF-HOLLAND has ensured the financial requirements for the takeover offer for Haldex, which was announced on July 14, 2016. During the second quarter of 2016, the Group purchased Haldex shares with a value of EUR 13.4 million, which are shown in non-current financial assets.

In addition, the remaining current assets (excluding other short-term investments and cash and cash equivalents) also increased in comparison with the end of 2015, which was primarily attributable to the seasonal expansion of working capital in the first half of the financial year. In absolute terms, inventories increased to EUR 123.7 million (December 31, 2015: EUR 118.0 million), which represented, however, a reduction in days of inventory outstanding at the end of June 2016 to 51 days (December 31, 2015: 53 days). This improvement demonstrates the progress made in the management of working capital and is particularly pleasing against the backdrop of the difficult market situation in North America, because the adjustment of the inventories to the decreased business volume in the American subsidiaries was initially delayed. In comparison with March 31, 2016 (EUR 127.2 million), inventories were able to be decreased by EUR 3.5 million in the second quarter of 2016. SAF-HOLLAND has a medium-term objective for days of inventory outstanding of 45 days. This objective can first be achieved in the medium-term as a result of the necessary higher inventories in a number of peripheral markets as well as due to the further expansion of the Parts Distribution Centers.

Trade receivables also recorded a seasonal increase to EUR 140.5 million in the first six months of 2016 (December 31, 2015: EUR 116.5 million). The days of sales outstanding as of June 30, 2016 were thereby 46 days (December 31, 2015: 43 days) and was lower than on March 31, 2016, when the days of sales outstanding were 47 days. In comparison with March 31, 2016 (EUR 134.4 million), trade receivables increased by EUR 6.1 million, which also reflects the seasonal pattern.

In contrast, non-current assets only increased slightly by EUR 14.2 million to EUR 394.5 million (December 31, 2015: EUR 380.3 million). This increase occurred exclusively in the second quarter of 2016 (EUR 20.1 million), whilst a decrease of EUR 5.9 million was recorded in the first quarter. The increase compared with March 31, 2016 is attributable to the discussed purchase of Haldex shares, which is shown in non-current financial assets. Without this purchase, non-current assets as of June 30, 2016 would have increased slightly to EUR 381.1 million compared with the end of 2015. The slight decrease in intangible assets and property, plant and equipment compared with December 31, 2015 is due to depreciation and amortization exceeding the corresponding investments.

OVERVIEW OF NET ASSETS

EUR million	06/30/2016	03/31/2016	12/31/2015
Balance sheet total	965.0	924.7	888.5
Equity	287.8	293.8	287.8
Equity ratio	29.8%	31.8%	32.4%
Adjusted equity ratio[1]	42.4%	44.7%	45.3%
Net debt[2]	139.6	111.5	122.4

[1] Adjusted for cash and cash equivalents and other short-term investments that go beyond the figure targeted by SAF-HOLLAND of approximately EUR 7 million.

[2] Including cash and cash equivalents as well as other short-term investments of EUR 0 million (December 31, 2015: EUR 115.0 million; March 31, 2016: EUR 75.0 million).

Equity stable compared with the end of 2015

On the balance sheet date of June 30, 2016, equity of the SAF-HOLLAND Group stood at EUR 287.8 million and was thus at the level of the end of the previous year. In comparison with March 31, 2016 (EUR 293.8 million), the distribution of dividends to shareholders in the amount of EUR 18.1 million (previous year: EUR 14.5 million) is to be considered, which correspondingly reduced equity. In addition, the remeasurement of pension obligations as a result of the low interest rates in North America and Germany also had a negative effect on equity of EUR 5.5 million after taxes, which was recognized in other comprehensive income. The equity ratio therefore amounted to 29.8% following 31.8% on March 31, 2016 (December 31, 2015: 32.4%).

At both the end of the first six months of 2016 and the end of financial year 2015 the equity ratio for the Group was influenced by the retention of excess liquidity. If the balance sheet total is adjusted for cash and cash equivalents as well as other short-term investments which exceed the figure of approximately EUR 7 million targeted by SAF-HOLLAND, this would result in an adjusted equity ratio for June 30, 2016 of 42.4% following 44.7% on March 31, 2016 (December 31, 2015: 45.3%). This remains well above the target figure for the Group of around 40%.

Net debt increased slightly

On the liabilities side of the balance sheet, non-current liabilities amounted to EUR 538.2 million on the balance sheet date following EUR 478.7 million on March 31, 2016 (December 31, 2015: EUR 475.4 million). Whilst most items only recorded a minor change compared with the end of 2015 and March 31, 2016, the non-current interest bearing loans and bonds increased from EUR 380.4 million at the end of the first quarter of 2016 to EUR 430.2 million (December 31, 2015: EUR 379.3 million). This increase resulted from the assumption of a non-current loan in the amount of EUR 50.0 million in the second quarter of 2016 in connection with the creation of the financial structure for the takeover of Haldex. Pensions and other similar benefits also increased as a result of the lower interest rates in Europe and North America to EUR 45.7 million on June 30, 2016 (December 31, 2015: EUR 37.3 million).

Current liabilities rose to EUR 139.0 million as of the reporting date of June 30, 2016 (December 31, 2015: EUR 125.3 million). Compared with March 31, 2016 (EUR 152.2 million), a significant decrease of EUR 13.2 million was recorded. Both changes were primarily a result of the development of trade payables, which increased by EUR 20.8 million to EUR 110.7 million in the first quarter (December 31, 2015: EUR 89.9 million) and fell by EUR 9.7 million to EUR 101.0 million in the second quarter. Parallel to the development of inventories and trade receivables, the changes in trade payables also reflect the seasonal pattern.

Non-current and current liabilities from interest bearing loans and bonds amounted to EUR 432.3 million as of June 30, 2016 (December 31, 2015: EUR 383.2 million). Taking into consideration cash and cash equivalents as well as other short-term investments thereby results in slightly higher net debt of EUR 139.6 million than at the end of financial year 2015 (December 31, 2015: EUR 122.4 million). Compared with March 31, 2016 (EUR 111.5 million), net debt increased by EUR 28.1 million. This increase is a result of the dividend payment in the second quarter in the amount of EUR 18.1 million as well as the purchase of Haldex shares to the value of EUR 13.4 million. Without these two effects, net debt would have decreased by EUR 3.4 million as a result of the free cash flow generated in the second quarter. The total liquidity in the Group was at EUR 439.8 million on the balance sheet date of June 30, 2016, following EUR 409.2 million at the end of 2015.

FINANCIAL POSITION

Pleasing cash flow development uninfluenced by currency effects

Cash flow before change of net working capital in the first half of 2016 was at EUR 57.1 million (previous year: EUR 56.0 million). Based on the result before tax of EUR 37.7 million (previous year: EUR 45.9 million), the increased amortization of intangible assets and depreciation of property, plant and equipment of EUR 11.1 million (previous year: EUR 10.5 million), valuation allowances of current assets as a result of the market environment in some regional markets of EUR 2.1 million (previous year: EUR 1.8 million) and particularly net finance income and expenses of EUR 6.9 million (previous year: EUR -1.4 million) had a positive impact on the operating cash flow. Cash flow before change of net working capital was EUR 29.1 million in the second quarter of 2016 (previous year: EUR 29.4 million).

Net cash flow from operating activities improves by over EUR 25 million in the first six months

In the first half of 2016, additional funds tied up in working capital were able to be significantly reduced. This particularly resulted from the lower expansion of trade receivables and other assets than in the previous year. The improvement in net working capital was, on the one hand, attributable to the working capital management, and on the other hand to positive effects from the plant consolidation in Germany completed in the previous year. Calculated based on sales projected for the full year, the net working capital ratio (ratio of net working capital to sales calculated over twelve months) improved to 12.2% (previous year: 12.3%). This was at the lower end of the medium-term target range of 12 to 13%. In contrast, a stronger expansion of working capital was recorded in the second quarter of 2016 compared with the same quarter of the previous year. Compared with the first quarter of 2016 (11.4%), the net working capital ratio thereby increased slightly again in the second quarter.

The cash conversion rate increased in the first six months of 2016 to 73.1% (previous year: 30.1%).

Cash flow from operating activities before income tax paid correspondingly more than doubled in the first six months to EUR 35.8 million (previous year: EUR 14.9 million) and increased to EUR 13.3 million in the second quarter (previous year: EUR 12.6 million). Net cash flow from operating activities totaled EUR 29.6 million (previous year: EUR 4.2 million) over the six month period in 2016, thereby significantly exceeding the level of the previous year. An improvement to EUR 11.2 million (previous year: EUR 4.8 million) was recorded here in the second quarter.

OVERVIEW OF FINANCIAL POSITION

EUR million	Q1-Q2/2016	Q1-Q2/2015	Q2/2016	Q2/2015
Cash flow from operating activities before income tax paid	35.8	14.9	13.3	12.6
Cash conversion rate[1]	73.1%	30.1%	50.6%	46.8%
Net cash flow from investing activities	92.6	-12.8	56.7	-7.2
Investments in property, plant, and equipment and intangible assets	10.6	13.0	5.1	7.2
in % of sales	2.0%	2.3%	1.9%	2.5%
Net cash flow from financing activities	25.0	-11.1	24.9	-10.7
Free cash flow[2]	19.0	-8.8	6.0	-2.4

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

Sale of financial assets in preparation for the Haldex takeover

At the end of 2015, SAF-HOLLAND invested part of the excess liquidity of EUR 115.0 million resulting from the placement of a promissory note loan in other short-term investments. In preparation for the takeover offer for Haldex, announced in July 2016, the Group sold these financial assets over the course of the first half of 2016. The resulting cash inflow of EUR 115.0 million (thereof EUR 40.0 million in Q1/2016 and EUR 75.0 million in Q2/2016) was primarily responsible for the net cash flow from investing activities in the first six months of EUR 92.6 million (previous year: EUR -12.8 million). Without this effect, cash flow from investing activities would have amounted to EUR -22.4 million in the first six months (previous year: EUR -12.8 million) and EUR -18.3 million in the second quarter of 2016 (previous year: EUR -7.2 million).

Investments in property, plant and equipment totaled EUR 8.0 million in the first half year (previous year: EUR 11.3 million) and included measures within the range of normal investing activities. The increase of intangible assets of EUR 2.6 million (previous year: EUR 1.7 million) primarily included the capitalization of development costs in the amount of EUR 1.9 million. The investment rate thereby decreased to 2.0% (previous year: 2.3%). In relation to the second quarter of 2016, investments in intangible assets and property, plant and equipment totaled EUR 5.1 million (previous year: EUR 7.2 million).

In addition, the net cash flow from investing activities includes a cash outflow of EUR 13.4 million for the acquisition of Haldex shares in the second quarter of 2016, which was recognized as the purchase of other financial assets.

Free cash flow improves by nearly EUR 28 million in the first six months as compared to previous year

Free cash flow increased year-on-year by EUR 27.8 million to EUR 19.0 million (previous year: EUR -8.8 million). This improvement in the free cash flow primarily resulted from an improved working capital management compared with the previous year. In relation to the second quarter, the free cash flow improved to EUR 6.0 million (previous year: EUR -2.4 million).

Cash flow from financing activities amounted to EUR 25.0 million in the first half of 2016 (previous year: EUR -11.1 million) and EUR 24.9 million in the second quarter of 2016 (previous year: EUR -10.7 million). The main influence factors both relate to the second quarter and comprise the payment of the dividend to the shareholders of SAF-HOLLAND S.A. in the amount of EUR 18.1 million (previous year: EUR 14.5 million) as well as the assumption of a loan in the amount of EUR 50.0 million in preparation for the planned takeover of Haldex. Cash and cash equivalents in the first six months increased by EUR 147.0 million to EUR 292.7 million following EUR 145.7 million at the end of 2015.

EMPLOYEES

Number of employees slightly lower

As of the reporting date June 30, 2016, SAF-HOLLAND employed 3,189 people worldwide (previous year: 3,445) including temporary employees. Compared with the previous year, the number of employees decreased by 7.4%. The largest decrease in employees was in the region Americas and was a result of the adjustments of capacities to the lower level of demand due to the market situation. With a share of 44% (previous year: 45%), the majority of employees in the Group continue to be employed in the region Americas. Despite the significantly increased business volume in EMEA/India, the number of employees in this region at the end of the reporting period was slightly below the level of the previous year and represented 39% of the total employees (previous year: 37%). The number of employees at Group companies in the region APAC/China fell from 618 to 542; it remained almost unchanged compared with the end of 2015 (541). APAC/China had a share of 17% (previous year: 18%) of the total employees. Average sales per employee increased by 1.6% in the first half of 2016 to kEUR 166.6 (previous year: kEUR 164.0). It should be taken into consideration here that currency effects brought down sales by 1.8%.

DEVELOPMENT OF EMPLOYEE NUMBERS BY REGION

	06/30/2016	06/30/2015
EMEAI	1,253	1,275
Americas	1,394	1,552
APAC/China	542	618
Total	**3,189**	**3,445**

RESEARCH AND DEVELOPMENT

Innovative products and solutions for our fleet customers

Our research and development activities are geared towards the continuing development of pioneering product innovations. Furthermore, technological adaptations to special customer wishes or regional market requirements play a key role. Our overriding objective is always to offer our customers products which ensure efficient fleet operation and which contribute towards the optimization of their total cost of ownership.

In the first half of 2016, the focus of our activities was on the areas of weight reduction through the use of lightweight components, durability, safety and ease of maintenance.

A particular highlight in the first six months was the introduction of our latest generation of disc brake technology on the North American market. The P89 disc brakes from SAF-HOLLAND are characterized by their significantly improved brake performance, high mileage, durability and ease of maintenance. In addition, we also presented our newest variation of the proven INTRA axles at the bauma industry trade fair in April 2016, which is equipped with a hydraulic auxiliary drive and thereby ideally suited to use in dump trucks. Market launch is planned for the end of 2017. The SAF-HOLLAND ratio of research and development costs (including the capitalized development costs) to sales was at 2.1% (previous year: 2.1%) in the first half of 2016.

OPPORTUNITIES AND RISK REPORT

No significant changes have occurred in the reporting period compared to the statements regarding the overall risk position of the SAF-HOLLAND Group on pages 96 to 109 of the 2015 Annual Report. Overall, the risks are assessed as being manageable. We have made sufficient provisions for known risks.

EVENTS AFTER THE BALANCE SHEET DATE

All-cash offer for Haldex acquisition

On July 14, 2016, SAF-HOLLAND S.A., through its wholly-owned subsidiary SAF-HOLLAND GmbH, announced an offer to acquire all issued and outstanding shares in listed Swedish Haldex AB (publ) for SEK 94.42 (equivalent to EUR 10.02 as per exchange rate of July 13, 2016) per share in cash, corresponding to a total offer value of SEK 4,165,241,047 (EUR 442.10 million) for the shares in Haldex.

The acceptance period for the offer commenced on August 1 and ends on August 24, 2016. The merger control clearance process has been initiated. Relevant clearances are expected to be obtained prior to the end of the acceptance period in the offer. Assuming that the offer is declared unconditional no later than around August 26, 2016, settlement is expected to begin around August 31, 2016. SAF-HOLLAND reserves the right to extend the acceptance period for the offer, as well as the right to postpone the settlement date.

For the SAF-HOLLAND Group, the proposed acquisition represents a compelling opportunity to create a new integrated champion for chassis-related components for commercial vehicles. Through the combination of the two businesses, the new group benefits from a complementary product portfolio and has an outstanding position in the spare parts business. The Haldex Group is expected to deliver a positive contribution to SAF-HOLLAND Group’s earnings already in the first year of the transaction.

Refinancing

The financing structure of the SAF-HOLLAND Group was adjusted in connection with the submission of an offer to the shareholders of Haldex AB (publ) for the acquisition of all outstanding shares. As a result of the signing of a new credit facility for credit lines with a volume of about EUR 345 million and USD 35 million, the existing loan facility agreement will be refinanced in the course of the acquisition of Haldex AB (publ).

OUTLOOK

Global economy grows by about 3% in 2016

The global economy continued its moderate growth path in the second quarter of 2016. In its World Economic Outlook from July 2016 the International Monetary Fund (IMF) marginally reduced its expectations for growth in the global economy in the current year to 3.1% (following 3.2% in April); for 2017, the IMF then anticipates growth to accelerate once again to 3.4%.

The main reasons for the slightly reduced growth expectations are seen by the IMF in the excessively low price of raw materials, weak global trade and declining flows of capital, which hinders growth especially in raw materials exporting developing and emerging countries. Industrial countries, on the other hand, can continue their successful course. The IMF, however, has become more hesitant when it comes to the growth perspectives of the USA and now only expects growth of 2.2% in 2016. The estimate from January was 2.6%. The U.S. Federal Reserve Bank, at its meeting in June 2016, also slightly reduced its forecast for the growth of the US economy in 2016 from 2.2% (March estimate) to 2.0%. At the same time, the US Federal Reserve signaled that there would likely be only one further increase in the prime interest rate in 2016 after it had previously indicated that there would be two interest rate increases.

In comparison to the USA, the economy in the euro zone is pleasingly robust. The economy continues to benefit from strong domestic demand in most member states, the low price of raw materials and negative real interest rates. Accordingly, the IMF even slightly adjusted upwards its estimate for expected growth in 2016 at 1.6% (previously 1.5%). The economic impact of the decision of Great Britain to leave the European Union is difficult to estimate at this time. Experts expect – depending on the specific implementation of the Brexit – negative consequences but these will affect Great Britain to a disproportionately greater degree than the European Union.

Economic development in the BRIC countries continues to be heterogeneous. While economic indicators in China are showing a "soft landing" of the economy and the IMF has slightly raised its growth forecast for 2016 to 6.6%, the outlook for Brazil (-3.3% following -3.8%) has remained gloomy. The IMF anticipates an end of the recession in Brazil in 2017. Russia also continues to find itself in the midst of a downswing. As a result of the recovery of raw material prices, however, the IMF raised its forecast for Russia from -1.8% to -1.2% and in 2017 the Russian economy should return to its course of growth. For India, the IMF expects growth of 7.4% (previously 7.5%) in 2016.

ECONOMIC DEVELOPMENT IN IMPORTANT MARKETS

	2015	2016	2017
Eurozone	1.7%	1.6%	1.4%
Germany	1.5%	1.6%	1.2%
United States	2.4%	2.2%	2.5%
Brazil	-3.8%	-3.3%	0.5%
Russia	-3.7%	-1.2%	1.0%
India	7.6%	7.4%	7.4%
China	6.9%	6.6%	6.2%

Source: IMF (World Economic Outlook July 2016).

Industry trend: strong regional differences in development of commercial vehicles markets continue

The global commercial vehicle markets continue to develop very differently depending on the region. The significant decline in demand for trucks and the somewhat weaker demand for trailers in North America are countered by continuing high growth rates for trucks and trailers in Europe. There are still no concrete indications that the extremely weak market situation in important individual markets such as Brazil, Russia and Australia will improve noticeably in the short term. In the second half of the year, signs of stabilization could arrive, depending on the political framework conditions.

__ Further recovery of demand in Western Europe

Solid growth of the commercial vehicle market in Western Europe will tend to continue in 2016. The market recovery is based on the one hand on pent-up demand from many fleet operators following years of below-average investments and the resulting advanced age of the vehicle fleets. On the other hand, demand is supported by the moderate but constant economic growth in the region.

In their most recent studies, industry experts from the market research institute CLEAR expect growth in the Western European trailer market in 2016 of about 9% as compared to the previous year, which reflects the general market development. At the beginning of the year 2016, most market observers predicted market growth only in the mid-single digit percentage range.

The Western European truck market should also continue to demonstrate its sound condition in 2016. Growth in truck production in the upper single digit percentage range is now expected after the expectations at the beginning of the year were only for slight growth.

SAF-HOLLAND does not expect any noticeable impact on its operating business from the decision of Great Britain to leave the European Union since neither the company itself nor any of its competitors has production facilities in the British market and, in addition, Great Britain's share of Group sales is less than 3%.

__ Russian market stabilizes at low level

While the Russian truck market will stabilize at a very low level in 2016 according to industry experts, CLEAR anticipates growth in the Russian trailer market. The level that has been achieved, however, is very low after the market more than halved in the period between 2011 and 2015. Increasingly more positive is the outlook for Eastern Europe, especially for the Polish market; here, CLEAR expects growth in demand for trailers in the high single digit range in 2016.

Because the countries of the Russian Federation and other Eastern European states represent an important sales channel for used trucks and trailers from Western European freight forwarders, development of demand in the Russian Federation at the same time has an indirect impact on demand for new equipment in Western Europe. Due to the effects of the sanctions and the drop in demand from the Russian market, many Western European fleet operators felt compelled to temporarily postpone the sale of their used vehicles and to use them for a longer period of time. A recovery in the Russian market from a potential lifting of sanctions and a subsequent increase in oil and gas prices would therefore have noticeably positive effects on the further demand from Western European freight forwarders.

In the medium term, it is expected that India – a promising market which currently plays only a minor role for SAF-HOLLAND – will become the second largest market for trucks behind China. A continuation of market growth is expected for 2016 as well. In the heavy vehicle segment, an increase of more than 10% is expected.

__ Significant weakness in the North American truck market; trailer market remains at a good level

The weakening of the North American market for heavy trucks expected by market research institutes like FTR and ACT could be more extensive than expected at the beginning of the year. Following a number of record years in a row, a decrease in new class 8 vehicle registrations of around 20% to 270,000 units was originally expected for 2016 (2015: 320,000 trucks). A decrease in truck production of 26% is now expected for the full year. SAF-HOLLAND is of course also impacted by this market trend, primarily in the original equipment business with fifth wheels. Despite increasing sales in the business with the public sector as well as the increased penetration of the vocational trucks segment with new suspension systems, sales decreases in the truck segment in North America could be only partially offset. The business with truck components in North America in original equipment represents less than 10% of Group sales volume, however. As a result of stricter regulatory requirements, the advanced age of fleets and the good economic situation of most fleet operators, a number of industry observers expect a slight market revival in North America at this reduced level from the year 2017 on.

Sales in the North American trailer market should continue to be better by comparison. The catch-up effect among fleet operators in this segment following the crisis was not as strong as with trucks, which means that in light of a continued stable economic development in the USA, replacement demand is expected to be higher among fleet operators than in the class 8 trucks. Orders received for trailers in the USA year to date have been below the level of the previous year, but order backlog remains at a high level and the delivery times of manufacturers are correspondingly long. SAF-HOLLAND also expects, based on a young and attractive product portfolio, to be able to expand its market share in the trailer segment.

__ Brazil: still no end of the crisis in sight

The diverse range of unsolved political and structural problems in the country continues to stand in the way of a sustainable recovery in the willingness to invest. In light of the advanced age of the truck fleet, there is a tremendous amount of pent up demand, but a pickup in demand is not expected in the short term. After the Brazilian market for heavy duty trucks had already dropped by a total of nearly two-thirds in the past two years, at best another slight decline or stagnant market development is anticipated for 2016. The outlook for the Brazilian trailer market is somewhat more optimistic following dramatic declines in the previous years with CLEAR predicting a moderate increase of nearly 10%. This is based on the expectation of a bottoming out in South America's largest economy in the second half of 2016 which could then shift to a moderate recovery in 2017.

__ Taking advantage of growth niches in China

Industry experts expect a slight upturn of up to 5% in deliveries of heavy duty trucks in China despite the slowdown in the country's overall growth projected for 2016. CLEAR is even predicting an increase of 20% for trailers. In China, SAF-HOLLAND currently offers mainly products for trailers and buses. At the end of 2015 and the beginning of 2016, SAF-HOLLAND successfully entered the Chinese market for heavy trucks with two major reference orders for suspension systems. Additional opportunities could arise when the legal stipulations for heavy duty commercial vehicles in China, which are currently being reviewed, become mandatory. These stipulations would also call for a reduction in the maximum weight for the combination of truck and trailer leading to an acceleration in the use of lightweight components and road-friendly air suspension systems. Additionally, the standardization objectives currently under discussion could necessitate substantial increases in the purchase of new vehicles.

GENERAL STATEMENT OF THE MANAGEMENT BOARD ON THE FUTURE DEVELOPMENT OF THE COMPANY

Continued solid development of sales and operational earnings

SAF-HOLLAND pursues a medium to long-term oriented business development, which will be implemented as part of the strategy 2020 and will take advantage of growth opportunities, particularly through a rolling out of the business in additional markets outside of the current core markets, expansion of the product portfolio and complementary cooperations, joint ventures and acquisitions.

Our planning is based on the expectation that the world economy will grow by around 3% in 2016 and that economic development in our current core markets of North America and Europe will continue at a moderate rate.

The market environment over the course of the rest of the year will remain challenging. In North America, orders received for trucks do not yet point to an easing of the significant market weakness in this segment. This is compensated to a large extent, though not entirely, by the pleasing development in Europe. In this regard, the SAF-HOLLAND Group benefits from its relatively high share of sales in the European markets. We do not expect a noticeable improvement of the prolonged weak market situation in Brazil, Russia and Australia, transport markets that are important for us, until the end of 2016 at the earliest.

Provided that the industry trend in the markets does not cool down further, SAF-HOLLAND, from today's perspective, continues to expect that that the generally stable business development of the first half of the year will be carried forward over the course of financial year 2016. Accordingly, the management of the SAF-HOLLAND Group continues to anticipate a constant to slightly increased organic sales development as compared to the previous year and, thus, Group sales of between EUR 1,050 million and EUR 1,070 million. It should be kept in mind here that the agricultural product line AerWay was sold in December 2015 and will no longer contribute to the sales and earnings of the Group in financial year 2016. In full-year 2015, AerWay had contributed approximately EUR 7 million to Group sales. In light of the significant weakening of the market environment in North America which, however, we will be able to partially offset by the pleasing development in Europe, we expect, from today's perspective, that Group sales will tend to be closer to the lower end of this corridor.

In order to take advantage of additional cost savings potential, further optimization of the production network in North America will, among other things, be investigated in 2016. The intensified establishment of competence centers as well as the manufacturing focus of the locations are at the forefront of these efforts. In the area of information technology, the data technology networking of the production locations will be further expanded. In North America, the focus is on the introduction of a new software solution, which optimally connects planning, flow of materials and production and, once the project is completed, will make a noticeable contribution to reducing costs and limiting net working capital requirements. In China, we are implementing SAP as an ERP system, starting with the Xiamen location, thereby laying the foundation for further process optimization and cost reductions.

Investments planned for the expansion or intensification of business activities in the new regions are allocated primarily to the area of engineering and the expansion of regional development and application capacities, especially testing centers. Overall, we are planning payments for investments in property, plant and equipment and intangible assets of around EUR 28 million in 2016. The investment volume is thus expected to be of a similar magnitude as in 2015.

In view of the projected upfront expenses for business expansion under strategy 2020, the Group is budgeting for an adjusted EBIT margin of between 8 and 9% in 2016 compared to 7.4% in 2014 and 8.9% in 2015. With the cost savings and productivity increases achieved to date as well as a generally advantageous product mix, we are in a position to compensate for the upfront investments planned for the expansion of business in connection with the strategy 2020 and therefore now anticipate an adjusted EBIT margin for the full year which will tend to reach the upper half of the originally projected corridor.

In accordance with the objectives of our strategy 2020, we expect additional contributions to Group sales and earnings from cooperations, joint ventures or acquisitions concluded over the course of the year. This will require that suitable opportunities present themselves and transactions are realized and closed. Effects from completed acquisitions or joint ventures are not yet included in our sales and earnings forecast for 2016. Through, among other things, the emission of the promissory note loan in the past year, SAF-HOLLAND has resolutely laid the key foundation for the implementation of strategy 2020, particularly for external growth aspects. For full-year 2016, this will result initially in an increase in the interest expense of around EUR 3.5 million, that is not yet compensated for by operating earnings.

Overall, the SAF-HOLLAND Group, on the basis of the results achieved in the first half of 2016, considers itself to be in a promising position to reach the sales, earnings and returns targets established as part of the medium-term strategy 2020.

Notes to the Consolidated Interim Financial Statements:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kEUR	Notes	Q1-Q2/2016	Q1-Q2/2015	Q2/2016	Q2/2015
Sales	(5)	533,646	558,739	273,713	287,735
Cost of sales		-424,375	-450,047	-217,633	-230,059
Gross profit		**109,271**	**108,692**	**56,080**	**57,676**
Other operating income		214	893	125	516
Selling expenses		-31,163	-30,986	-15,681	-16,462
Administrative expenses		-24,969	-24,175	-12,682	-12,961
Research and development costs		-9,550	-10,746	-4,456	-5,313
Operating result	(5)	**43,803**	**43,678**	**23,386**	**23,456**
Finance income	(6)	1,309	7,385	913	-2,026
Finance expenses	(6)	-8,253	-5,967	-2,933	-3,120
Share of net profit of investments accounted for using the equity method		825	759	395	413
Result before tax		**37,684**	**45,855**	**21,761**	**18,723**
Income tax	(7)	-12,025	-15,503	-7,238	-6,438
Result for the period		**25,659**	**30,352**	**14,523**	**12,285**
Attributable to					
Equity holders of the parent		25,957	30,236	14,672	12,236
Non-controlling interests		-298	116	-149	49
Other comprehensive income					
Items that will not be reclassifed to profit or loss					
Remeasurements of defined benefit plans	(10)/(11)	-8,229	–	-8,229	–
Income tax effects on items recognized directly in other comprehensive income	(10)	2,720	–	2,720	–
Items that may be reclassifed subsequently to profit or loss					
Exchange differences on translation of foreign operations	(10)	-959	7,700	3,295	-3,195
Changes in fair values of derivatives designated as hedges, recognized in equity	(10)/(13)	-1,727	–	-504	–
Changes in the revaluation of financial assets available for sale	(10)/(13)	277	–	277	–
Income tax effects on items recognized directly in other comprehensive income	(10)	393	–	61	–
Other comprehensive income		**-7,525**	**7,700**	**-2,380**	**-3,195**
Comprehensive income for the period		**18,134**	**38,052**	**12,143**	**9,090**
Attributable to					
Equity holders of the parent		18,509	37,607	12,307	8,932
Non-controlling interests		-375	445	-164	158
Undiluted earnings per share in EUR		**0.57**	**0.67**	**0.32**	**0.27**
Diluted earnings per share in EUR		**0.50**	**0.58**	**0.28**	**0.24**

CONSOLIDATED BALANCE SHEET

kEUR	Notes	06/30/2016	12/31/2015
Assets			
Non-current assets		**394,470**	**380,252**
Goodwill		52,510	52,985
Intangible assets		143,076	145,372
Property, plant and equipment		127,187	127,750
Investments accounted for using the equity method		14,947	14,102
Financial assets	(13)	14,752	1,368
Other non-current assets		3,568	3,668
Deferred tax assets		38,430	35,007
Current assets		**570,512**	**508,260**
Inventories		123,678	118,008
Trade receivables		140,494	116,535
Income tax assets		1,786	1,611
Other current assets		10,407	8,279
Financial assets	(13)	1,479	3,079
Other short-term investments	(8)	–	115,000
Cash and cash equivalents	(9)	292,668	145,748
Total assets		**964,982**	**888,512**
Equity and liabilities			
Total equity	(10)	**287,790**	**287,800**
Equity attributable to equity holders of the parent		**286,183**	**285,818**
Subscribed share capital		454	454
Share premium		268,644	268,644
Legal reserve		45	45
Other reserve		720	436
Retained earnings		43,867	36,338
Accumulated other comprehensive income		-27,547	-20,099
Shares of non-controlling interests		**1,607**	**1,982**
Non-current liabilities		**538,216**	**475,417**
Pensions and other similar benefits	(11)	45,721	37,336
Other provisions		8,312	8,042
Interest bearing loans and bonds	(12)	430,250	379,276
Finance lease liabilities		1,263	1,509
Other financial liabilities	(13)	1,454	707
Other liabilities		760	838
Deferred tax liabilities		50,456	47,709
Current liabilities		**138,976**	**125,295**
Other provisions		8,213	7,202
Interest bearing loans and bonds	(12)	2,015	3,917
Finance lease liabilities		453	465
Trade payables		100,974	89,940
Income tax liabilities		3,231	756
Other financial liabilities	(13)	1,297	178
Other liabilities		22,793	22,837
Total equity and liabilities		**964,982**	**888,512**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Q1-Q2/2016								
	Attributable to equity holders of the parent								
kEUR	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 01/01/2016	**454**	**268,644**	**45**	**436**	**36,338**	**-20,099**	**285,818**	**1,982**	**287,800**
Result for the period	–	–	–	–	25,957	–	**25,957**	**-298**	**25,659**
Other comprehensive income	–	–	–	–	–	-7,448	**-7,448**	**-77**	**-7,525**
Comprehensive income for the period	**–**	**–**	**–**	**–**	**25,957**	**-7,448**	**18,509**	**-375**	**18,134**
Dividend	–	–	–	–	-18,144	–	**-18,144**	**–**	**-18,144**
Transfer to statutory reserve	–	–	–	284	-284	–	–	–	–
As of 6/30/2016	**454**	**268,644**	**45**	**720**	**43,867**	**-27,547**	**286,183**	**1,607**	**287,790**

	Q1-Q2/2015								
	Attributable to equity holders of the parent								
kEUR	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 01/01/2015	**454**	**268,644**	**45**	**436**	**-773**	**-22,213**	**246,593**	**2,004**	**248,597**
Result for the period	–	–	–	–	30,236	–	**30,236**	**116**	**30,352**
Other comprehensive income	–	–	–	–	–	7,371	**7,371**	**329**	**7,700**
Comprehensive income for the period	**–**	**–**	**–**	**–**	**30,236**	**7,371**	**37,607**	**445**	**38,052**
Dividend	–	–	–	–	-14,516	–	**-14,516**	**–**	**-14,516**
As of 06/30/2015	**454**	**268,644**	**45**	**436**	**14,947**	**-14,842**	**269,684**	**2,449**	**272,133**

CONSOLIDATED CASH FLOW STATEMENT

kEUR	Notes	Q1-Q2/2016	Q1-Q2/2015
Cash flow from operating activities			
Result before tax		**37,684**	**45,855**
- Finance income	(6)	-1,309	-7,385
+ Finance expenses	(6)	8,253	5,967
+/- Share of net profit of investments accounted for using the equity method		-825	-759
+ Amortization/depreciation of intangible assets and property, plant and equipment		11,093	10,531
+ Allowance of current assets		2,122	1,791
+/- Loss/Gain on disposal of property, plant and equipment		43	-46
+ Dividends from investments accounted for using the equity method		19	18
Cash flow before change of net working capital		**57,080**	**55,972**
+/- Change in other provisions and pensions		1,466	-929
+/- Change in inventories		-9,351	-9,749
+/- Change in trade receivables and other assets		-23,749 [1]	-51,604 [1]
+/- Change in trade payables and other liabilities		10,388	21,229
Cash flow from operating activities before income tax paid		**35,834**	**14,919**
- Income tax paid	(7)	-6,218	-10,728
Net cash flow from operating activities		**29,616**	**4,191**
Cash flow from investing activities			
+ Proceeds from sale of other short term investments		115,000	–
- Purchase of property, plant and equipment		-7,962	-11,277
- Purchase of intangible assets		-2,618	-1,737
+ Proceeds from sales of property, plant and equipment		1,360	203
- Purchase of other financial assets		-13,434	–
+ Interest received		238	46
Net cash flow from investing activities		**92,584**	**-12,765**
Cash flow from financing activities			
- Dividend payments to shareholders of SAF-HOLLAND S.A.	(10)	-18,144	-14,516
+ Proceeds from borrowing of non-current other loans	(12)	50,000	–
- Payments for finance lease		-215	-215
- Interest paid		-7,315	-6,693
+/- Change in drawings on the credit line and other financing activities	(12)	676	10,320
Net cash flow from financing activities		**25,002**	**-11,104**
Net increase/decrease in cash and cash equivalents		**147,202**	**-19,678**
+/- Effect of changes in exchange rates on cash and cash equivalents		-282	712
Cash and cash equivalents at the beginning of the period	(9)	**145,748**	**44,165**
Cash and cash equivalents at the end of the period	(9)	**292,668**	**25,199**

[1] As of June 30, 2016, trade receivables in the amount of EUR 28,4 million (previous year: EUR 26.0 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 CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period January 1 to June 30, 2016

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. They have been included in the SDAX since 2010.

2 _ SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries (the "Group") for the financial year 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

The consolidated interim financial statements for the first half of 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting". Unless expressly indicated otherwise, the same accounting policies and consolidation methods were applied as in the Group's consolidated financial statements for the financial year 2015. Therefore, the consolidated interim financial statements should be read in conjunction with the Group's consolidated financial statements as of December 31, 2015. Amendments to the IFRS did not have any impact on the consolidated interim financial statements as of June 30, 2016.

In preparing the consolidated interim financial statements, management has to 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 differ from these assumptions and estimates.

Expenses and income incurred irregularly during the financial year were anticipated or deferred if it would also be appropriate to take them into account at the end of the financial year.

The most important functional currencies for foreign operations are the US dollar (USD) and the Canadian dollar (CAD). The exchange rates for these currencies as of the balance sheet date were USD/EUR = 1.11053 (previous year: 1.10963) and CAD/EUR = 1.43910 (previous year: 1.37118). The weighted average exchange rates for these two currencies were USD/EUR = 1.11607 (previous year: 1.11632) and CAD/EUR = 1.48443 (previous year: 1.37817).

The consolidated interim financial statements and the Group Interim Management Report have not been audited by an auditor.

3 _ SEASONAL EFFECTS

Seasonal effects during the year can result in variations in sales and the resulting profits. Due to seasonal effects, the first half of the financial year tends to show a higher business volume than the second half of the financial year. Please also see the Group Interim Management Report for further details regarding earnings development.

4 _ SCOPE OF CONSOLIDATION

There were no changes to the scope of consolidation compared to the consolidated financial statements as of December 31, 2015.

5 _ SEGMENT INFORMATION

Effective January 1, 2016 a new organization was introduced in the management and reporting in order to better achieve the goals defined in the corporate strategy 2020. The previous business units "Trailer Systems", "Powered Vehicle Systems" and "Aftermarket" were dropped. As part of the regionally-focused repositioning of the SAF-HOLLAND Group, from the reporting period 2016 management and Group reporting will be carried out via the "EMEA/India", "America" and "APAC/China" regions.

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-Q2/2016	Q1-Q2/2015
Operating result	43,803	43,678
Share of net profit of investments accounted for using the equity method	825	759
EBIT	**44,628**	**44,437**
Additional depreciation and amortization from PPA	2,770	3,224
Restructuring and integration costs as well as non-period expenses	1,633	1,797
Adjusted EBIT	**49,031**	**49,458**

Information on segment sales and earnings for the period from January 1 to June 30, 2016:

	Q1-Q2/2016			
	Business Units			
kEUR	Americas[1]	EMEAI[2]	APAC/China[3]	**Consolidated**
Sales	205,017	297,263	31,366	**533,646**
Adjusted EBIT	16,338	31,042	1,651	**49,031**
Adjusted EBIT margin	8.0%	10.4%	5.3%	**9.2%**

	Q1-Q2/2015			
	Business Units			
kEUR	Americas[1]	EMEAI[2]	APAC/China[3]	**Consolidated**
Sales	239,391	280,410	38,938	**558,739**
Adjusted EBIT	22,543	23,352	3,563	**49,458**
Adjusted EBIT margin	9.4%	8.3%	9.2%	**8.9%**

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

The segment sales information above is based on the locations of the customers.

Please see the Group Interim Management Report regarding earnings development of the segments.

6 _ FINANCE RESULT

Finance income and expenses consist of the following:

kEUR	Q1-Q2/2016	Q1-Q2/2015
Unrealized foreign exchange gains on foreign currency loans and dividends	203	5,606
Realized foreign exchange gains on foreign currency loans and dividends	571	1,453
Finance income due to derivatives	226	–
Interest income	299	87
Other	10	239
Total	**1,309**	**7,385**

kEUR	Q1-Q2/2016	Q1-Q2/2015
Interest expenses due to interest bearing loans and bonds	-5,745 [1]	-4,418 [1]
Amortization of transaction costs	-381	-274
Finance expenses due to pensions and other similar benefits	-613	-525
Finance expenses due to derivatives	-1,006	-267
Unrealized foreign exchange losses on foreign currency loans and dividends	-144	-107
Other	-364	-376
Total	**-8,253**	**-5,967**

[1] Includes the non-cash interest expense of kEUR 318 (previous year: kEUR 313) for the convertible bond.

Unrealized foreign exchange gains on foreign currency loans and dividends of the previous year primarily comprise unrealized foreign exchange gains on inter-company foreign currency loans translated at the period-end exchange rate.

From the first quarter of 2016, the majority of inter-company foreign currency loans are considered part of a net investment in a foreign operation. In the course of the regional reorganization of the Group, which was effective on January 1, 2016, the planned repayments of intercompany foreign currency loans were reassessed. Considering further market developments and the pursuit of the objectives of strategy 2020, the repayment of these loans is neither planned nor considered to be likely in the foreseeable future. The exchange rate effects from the measurement of inter-company foreign currency loans at the period-end exchange rate are therefore included in other comprehensive income.

The amortization of transaction costs of kEUR -381 (previous year: kEUR -274) represents the contract closing fees recognized as expenses in the period in accordance with the effective interest method.

Finance expenses due to derivatives mainly resulted from the valuation of a derivative embedded in the contract of the promissory note loan, issued in November 2015. The variable interest bearing tranches of the promissory note loan include a so-called zero floor cap. This means that the development of the Euribor has a lower limit of 0%. As a so-called embedded derivative, the zero floor cap is assessed separately from the promissory note loan and has no impact on payments.

7 _ INCOME TAXES

The effective income tax rate in the first half of 2016 was 31.91% (previous year: 33.81%). The variance between the effective income tax rate and the Group's income tax rate of 30.10% is mainly attributable to non-deductible expenses and unused tax loss carry forwards.

8 _ OTHER SHORT-TERM INVESTMENTS

Other short-term investments as of December 31, 2015 resulted from the short-term deposit of liquid funds as a consequence of the issue of the promissory note loan in November 2015. Over the course of the first half of 2016 the Group sold these other short-term investments.

9 _ CASH AND CASH EQUIVALENTS

kEUR	06/30/2016	12/31/2015
Cash on hand, cash at banks and checks	292,663	145,742
Short-term deposits	5	6
Total	**292,668**	**145,748**

10 _ EQUITY

The Company's subscribed share capital is unchanged from December 31, 2015 and still amounts to EUR 453,611.12 on June 30, 2016. It consists of 45,361,112 ordinary shares with a par value of EUR 0.01 and is fully paid-in.

The company's share premium and legal reserve also remained unchanged from December 31, 2015.

An amount of kEUR 284 was added to the other reserve due to tax considerations. It now amounts to kEUR 720 (previous year: kEUR 436).

Changes in accumulated other comprehensive income as of the balance sheet date consist of the following:

	Before tax amount		Tax (income)/expense		Net of tax amount	
kEUR	Q1-Q2/2016	Q1-Q2/2015	Q1-Q2/2016	Q1-Q2/2015	Q1-Q2/2016	Q1-Q2/2015
Changes in fair values of financial assets available for sale	277	–	-76	–	201	–
Exchange differences on translation of foreign operations	-959	7,700	–	–	-959	7,700
Changes in fair values of derivatives designated as hedges, recognized in equity	-1,727	–	469	–	-1,258	–
Revaluation defined benefit plan	-8,229	–	2,720	–	-5,509	–
Total	**-10,638**	**7,700**	**3,113**	**–**	**-7,525**	**7,700**

At the Annual General Meeting of SAF-HOLLAND S.A. on April 28, 2016, shareholders approved the recommendation of the Board of Directors to distribute a dividend of EUR 0.40 per share for financial year 2015. The total dividend distribution amounts to kEUR 18,144.

A dividend of EUR 0.32 per share was paid in the previous year. The total dividend distribution amounted to kEUR 14,516.

Comprehensive income is mainly affected by the revaluation of the pension obligations as of the balance sheet date. The revaluation of the pension obligations is due to lower interest rates in North America and Germany.

11 _ PENSIONS AND OTHER SIMILAR BENEFITS

Mainly due to lower interest rates in North America and Germany, pensions and other similar benefits increased by kEUR 8,385 to kEUR 45,721 (previous year: kEUR 37,336).

12 _ INTEREST BEARING LOANS AND BONDS

	Non-current		Current		**Total**	
kEUR	06/30/2016	12/31/2015	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Interest bearing bank loans	9,770	9,305	42	–	**9,812**	**9,305**
Convertible bond	97,387	97,069	–	–	**97,387**	**97,069**
Bond	75,000	75,000	–	–	**75,000**	**75,000**
Promissory note loan	200,000	200,000	–	–	**200,000**	**200,000**
Financing costs	-2,064	-2,249	-661	-540	**-2,725**	**-2,789**
Accrued interests	–	–	2,592	4,209	**2,592**	**4,209**
Other loans	50,157	151	42	248	**50,199**	**399**
Total	**430,250**	**379,276**	**2,015**	**3,917**	**432,265**	**383,193**

Loans with a volume of EUR 50 million were raised with the agreement of June 13, 2016. The loans have a term of 10 years and bear interest of 2.75%.

The following table summarizes the determination of total liquidity defined as available undrawn credit lines measured at the period-end exchange rate plus available cash and cash equivalents as well as short-term freely disposable financial assets:

	06/30/2016				
kEUR	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	5,684	120,000	–	–	114,316
Facility B	42	31,516	–	–	31,474
Other Facilities	4,086	5,420 [1]	292,668	–	294,002
Total	**9,812**	**156,936**	**292,668**	**–**	**439,792**

[1] Includes the bilateral credit line for the activities of the Group in China.

	12/31/2015				
kEUR	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	5,923	120,000	–	–	114,077
Facility B	42	32,088	–	–	32,046
Other Facilities	3,339	5,648 [1]	145,748	115,000	263,057
Total	**9,304**	**157,736**	**145,748**	**115,000**	**409,180**

Total liquidity is calculated with consideration of other short-term investments. Other short-term investments are highly liquid and are to be viewed as cash equivalents in economic terms. In accordance with accounting policies, these are, however, to be presented separately from cash and cash equivalents.

13 _ FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

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

kEUR	Category in accordance with IAS 39	06/30/2016		12/31/2015	
		Fair value	Carrying amount	Fair value	Carrying amount
Financial assets					
Cash and cash equivalents	LaR	292,668	292,668	145,748	145,748
Trade receivables	LaR	140,494	140,494	116,535	116,535
Other financial assets					
Other financial assets	LaR	2,489	2,489	3,334	3,334
Financial assets available for sale	FAHfT	13,434	13,434	–	–
Derivatives without a hedging relationship	FAHfT	308	308	839	839
Derivatives with a hedging relationship	FAHfT	–	–	274	274
Other short-term investments	LaR	–	–	115,000	115,000
Financial liabilites					
Trade payables	FLAC	100,974	100,974	89,940	89,940
Interest bearing loans and bonds	FLAC	444,058	432,265	413,304	383,193
Finance lease liabilities	n.a.	1,716	1,716	1,974	1,974
Other financial liabilities					
Derivatives without a hedging relationship	FLHfT	1,297	1,297	885	885
Derivatives with a hedging relationship	FLHfT	1,454	1,454	–	–

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

kEUR	06/30/2016			
	Level 1	Level 2	Level 3	**Total**
Financial Assets available for sale	13,434	–	–	**13,434**
Bond and convertible bond	182,980	–	–	**182,980**
Promissory note loan	–	199,040	–	**199,040**
Interest bearing loans and borrowings	–	62,038	–	**62,038**
Derivative financial assets	–	308	–	**308**
Derivative financial liabilities	–	2,751	–	**2,751**

	12/31/2015			
kEUR	Level 1	Level 2	Level 3	**Total**
Bond and convertible bond	200,707	–	–	**200,707**
Promissory note loan	–	198,970	–	**198,970**
Interest bearing loans and borrowings	–	13,627	–	**13,627**
Derivative financial assets	–	1,113	–	**1,113**
Derivative financial liabilities	–	885	–	**885**

The financial assets available for sale result from the acquisition of nearly 5% of the shares of Haldex AB before the announcement of the takeover offer on July 14, 2016.

As of June 30, 2016, the derivative financial assets mainly contain forward exchange transactions and are used to hedge the risk position arising from the currency fluctuation of the US dollar, Russian rubel, South African rand and Turkish lira.

The derivative financial liabilities as of the balance sheet date primarily contain liabilities from interest rate hedges for hedging risks associated with interest rate changes from borrowed capital with variable interest rates.

14 _ RELATED PARTY DISCLOSURES

The tables below show the composition of the Management Board and 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
Wilfried Trepels	Chief Financial Officer (CFO)
Mike Kamsickas	Chief Operating Officer (COO) (until May 03, 2016)
Steffen Schewerda	President Region Americas
Alexander Geis	President Region EMEA/India

BOARD OF DIRECTORS	
Bernhard Schneider	Chairman of the Board of Directors
Sam Martin	Deputy Chairman of the Board of Directors
Detlef Borghardt	Member of the Board of Directors
Dr. Martin Kleinschmitt	Member of the Board of Directors
Anja Kleyboldt	Member of the Board of Directors
Martina Merz	Member of the Board of Directors

Mike Kamsickas, who held the position of Chief Operating Officer with responsibility for the Group’s Central Operational Services division, has left the SAF-HOLLAND Group for personal reasons effective May 3, 2016. In this context, no material severance payments were made. The responsibilities in the Global Engineering and Global Product Planning divisions, which are managed centrally for the Group, will be assumed by Steffen Schewerda, President of the Americas region, until further notice. The Global Purchasing and Global Operations divisions will be led by Alexander Geis, President EMEA/India.

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

	Sales to related parties		Purchases from related parties	
kEUR	Q1-Q2/2016	Q1-Q2/2015	Q1-Q2/2016	Q1-Q2/2015
SAF-HOLLAND Nippon, Ltd.	595	820	–	–
Castmetal FWI S.A.	–	–	10,232	20,165
Total	**595**	**820**	**10,232**	**20,165**

	Amounts owed by related parties		Amounts owed to related parties	
kEUR	06/30/2016	12/31/2015	06/30/2016	12/31/2015
SAF-HOLLAND Nippon, Ltd.	182	300	207	207
Castmetal FWI S.A.	–	–	1,630	953
Total	**182**	**300**	**1,837**	**1,160**

15 _ EVENTS AFTER THE BALANCE SHEET DATE

All-cash offer for Haldex acquisition

On July 14, 2016, SAF-HOLLAND S.A., through its wholly-owned subsidiary SAF-HOLLAND GmbH, announced an offer to acquire all issued and outstanding shares in listed Swedish Haldex AB (publ) for SEK 94.42 (equivalent to EUR 10.02 as per exchange rate of July 13, 2016) per share in cash, corresponding to a total offer value of SEK 4,165,241,047 (EUR 442.10 million) for the shares in Haldex AB.

The acceptance period for the offer commenced on August 1 and ends on August 24, 2016. The merger control clearance process has been initiated. Relevant clearances are expected to be obtained prior to the end of the acceptance period in the offer. Assuming that the offer is declared unconditional no later than around August 26, 2016, settlement is expected to begin around August 31, 2016. SAF-HOLLAND reserves the right to extend the acceptance period for the offer, as well as the right to postpone the settlement date.

For the SAF-HOLLAND Group, the proposed acquisition represents a compelling opportunity to create a new integrated champion for chassis-related components for commercial vehicles. Through the combination of the two businesses, the new group benefits from a complementary product portfolio and has an outstanding position in the spare parts business. The Haldex Group is expected to deliver a positive contribution to SAF-HOLLAND Group’s earnings already in the first year of the transaction.

Refinancing

The financing structure of the SAF-HOLLAND Group was adjusted in connection with the submission of an offer to the shareholders of Haldex AB (publ) for the acquisition of all outstanding shares. As a result of the signing of a new credit facility for credit lines with a volume of about EUR 345 million and USD 35 million, the existing loan facility agreement will be refinanced in the course of the acquisition of Haldex AB (publ).

No further material events have occurred since the reporting date.

Luxembourg, August 10, 2016

Bernhard Schneider
Chairman of the Board of Directors

Detlef Borghardt
Chief Executive Officer
of SAF-HOLLAND GmbH

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the sales and earnings performance, net assets and financial position 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 9, 2016
SAF-HOLLAND S.A.

Bernhard Schneider
Chairman of the Board of Directors

FINANCIAL GLOSSARY

A

Actuarial gains and losses
Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Adjusted EBIT
Earnings before interest and taxes (EBIT) is adjusted for special items, such as depreciation and amortization from purchase price allocations, impairment of goodwill and intangible assets, reversal of impairment of intangible assets as well as restructuring and integration costs.

B

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

C

Cash-generating unit
Cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

Clearing house
An institution connected to or integrated into a derivatives exchange, which offsets all exchange transactions and acts as counterparty to the buyer and the seller after each transaction.

Coverage
Analysts at renowned banks and investment houses regularly observe and evaluate the development of SAF-HOLLAND S.A.'s shares.

D

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

Days payable outstanding
Trade payables / cost of sales per day
(cost of sales of the quarter / 90 days)

Days sales oustanding
Trade receivables / sales per day
(sales of the quarter / 90 days)

E

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

Equity ratio
Equity / total assets x 100.

F

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

Free cash flow
Operating cash flow minus capital expenditures.

G

Gross margin
Gross profit / sales x 100.

H

Hybrid financial instrument
Financial instrument that, depending on its economic substance, contains both a liability and an equity component.

I

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.

J

Joint venture
A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

M

MDAX
The mid-cap-Dax (MDAX) comprises 50 companies that rank immediately below DAX securities in terms of market capitalization and order book volume.

N

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.

Net working capital to sales
Net working capital / (sales for the fourth quarter / 3 x 12)

Non-recourse factoring
Factoring where the factor takes on the bad debt risk.

Novation
Cancellation of a contractual obligation and establishment of a new contractual obligation in place of the old one.

P

Personnel expenses per employee
Personnel expenses (not including restructuring and integration costs) / average number of employees (not including temporary employees)

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

Purchase price allocation (PPA)
Distribution of the acquisition costs of a business combination to the identifiable assets, liabilities and contingent liabilities of the (acquired) company.

R

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

Recoverable amount
The recoverable amount is the higher of the fair value less cost to sell and the value in use.

S

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

SDAX
The small-cap-Dax (SDAX) comprises 50 companies that rank immediately below mid-cap-DAX (MDAX) securities in terms of market capitalization and order book volume. As is the case with DAX, TecDAX and MDAX, the SDAX belongs to the Prime Standard.

Structured entity
An entity has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

T

Total cost of ownership
Total cost relating to acquisition, operating and maintenance of an asset.

V

Value in use
Present value of future cash flows from an asset.

LIST OF ABBREVIATIONS

A

APO	Advanced Planer & Optimizer (IT-System to utilize supply-chain-management)

B

BRIC	Brasil, Russia, India, and China
B.S.	Bachelor of Science (academic degree)

C

CAD	IT-System often used in engineering/ product development
Cap	Derivative to hedge against rising interest rates
CEO	Chief executive officer
CFO	Chief financial officer
COO	Chief operating officer

D

DAX	Deutscher Aktienindex (German stock index)
DBO	Defined Benefit Obligation
DIN	Deutsches Institut für Normung (German Institute for Standardization)

E

EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and depreciation/amortization
EURIBOR	Euro interbank offered rate

F

FAHfT	Financial assets held for trading
FEM	Finite element method; numerical technique for finding approximate solutions for partial differential equation; often used in industrial engineering
FLAC	Financial liabilities measured at amortized cost
FLHfT	Financial liabilities held for trading

G

GDP	Gross domestic product

I

IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IfW	Institut für Weltwirtschaft (German economic organization)
IR	Investor Relations
ISIN	International securities identification number
ISO	International Organization for Standardization
IT	Information technology

K

kEUR	Thousand Euro

L

LaR	Loans and receivables
LIBOR	London interbank offered rate

M

MATS	Mid-America Trucking Show
MBA	Master of Business Administration
MDAX	Mid-cap-DAX
Mio.	Million
M.S.	Master of Science (academic degree)

N

n.a.	Not applicable

O

OEM	Original equipment manufacturer
OES	Original equipment service

P

PDM	Product data management
PIK	Pay-in-kind
PPA	Purchase price allocation
p.a.	per annum

R

ROI	Return on investment
R&D	Research and development

S

SDAX	Small-cap-DAX
SWAP	Hedging instrument in which two counterparties agree to exchange contractual rights and obligations against another (to swap) to a definite existing period of time in the future and to defined conditions

U

US	United States of America
USA	United States of America
USD	US-Dollar

V

VDA	Verband der Automobilindustrie (German Automotive Industry Association)

W

WACC	Weighted average cost of capital
WKN	Wertpapierkenn-Nummer (security identification number)
WpHG	Wertpapierhandelsgesetz (German Securities Trading Act)

FINANCIAL CALENDAR AND CONTACT INFORMATION

Financial Calendar

November 10, 2016 .... Report on Q3 2016 Results

Contact

SAF-HOLLAND GmbH
Stephan Haas
Hauptstraße 26
63856 Bessenbach
Germany

Phone: +49 (0)6095 301-617
Fax: +49 (0)6095 301-102

Web: www.safholland.com
Email: stephan.haas@safholland.de

IMPRINT

Responsible:
SAF-HOLLAND S.A.
68–70, Boulevard de la Pétrusse
L-2320 Luxembourg
Luxembourg

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