

Moving Values.

ANNUAL REPORT 2007

Key Figures

in € m	2007	Pro forma 2006
Sales	812.5	777.8
Cost of sales	-670.9	-634.8
Gross profit	141.6	143.0
Adjusted EBITDA	72.5	77.0
Adjusted EBIT	60.5	65.1
Adjusted net profit for the year*	22.3	24.1
Adjusted EPS in € m**	1.18	1.28

* For the Adjusted net profit for the year, a uniform tax rate of 36 % was assumed.

** The number of shares is assumed as if the number of shares issued as at 12/31/07 had been unchanged in 2007 and throughout the 2006 fiscal year.

Sales by Region

in € m	2007	Pro forma 2006
Europe	519.7	402.3
North America	292.8	375.5
Total	812.5	777.8

Sales by Business Unit

in € m	2007	Pro forma 2006
Trailer Systems	551.1	473.0
Powered Vehicle Systems	81.3	114.3
Aftermarket	180.1	190.5
Total	812.5	777.8

Other Financial Information

in € m	31.12.2007	31.12.2006
Total assets	554.6	544.1
Equity ratio	19.5 %	1.7 %
Operating cash flow***	51.7	–
Employees (annual average)	2,996	3,201
Sales per employee in k €	271	243

*** The operating cash flow is the cash flow from operating activities before income tax payments. As no comparable opening balance sheet as at 01/01/06 is available, a cash flow comparison was not undertaken.

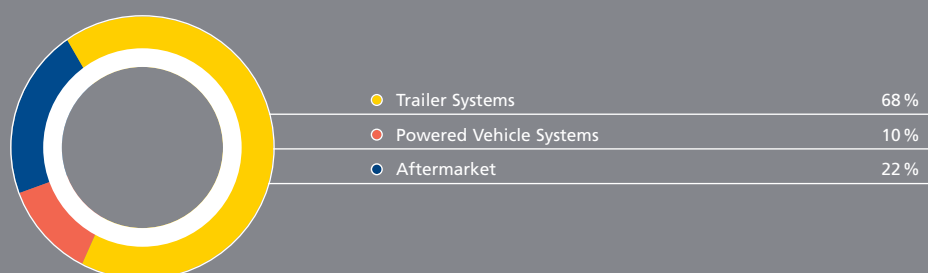
Sales by Region in 2007



Sales by Region in 2006 (Pro forma)



Sales by Business Unit in 2007



Sales by Business Unit in 2006 (Pro forma)

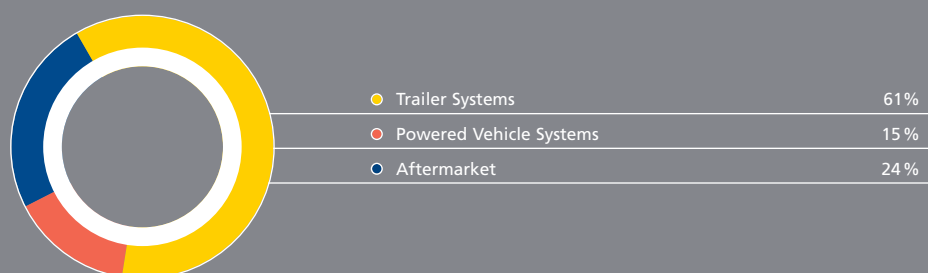


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Orange Juice on the Road

Strong brakes make light work of steep slopes

A glass of orange juice is part of almost every breakfast, but it usually has a long journey behind it by the time it reaches its customary place on the kitchen table.

It is a journey that often begins in Brazil, the world's largest exporter of orange juice concentrate. Brazil exports 1.25 million tons of concentrate a year, over 60 percent of the world's production. In concentrate form and frozen, the juice leaves the country in large tankers that set sail from the country's largest port, Santos in São Paulo state.

In Santos, a tanker truck arrives at the docks every five minutes with its precious cargo that is then pumped on board the ships via a special pipeline. The tanker trucks come from the highlands behind Santos. The distance to the port from Araraquara, the center of the Brazilian orange juice industry, is around 380 kilometers. The trucks start at altitudes of up to 700 meters and travel downhill to sea level. The road is full of dangerous curves and is notorious for serious accidents. The truckers need to drive slowly and carefully.

For some years now, there has been an alternative route for an especially dangerous part of the road. It has fewer curves and is shorter, but steeper. As trucks and trailers in Brazil usually still have drum and not disk brakes, this route is off limits for them. After a number of test runs in which SAF-HOLLAND took part with its innovative axle systems, a solution has appeared for the challenging steeper route. Truck-trailer-combinations with disk brake axles of the kind that SAF-HOLLAND already provides for trailers will be allowed to use the new road. Thanks to SAF-HOLLAND's superior brake technology, trucks can navigate the steeper slopes with no safety concerns. This will noticeably cut travel times, reduce fuel consumption and tire wear and tear. Truckers and trucking companies both stand to benefit.

In the future, the orange juice's long journey to your kitchen table will begin on SAF-HOLLAND axle systems.



Annual Report 2007



"My boss says demand for transportation capacity is continuing to increase. So I am only too happy to be able to work for the commercial vehicle industry."
Diana Jakob, Sales Spare Parts



"Global means to me that we can go anywhere and sell our products."
Jaye Ellison, Cataphoretic Dip-Painting



"In my opinion, it is not just what you learn, but where you learn it that matters."
Tina Gröger, Mechanical Production

Mission—Vision—Values



"Commercial vehicles have to work all the time, and that is why we deliver quality and safety here."

Lutz Giese, Assembly



"It is important to listen carefully to what the customers have to say – even if it may not always be pleasing."

Verena Braun, Distribution



"How do I see the future? We have large and loyal customers – and a lot of new ideas."

Roland Welzbacher, Tool Manufacturing

Mission

We seek to make the greatest possible contribution to the success of both the direct customers and the ultimate users of our products and services in the commercial transport sector by providing the highest levels of value, innovation, quality, safety, and performance.

We will operate the company with a long-term view and achieve appropriate returns with our assets and resources. All aspects of the business will be actively pursued for continual improvement, building on success with success.

We will be an attractive employer, offering challenging and rewarding opportunities for our employees as well as supporting their development, education, and growth.

Vision

We will be No. 1 in share of market, driven by leadership in technology and cost-to-market, in the supply of our components and systems to the global commercial vehicle industry.

Values

We are SAF-HOLLAND.

We all truly care for each customer, providing excellent products and service because:

- We are innovative.
- We are cost focused.
- We are reliable.
- We show respect.
- We utilize teamwork.
- We communicate well.

Foreword from the Management Board

Dear shareholders, business associates, and employees,

I am delighted to present to you the first SAF-HOLLAND S.A. annual report. Last year, we paved the way for lasting growth with the combination of SAF and Holland and by going public. That is why we have taken “Moving Values” as the report’s guiding theme. It applies directly to our products but it is also a yardstick by which our shareholders can measure us.

Transportation is the life-giving elixir of globalisation, and trucks and trailers are the central element in the transport chain. In emerging markets, they link remote regions to the international business cycle and thereby lay the groundwork for the prosperity of the wider public. In industrialised countries, they form part of complex logistics systems that connect land, sea, and air transportation routes. Without highway transport, the growing division of labor between western and eastern Europe would be inconceivable. When it comes to shipping goods fast and flexibly from place to place, freight traffic by road is unrivaled.

SAF-HOLLAND supplies high-quality components and systems for trailers, semi-trailers, trucks, tractor units, buses, and recreational vehicles. We offer axle and suspension systems, fifth wheels and coupling devices, kingpins, and landing legs. Where top quality, safety, and reliability matter, the truck and trailer industry around the world relies on products from SAF-HOLLAND.

The business combination of regional champions SAF in Europe and Holland in the US in December 2006 was for both companies the beginning of a new era. Integration teams have sought to tap the enormous synergy potentials as fast as possible. We reached a major milestone on July 1, 2007 with the new SAF-HOLLAND organisational structure. It aligns the Company into the Trailer Systems, Powered Vehicle Systems, and Aftermarket Business Units. On the basis of this customer-oriented structure, we aim to continue to grow in the future and to tap further synergy potentials.

Going public on July 26, 2007 in the Frankfurt Stock Exchange’s Prime Standard segment marked a further milestone. As a result, we now have the capital market at our disposal to financing growth.



Rudi Ludwig, Chief Executive Officer (CEO)

Our growth strategy is defined clearly by three building blocks. First, we aim to increase our share of the world's rapidly growing transportation market. As a quality provider of safety-relevant systems we are a strategic partner for our customers. Our systems ensure a high level of reliability and a long service life for trucks and trailers, and these are values that matter in the trucking business.

Second, the combination of SAF and Holland has created a globally-positioned enterprise that is participating in the growth of dynamic markets in eastern Europe and Russia and in Latin America, India, and China. We are also responding to the sustained growth of trade flows by expanding our service network on all five continents. We are manufacturing not only in our traditional regions of western Europe and North America, but also in China, Brazil, India, Australia, and Slovakia.

Our strategy's third building block is the exchange of technology within the enterprise. A wider range of products and regional focal points that complement each other are the best preconditions for future growth.

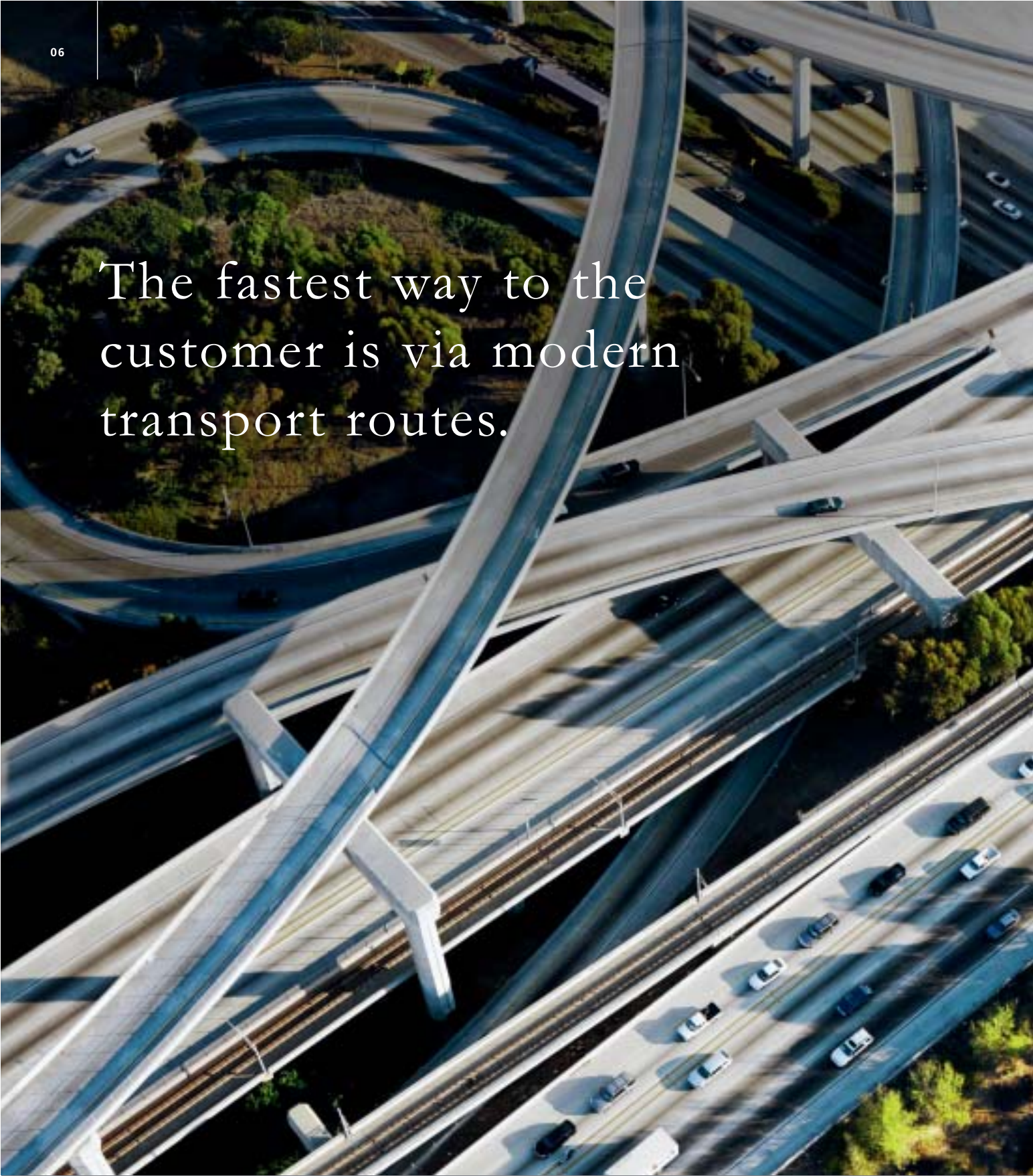
We can look back on the year 2007 as a successful business year. Strong growth in Europe more than offset the expected weakness in the US market. We assume that this split image of a very good market in Europe and a subdued trend in the US will continue in 2008. Business in the growth markets of eastern Europe, Asia, and Latin America will continue to increase.

For 2008, we plan to achieve sales growth in excess of 15 percent. As a result of international growth and the exploitation of further synergies, we will improve on the previous year's result. We wish to let shareholders also partake in this positive trend, and that is why we are proposing to the Annual General Meeting a dividend payout of 8.0 million Euro for 2007, equivalent to 42.47 Euro cent per share.

I hope you will find that our annual report makes informative reading and look forward to the dialog with you.

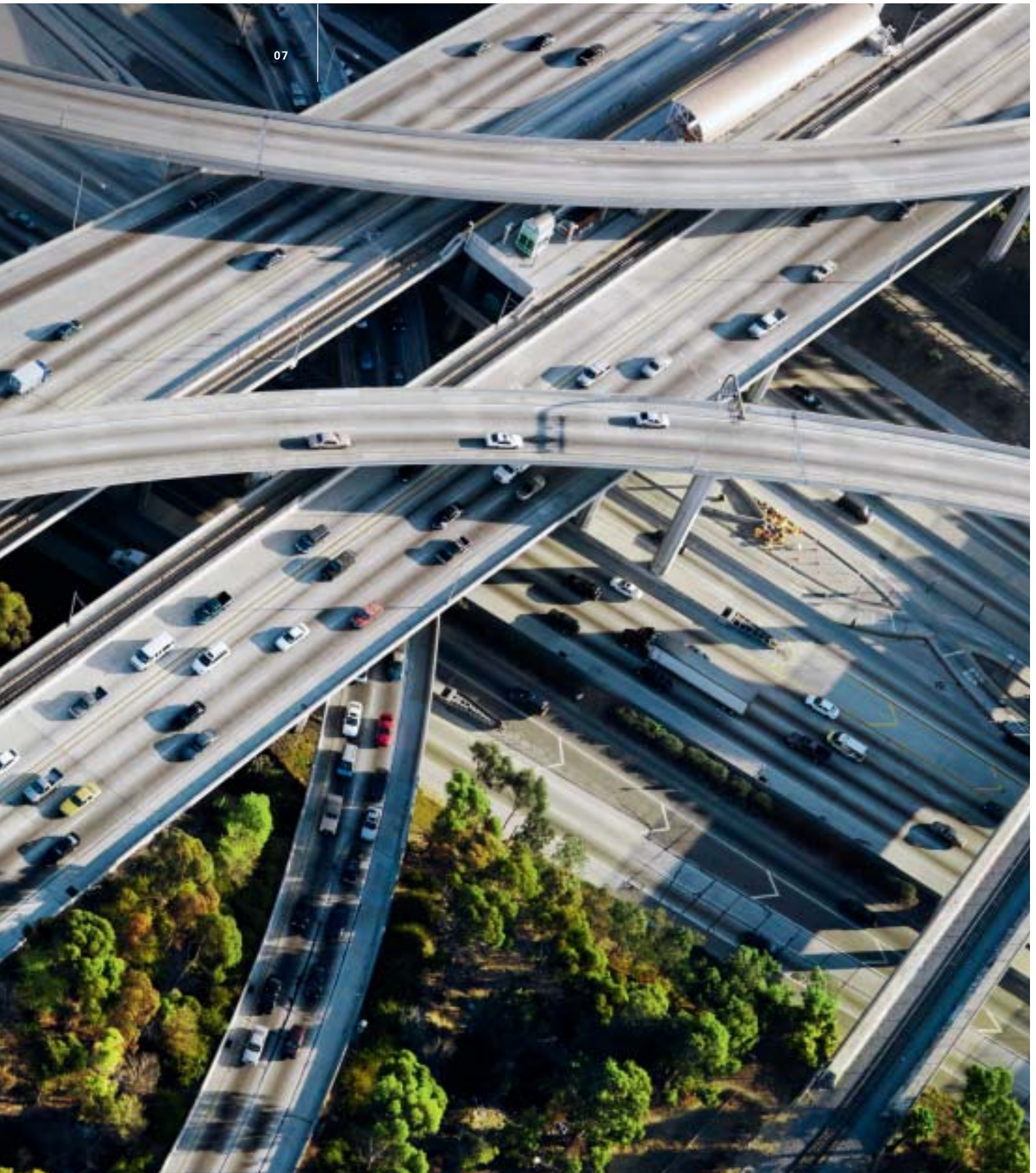
A handwritten signature of Rudi Ludwig in blue ink, written in a cursive style.

Rudi Ludwig
Chief Executive Officer (CEO)

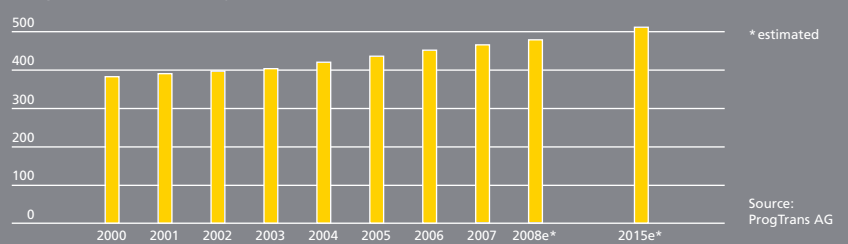


The fastest way to the customer is via modern transport routes.

Companies in western Europe depend on division of labor and efficiency. For both, they need powerful logistics systems. In terms of speed and flexibility, road transportation is the mode of choice for continued growth, now and in the future.



Freight transportation by road in western Europe Growth in billion vehicle kilometers (vkm)



Strong Roots and a Successful Future

In Keilberg, near Aschaffenburg, Germany, Paul Zill invents a new plow with a rotating plowshare in his village blacksmith's workshop that lays the foundations for a family business.



Otto Sauer, Zill's son-in-law, takes over the workshop and enlarges it continuously.

The company manufactures its first steel axles for agricultural vehicles.

Start of the industrial production of axles for heavy-duty commercial vehicles.

With the market launch of the "Super-Compact Axle," SAF demonstrates yet again its technical competence and expands its role as a highly productive supplier to well-known vehicle manufacturers.

SAF

Holland

1881

1910

1938

1950

1991

1910

1920

1940

1950

1991



A quick-action safety coupling between the plow and the team of horses ensures more safety in field work and leads to the foundation of the Safety Release Clevis Co. in Corsica, South Dakota, USA.

With the growth of motorisation opening up new market opportunities, the company moves to Holland, Michigan and renames itself the Holland Hitch Company.

US military demand for trucks sends demand for fifth wheels, landing legs, and trailer gear skyrocketing.



One of the most important suppliers is the Holland Hitch Company.



The company concentrates on coupling devices and fifth wheels for heavy-duty commercial vehicles.

Takeover of the Binkley Company, a well-known manufacturer of landing legs.

Introduction of the competence guarantee: one million kilometers or up to six years on the entire unit in accordance with the warranty conditions.



SAF is granted the patent for the INTEGRAL composite casting brake disk. It sets new standards for abrasion resistance of brake disks in trailers.

Launch of the new INTRA ALL-IN trailer axle system: Subject to certain conditions and bearing in mind the existing warranty conditions, maintenance free of charge is guaranteed for a period of up to 72 months or one million kilometers.

July 1, 2007: The introduction of Business Units marks the completion of the first important organisational step in the integration of the two companies. From this point on, the Group operates in three close-to-market Business Units – Trailer Systems, Powered Vehicle Systems, and Aftermarket.

1998

2002

2006

2007

1999

2004

2006

2007

Acquisition of Neway Anchorlok International, a leading manufacturer of air suspension units for trucks, trailers, and recreational vehicles.


Takeover of Simplex, a manufacturer of fifth wheels in the low-price segment.



December 2006: The business combination as SAF-HOLLAND creates a leading global provider of high-quality axle and suspension systems, fifth wheels, kingpins, coupling devices, and landing legs for the commercial vehicle industry.



July 26, 2007: SAF-HOLLAND strengthens its capital structure by going public on the Frankfurt Stock Exchange in its Prime Standard sector, thereby opening up an additional channel for funding further growth.



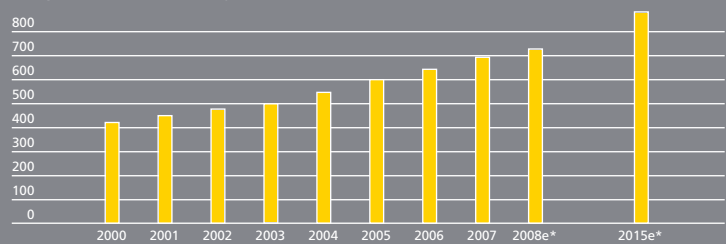
Around the world,
goods flows always follow
their markets.

China is the world's most dynamic economy. Supported by high growth rates and producing one export record after another, the boom has now spread from the coastal regions to the interior – which is accessed by road transportation.



11

Freight transportation by road in China Growth in billion vehicle kilometers (vkm)



* estimated

Source:
ProgTrans AG

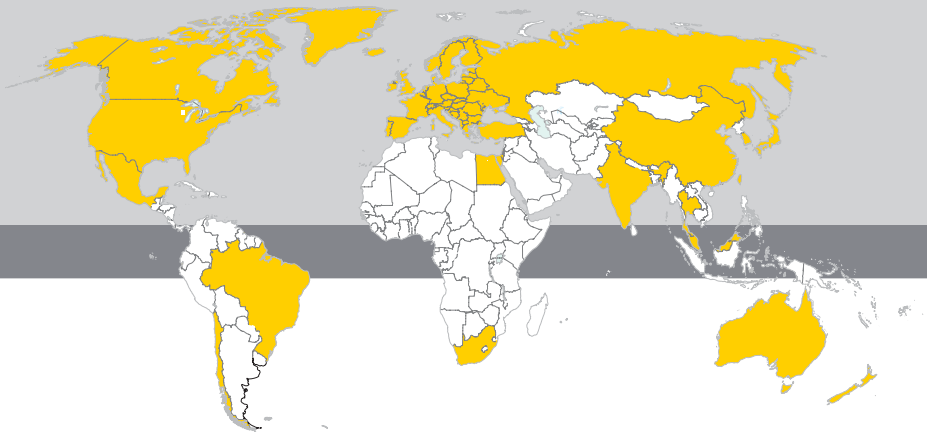
Moving More Values Together

Two companies, both market leaders, joining forces – can something like that work?

It works very well, actually. If they complement each other as well as SAF and Holland do, the best foundations have been laid for a growth story. SAF and Holland are a perfect match – in terms of products and customers, as well as regionally.

Both companies have been successful for decades in the systems and components market for heavy-duty commercial vehicles. SAF concentrated mainly on products and systems for trailers and did business mainly in Europe. Holland, in contrast, focused on both the truck and trailer industry and was represented mainly in the North American market. Both had an extensive service network in their respective core markets. There was no overlap, let alone any duplication, in their product portfolios. Since the business combination, competences and markets have complemented each other. A wide product range for powered vehicles, semi-trailers, and trailers is now marketed from a single source in Europe, America, and Asia.

Regional focal points of SAF and Holland



Worldwide presence

The combined Company has production facilities in North and South America, Europe, Asia, and the Pacific, along with a worldwide service network. Immediately after the combination, we embarked on a comprehensive technology transfer that operates in both directions – from Europe to the United States and vice-versa. We want our products to be near our customers. Our aim is to manufacture components and systems locally for regional markets, which provides three benefits:

- We can respond immediately to customers' wishes and combine our global know-how with specific regional requirements.
- We reduce administrative expenses and transportation and logistics costs.
- We are less susceptible to exchange rate fluctuations. If procurement, production, and sales take place in a single currency area, exchange rate effects are more or less immaterial.

An additional advantage is that the two companies share a common understanding of the market. In order to successfully market premium components, the end customer must be convinced of the benefit and superiority of the products. Only in this way is it possible that a fleet operator, for example, may explicitly demand the installation of SAF-HOLLAND products by the OEM. With this marketing model, which binds end customers as well as vehicle manufacturers to SAF-HOLLAND, the Company has developed a successful marketing channel. Through direct contact with end customers, we also benefit from continuous feedback which we incorporate into innovations and further developments.

Dynamic market development

The timing of the business combination was well chosen. Trade flows are increasing around the world, and in addition to the historic core markets of Europe and North America, the dynamic Brazilian, Russian, Indian, and Chinese economies are, in particular, gaining in significance. According to L.E.K. Consulting, two million heavy-duty trucks and trailers were manufactured in our target segment in 2006 alone. In fact around 15 million heavy-duty trucks and trailers are in use today worldwide, and this is an extremely dynamic growth market.

Emerging markets are a driver of growth

Volume of road freight in billion ton kilometers	2005	2011e*	Average annual growth in %	*estimated
Brazil	185	256	5.6	
China	932	1,968	13.3	
India	331	458	5.9	
Russia	200	295	6.7	Source: L.E.K. Consulting

To make fast and full use of synergy potentials, we adopted a new organisational structure for the combined enterprise on July 1, 2007. The new Business Units are geared strictly toward their respective customer groups and ensure the highest possible focus on their market.

The **Trailer Systems** Business Unit (systems for semi-trailers and trailers) manufactures and markets SAF-HOLLAND axle and suspension systems, kingpins and coupling devices, landing legs, and other components for the trailer industry.

The **Powered Vehicle Systems** Business Unit (systems for tractor units, buses, and recreational vehicles) includes fifth wheels, suspension systems, and lift axles for heavy-duty commercial vehicles, buses, and recreational vehicles.

The **Aftermarket** Business Unit (spare parts business) is based on an extensive service network with more than 7,000 service centers in Europe, America, Asia, Africa, and Australia. It supplies the spare parts trade of vehicle manufacturers, dealers' organisations, as well as independent workshops and fleet operators with spare parts from SAF-HOLLAND and third-party manufacturers.



Technology exchange enhances growth

Each Business Unit operates with sole responsibility and with all of the resources that it needs to operate independently in the market and to provide intensive and individual customer care. A Head of Operations ensures efficient cross-enterprise distribution of resources around our currently 22 production sites. Central service areas such as administration and financial functions support the operating units. The new organisational structure enables us to quickly offer products around the world which were previously only available in one region. In the future, for example, we will also be manufacturing axles for trailers in North America and, conversely, making landing legs and kingpins in Europe.

The guiding principle behind our activity is to create value for our customers. Our focus is on cutting the total cost of ownership – the cost of acquisition and operating costs throughout the service life of trucks and trailers. For fleet operators around the world, criteria such as the reliability and safety of components are of overriding importance. The calculation could hardly be simpler: trucks and trailers only earn money when they are on the road. If they are in the workshop for maintenance or repairs, every minute costs money. To make our products even more economic and reliable, we are constantly developing our technologies. Highlights include:

- The new INTRA ALL-IN axle system: Subject to certain conditions and bearing in mind the existing warranties, SAF-HOLLAND provides maintenance free of charge for a period of up to 72 months or one million kilometers.
- The grease and lubrication free fifth wheel: This product not only cuts operating costs but also protects the environment.
- Our economic and eco-friendly lift axle: If a trailer has no load or only a light one, it can be lifted, thereby reducing fuel consumption and tire wear and tear.

We stand behind our superior technology and quality systems with guarantees that go well beyond the industry standard.

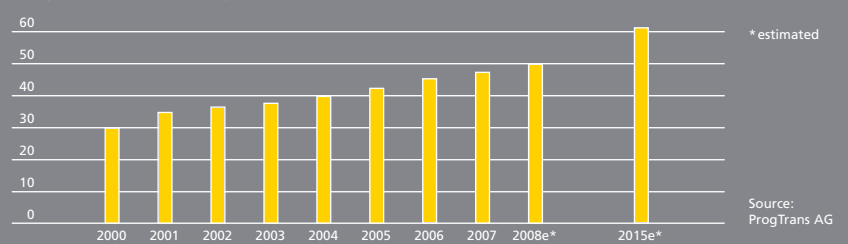
As a successful enterprise, SAF-HOLLAND is positioned as a premium provider worldwide. We aim to improve on this market position for the long-term benefit of our truck and trailer industry customers.



Networked transportation
routes bring growth to
all corners of the world.

In Russia, the pace of growth has accelerated mainly due to earnings from raw materials exports. The country is constantly expanding its infrastructure. Transportation of goods by road is one of the beneficiaries.

Freight transportation by road in Russia Growth in billion vehicle kilometers (vkm)



Getting Performance on the Road Around the World

Growth must be sustainable. SAF-HOLLAND's growth strategy is broadly positioned. Global trends and enterprise-specific factors contribute to the Company's continued successful development.

The main reason for the business combination of SAF and Holland was to significantly expand both the regional presence and the product portfolio, and the enterprise's strategy has been realigned to support this. SAF-HOLLAND today is one of the few globally active manufacturers that provide an extensive, integrated range of products for trailers and heavy-duty commercial vehicles as well as a worldwide service network.

SAF-HOLLAND wishes to build on its strong global market position as a provider of quality systems for trailers and heavy-duty commercial vehicles. Customer satisfaction is our key benchmark of good performance. Customer needs and quality requirements are the guidelines for our entrepreneurial activity.

Our growth strategy is founded on three basic elements.

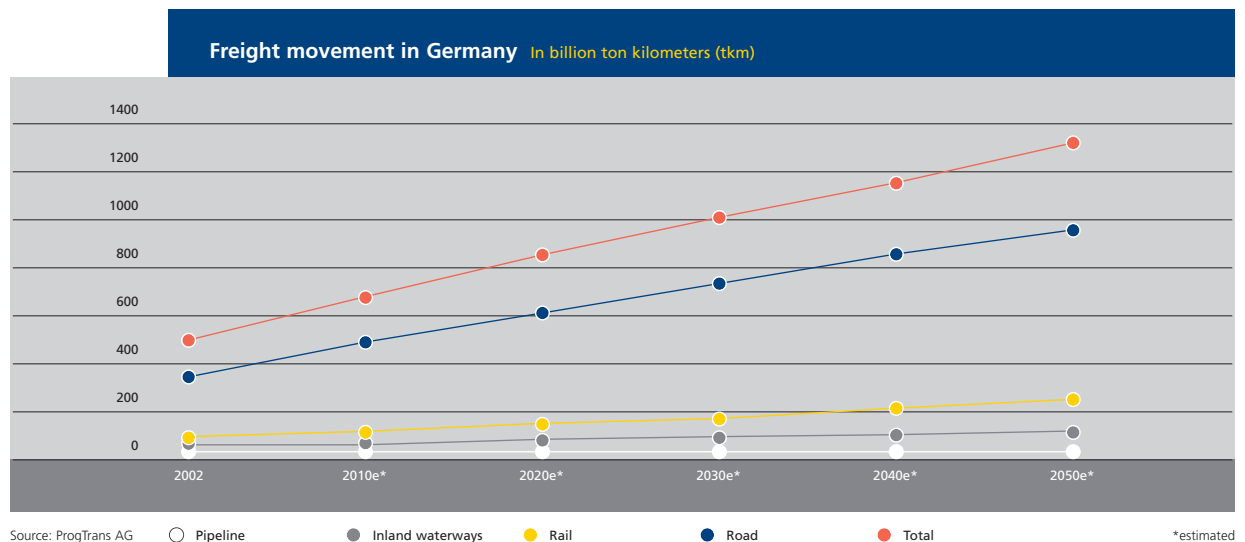
1. SAF-HOLLAND benefits from globalisation and from growing international trade flows

The boom in the eastern European, Russian, Latin American, Chinese, and Indian markets ensures a constant increase in demand for transportation services. This growth is driven by economic megatrends that apply almost irrespective of fluctuations in the economy: global division of labor and the growing inclusion of more and more people in international economic activity. Shipping, aviation, and the railroads may fill a substantial part of this demand for transportation, but whenever ships and aircrafts are unloaded and the tracks end or rail transport fails to cater to the customers' speed and flexibility requirements, road transportation comes into play. In a nutshell, trucks and trailers are at the beginning and the end of nearly every transportation chain, be it from Asia to Europe and America or within individual markets.

This is why SAF-HOLLAND focuses on a worldwide presence. We manufacture not only in our core markets of western Europe and North America but also in China, Brazil, India,

Australia and Slovakia with their dynamic economies. As a result, we remain close to our customers and can adjust swiftly and flexibly to the unique requirements of each specific market.

In response to the globalisation process, we are constantly expanding our worldwide service network. In key markets, SAF-HOLLAND is already one of the most important partners for freight forwarders and fleet operators. In Poland, for example, one of the most important markets in eastern Europe, we operate one of the largest service networks of components and systems for heavy-duty commercial vehicles and also sell third-party products such as tires and wheels and tire sets.



2. Concentration on technology and quality

Innovation is our driving force. We are constantly investing in new technologies and in the further refinement of our products. Around 1.5 % of our sales revenues is invested in research and development. In most of our product lines SAF-HOLLAND has in this way already established a leading market position. This especially applies to the SAF-HOLLAND disk brake technology for trailers and semi-trailers. In addition, our efficient products ensure that end customers can reduce their operating costs. This includes, for example, our INTRA ALL-IN axle system and the business combination "Holland FWAL Lightweight" fifth wheel made of aluminum that weighs significantly less than conventional cast iron or steel solutions.

In recent years, we have increased our market shares in Europe and North America with our innovative products. We are convinced that we will also be able to utilize our Company's technologies to influence the standards of other markets as well. That is why we see expanding our quality and technology leadership, which both deliver cost benefits to the customer and ease the burden on the environment, as an important factor in our future growth.

Systematic marketing aimed at the end customer supports our market development. The quality and long life of our products pay the end customer immediate and long term dividends. The end customer, who as a freight forwarder or fleet operator must optimise acquisition and operating costs to be successful, profits from the benefits derived from using our systems and components. These improvements result from our continuous discourse and development projects with our customers. In addition, we cooperate closely with truck and trailer manufacturers – our direct customers – on developing our products, and we improve them continuously. Our aim is, for example, to make the integration into vehicles easier and to reduce production costs.

3. Increased technology transfer and use of synergies in our markets

Through the business combination of SAF and Holland, our Company has opened up major growth potential driven by technology transfer. The strengths of our existing products that are marketed successfully in individual markets will now to be put to use both in Europe and in North America. As a result, we will gain additional market shares in both markets and strengthen our opportunity to open up new markets. The merger of activities in Australia exemplifies this networking of SAF and HOLLAND. Similar moves are now planned in other markets such as Germany, the UK, and Brazil.

Further potential exists for harnessing synergies in the sourcing of materials. Based on a significantly stronger demand position, we will optimise our procurement costs and thereby strengthen the Group's competitiveness.

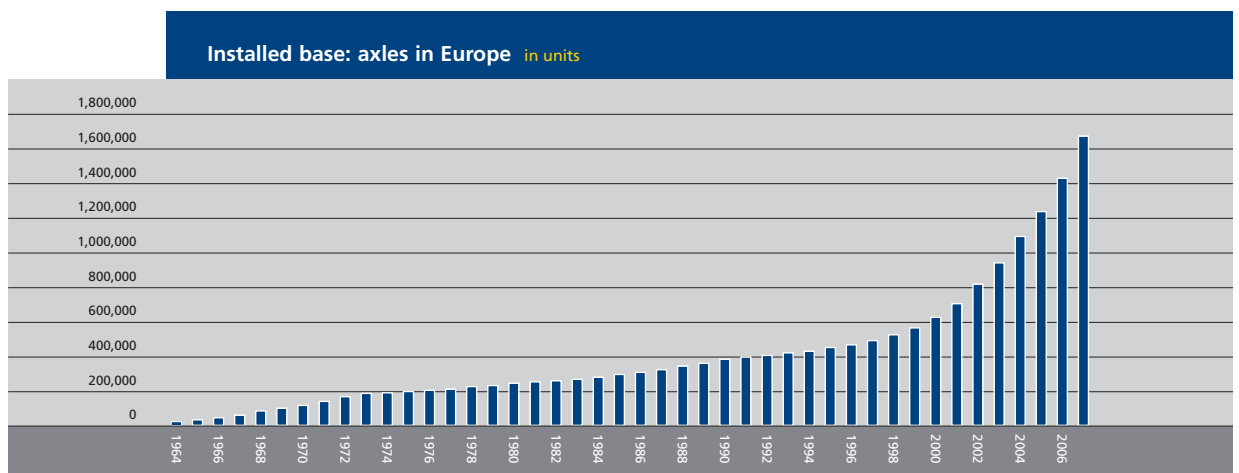
Our core product: reliability

The service transportation enterprises promise their customers to deliver the goods to the desired destination on time. They therefore demand one simple thing from their trucks and trailers: reliability at a cost that is reasonable and can be planned. That is why SAF-HOLLAND sees its role as that of a full service provider. We offer freight forwarders and fleet operators reliability along with a high availability of our products. Technology is a means to an end –



no more, but no less. That is why our positioning as a system provider is a core element of the SAF-HOLLAND strategy. We provide products that are of decisive importance for the freight forwarders' and fleet operators' success. SAF-HOLLAND concentrates on economically and technologically attractive sections of the value creation chain for which we can profitably contribute our know-how.

This, however, is only a part of what we offer. A comprehensive package of guarantees and services improves reliability and predictability for the customer and underscores our commitment to quality. With the pre-existing base of SAF-HOLLAND products and systems, the Aftermarket Business Unit will continue to gain in importance. We also use our worldwide service network to systematically develop new markets. We are intensifying contacts with our customers and receiving valuable suggestions for innovations in return. Last but not least, we are also gaining access to new customers in this way.

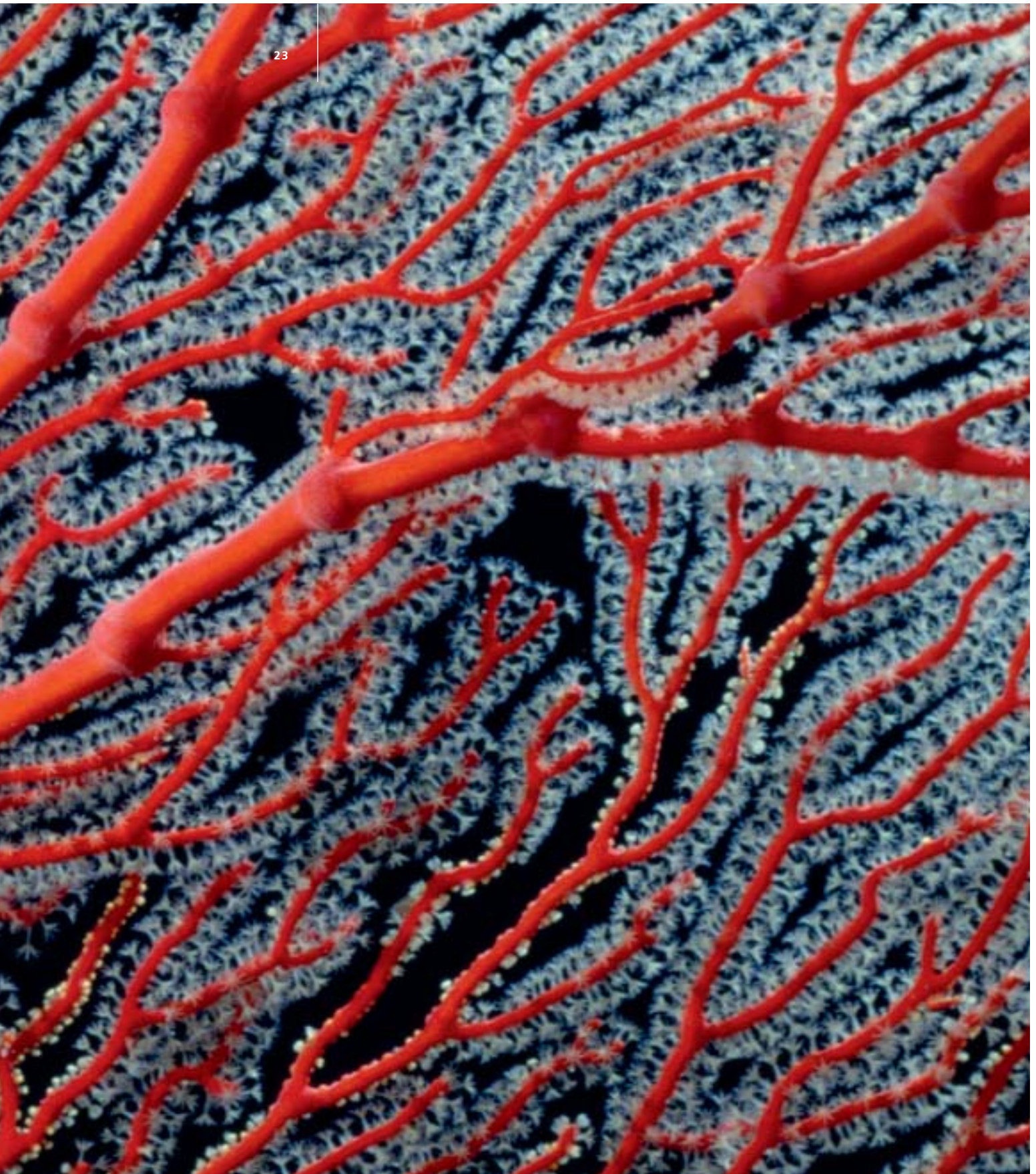


Source: SAF-HOLLAND

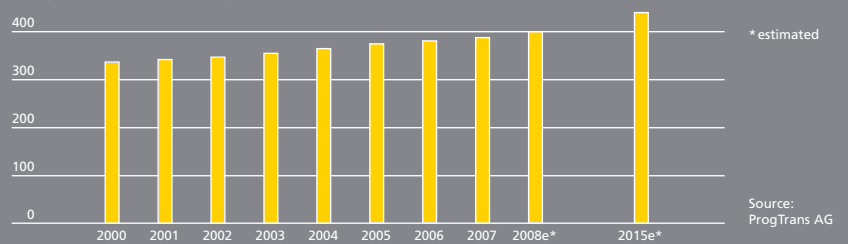


The exchange of
goods is the heartbeat
of a global economy.

The US market is the world's largest. It includes consumer and industrial goods from all over the world. They arrive at US seaports and are shipped inland by road – freight traffic is growing even in mature markets.



Freight transportation by road in USA Growth in billion vehicle kilometers (vkm)



Ready for Take-Off – The SAF-HOLLAND Share

By going public on July 26, 2007 in the Frankfurt Stock Exchange's Prime Standard segment, SAF-HOLLAND S.A. laid a firm foundation for further development and improved its financial strength. The capital market enables us to continue our growth course. We aim to position the share on a lasting basis as a growth-oriented value investment.

Share Details

WKN	A0MU70
ISIN	LU0307018795
Stock exchange code	SFQ
Reuters code	SFQG.DE
Bloomberg code	SFQ GY
Number of shares	18,837,375
Opening price (07/26/07)	19.25
Year-end price (12/28/07)	13.75
Annual development in %	-24.45 %
Average trading volume per day in 2007 (in units)	28,532
First day of listing	07/26/07
Designated sponsor	Morgan Stanley
Highest/Lowest price for the year	€ 18.40 / € 11.30
Earnings per share *	€ 0.59

* The number of shares is assumed as if the number of shares issued as at 12/31/07 had been unchanged in 2007.

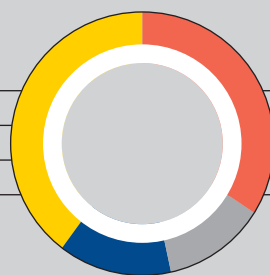
Financial strength enhanced

The initial listing on the Frankfurt Stock Exchange was not all easy sailing. In an uncertain market confronted with the first tremors of the US sub-prime and financial crisis, all of the shares on offer were finally sold to institutional investors at an issue price of € 19 per share. The amount raised by the capital increase, consisting of 5,120,000 shares with a par value of € 0.01 each, was € 97.3 million. It was used to redeem € 8.2 million in preferred shares and in convertible preferred equity certificates. A further € 56.0 million in shareholder loans, € 8.5 million in vendor loans and € 9.9 million in bank loans was redeemed.

SAF-HOLLAND S.A.'s equity base was thereby strengthened considerably. As a result of the IPO, the equity ratio rose from 1.7 % to 19.5 %. The remaining € 14.7 million was used mainly to cover transaction costs. In addition to stock from the capital increase, 2,380,000 shares held by existing shareholders were placed, with the result that 7.500.000 shares are currently in circulation. Therefore, the IPO led to a free float of around 40 % of SAF-HOLLAND shares.

The share price trend over the remainder of the year was not satisfactory. Against a backdrop of growing fluctuation on capital markets, investors mainly sold shares with a short history as well as small and mid-cap stocks. The SAF-HOLLAND share fits both categories, and in view of these investment criteria, the Company's overall sound corporate development and order income well above plan failed to get the attention they deserved. Positive announcements from the operating business went almost unnoticed.

Shareholder structure Figures in %



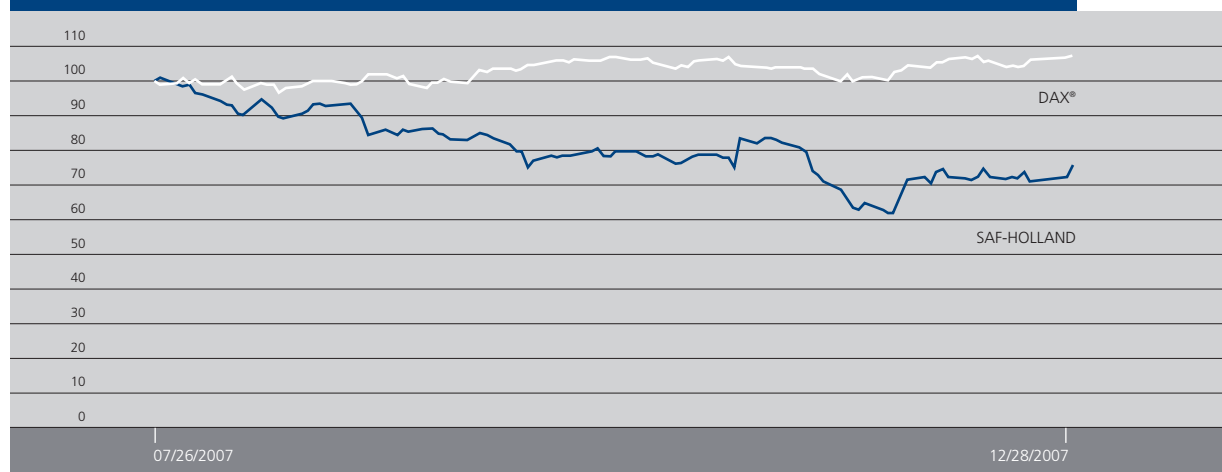
● Pamplona Capital Partners I, LP	34.5
● Management	12,3
● Previous owners	13.4
● Free float	39.8

As at 12/31/07

2008 may have begun with the worst price losses for years on all international stock markets but we are convinced that SAF-HOLLAND stock is a worthwhile investment, as the megatrends on which our growth story is based remain intact. These are: growing trade flows, transportation as the indispensable foundation for globalisation, and the essential role of road freight traffic.

Development of SAF-HOLLAND share price versus DAX® index from IPO to end of 2007

SAF-HOLLAND and DAX® 2007 Indexed



Active communication

We are carrying these arguments for the SAF-HOLLAND share more robustly into the capital market. The feedback we have received from analysts is entirely positive and confirms our strategy. At present, there are five analyst's reports on the SAF-HOLLAND share, and we aim to enlarge this coverage. At a capital market day held at the end of November 2008, we presented our Company to a large number of interested parties. In addition, we are attending investors' conferences, taking part in road shows in the United States and Europe, and will be increasingly addressing potential investors in Scandinavia and eastern Europe. Furthermore, we plan to approach private investors more actively in the future. The targets we have set ourselves are a maximum of transparency and speed in reporting.



We also wish to clarify our profile in the capital market. SAF-HOLLAND is viewed to some extent as an automotive supplier even though our industry has very little in common with the automotive sector. With our leading technology, we are able to position ourselves as a preferred partner of the commercial vehicle and transportation industry. Our worldwide presence enables us to profit from global growth and to offset regional fluctuations. This positioning takes us close to being a logistics stock and is complemented by our industrial substance and a market position protected by high barriers to entry.

Dividend policy

This is a key basis on which we plan to grow substantially. By 2009, our goal is to report sales of € 1 billion and by 2010, an adjusted EBIT margin of 10 %. We also want to improve our balance sheet structure further. However, shareholders should also take part in our corporate success in the here and now. As investment planning and the general state of the market permit, our goal is to distribute between 40 % and 50 % of our net profit for the year in the form of a dividend. SAF-HOLLAND S.A. intends to do justice to its claim of being a value investment and to earn its investors an appropriate yield.

Analysts' recommendations

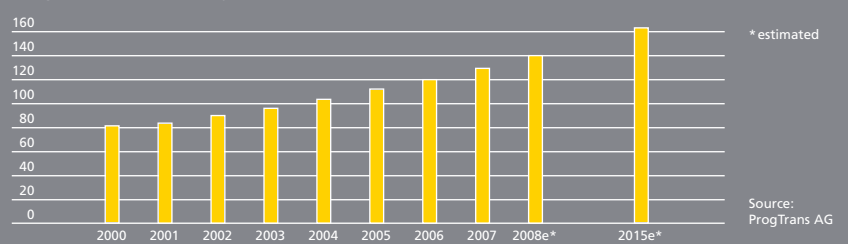
Institution	Analyst	Recommendation	Price target (€)	Date
HSBC Trinkaus & Burkhart AG	Niels Fehre	Overweight	20.00	01/10/2008
Sal. Oppenheim	Ulrich Scholz	Buy	21.00	12/20/2007
Viscardi AG	Robert Willis/Isabell Friedrichs	Buy	20.00	11/30/2007
Société Générale	Frédéric Labia	Neutral	20.00	11/06/2007
Morgan Stanley	David Cramer/Adam Jonas	Overweight	25.00	11/29/2007



In a dynamic world,
values are on the move.

Eastern Europe is benefiting from the outsourcing of many industrial production steps up to and including the total relocation of production facilities from western Europe. As a result, transportation volumes are growing dynamically.

Freight transportation by road in eastern Europe Growth in billion vehicle kilometers (vkm)



Report from the Board of Directors

Dear shareholders and friends of SAF-HOLLAND S.A.,

The SAF-HOLLAND S.A. Board of Directors has responsibly structured and navigated the business combination of the SAF and Holland Groups' and the Company's strategic realignment. SAF-HOLLAND S.A. was founded in December 2005 as PAMPLONA PE HOLDCO 3 S.A. SAF-HOLLAND first acquired the SAF Group from Deutsche Beteiligungs AG, the founding family, and the management via two interposed subsidiaries. Subsequently, the Holland Group, which was still wholly owned by the founding family, was acquired. This step completed the formation of SAF-HOLLAND S.A. in December 2006.

In the course of the combination, new members were appointed to the Board of Directors, which had previously consisted of two members, Martin Schwab and Rudi Ludwig. Since June 18, 2007, the Board's membership has been as follows:

- Dr. Rolf Bartke (Chairman)
- Ulrich Otto Sauer (Vice Chairman)
- Dr. Siegfried Goll
- Rudi Ludwig
- Richard Muzzy
- Gerhard Rieck
- Bernhard Schneider
- Martin Schwab

Details of the directors' terms of office and their membership of other bodies are summarised on pages 148 and 149. By the terms of the articles of incorporation, the Annual General Meeting elects Board members for a term of no longer than six years. Luxembourg law does not provide for employee representatives on the Board of Directors.

The Board meets regularly in Luxembourg five times a year. Due to the IPO in 2007, the Board met a total of eight times during the year. To deal efficiently with special issues, the Board of Directors has set up two committees, the Audit and Compliance Committee and the Remuneration Committee.

Last year, the Board of Directors primarily discussed ongoing business development, risk management, and the IPO. The focus of its deliberations was, however, also on the strategic alignment and reorganisation of SAF-HOLLAND S.A. After the combination of the two companies, an organisational structure had to be developed that ensured the greatest possible alignment to customers and at the same time, enabled the segments to maintain a high level of individual entrepreneurial responsibility. For this reason, we have defined three Business Units: Trailer Systems, Powered Vehicle Systems, and Aftermarket. They are oriented primarily according to our customer categories, and each operates globally. Organisationally, they have all the resources they need to operate successfully in the market. We have grouped common administrative activities centrally to support the Business Units.

In addition to creating the Business Units, we also appointed a Management Board whose members are responsible for SAF-HOLLAND's operating business. Its members are:

- Rudi Ludwig (Chief Executive Officer)
- Sam Martin (Chief Operating Officer)
- Wilfried Trepels (Chief Financial Officer)
- Detlef Borghardt (Head of the Trailer Systems Business Unit)
- Jack Gisinger (Head of the Powered Vehicle Systems Business Unit)
- Tim Hemingway (Head of the Aftermarket Business Unit)
- Steffen Schewerda (Head of Group Operations)

The Management Board was appointed on June 20, 2007. Most of its members have been with SAF-HOLLAND for a long time and have extensive industry experience. Details on the Management Board can be found on pages 152 and 153.

The annual financial statements and the consolidated financial statements were audited by Ernst & Young S.A., Luxembourg and issued an unqualified audit certificate. At its meeting held on March 25, 2008, the Board of Directors discussed the audit findings; the auditors were present to answer questions. The Board of Directors proposes that the Annual General Meeting approve the annual financial statements to December 31, 2007 and the appropriation of profits, partly in the form of a €8.0 million dividend for the 2007 fiscal year.

Last year, we laid the groundwork for successful corporate development. We not only accomplished the combination of two companies with core markets in different continents, but at the same time also conducted our day-to-day business with success. No matter how much attention the business combination of the two companies might naturally require, we could not afford to neglect our customers and their needs. Key financial figures confirm that we have succeeded in this endeavor. Sales and profits developed according to our expectations and are on target. For this coming year, we have set ourselves the goal of increasing both. What lies behind these figures is, of course, always the accomplishments of our employees. That is why I wish to expressly thank all employees, employee representatives, members of the Management Board, and my colleagues on the Board of Directors for their commitment and their outstanding work.

SAF-HOLLAND benefits from growing trade flows around the world and has positioned itself as a technological forerunner. We are highly confident that we will continue to write successful Company history on this basis.

Luxembourg, March 25, 2008



Dr. Rolf Bartke
Chairman of Board of Directors

Corporate Governance

SAF-HOLLAND S.A. is a Luxembourg société anonyme (S.A.) being listed solely on a stock exchange in Germany. Therefore, we are not required to adhere to the Luxembourg corporate governance regime applicable to companies being listed in Luxembourg. Further, we are not required to comply with the respective German corporate governance regime applicable to German stock corporations being listed on a stock exchange.

Nonetheless, we have decided to follow, on a voluntary basis, to a certain extent, the German corporate governance rules. However, certain rules will apply to our Company only to the extent allowed by Luxembourg corporate law and subject to certain reservations stemming from our Company's corporate structure. Especially, the Luxembourg single board structure is contrary to the dual board system prescribed by law for German stock corporations.

The German Corporate Governance Code (the "Code") – adopted by the Government Commission on February 26, 2002 and last amended on June 14, 2007 – presents essential statutory regulations for the management and supervision (governance) of German listed companies and contains internationally and nationally recognised standards for good and responsible governance. The Code aims at making the German Corporate Governance system transparent and understandable. Its purpose is to promote the trust of international and national investors, customers, employees, and the general public in the management and supervision of listed German stock corporations.

The Government Commission will observe the development of corporate governance in legislation and practice and will review the Code at least once a year for possible adaptation.

While the recommendations of the Code are not mandatory, Section 161 of the German Stock Corporation Act (Aktiengesetz) requires that the executive boards and supervisory boards of companies listed on a stock exchange in Germany have to declare once a year that the Code's recommendations have been and are being complied with or which of the Code's recommendations have not been and are not being applied. The declaration shall be made permanently accessible to stockholders.

Based on these reservations we have decided to comply with the recommendations of the Code with the following exceptions:

- Clause 2.3.2 of the Code: The company will, for the time being, not in all cases send notification of the convening of the General Meeting together with the convention documents to all domestic and foreign financial services providers, shareholders, and shareholders' associations by electronic means if the approval requirements are fulfilled.
- Clause 3.8 of the Code: The directors and Management Team members, liability insurance policy taken out for the Board of Directors and the Management Team members does not provide for a deductible.

Remuneration report: page 39 in the
Group Management Report, pages 133–138
in the Notes to the Consolidated Financial
Statements

- Clauses 4.2.3, 4.2.4, 4.2.5, and 5.4.7 of the Code: The total compensation of each Board of Directors' and the Management Team member will neither be disclosed on an individual basis nor divided into non-performance-related, performance-related, and long-term incentive components. With the exception of one member, the members of the Board of Directors will not receive a performance-related compensation. Accordingly, there will be no disclosure in this regard in the compensation report as part of the Corporate Governance Report. The compensation report will also not include information on the nature of the fringe benefits for the Board of Directors' and the Management Team members provided by our Company. Payments made by the enterprise to the members of the Board of Directors or advantages extended for services provided individually, in particular, advisory or agency services will not be listed separately in the Corporate Governance Report.
- Clause 5.3.3 of the Code: The Board of Directors forms only with respect to its independent directors a nomination committee which proposes suitable candidates to the Board of Directors for recommendation to the General Meeting.
- Clause 6.6 of the Code: Beyond the statutory obligation to report and disclose dealings in shares of the Company, in the Corporate Governance Report there will be no disclosure of the ownership of shares in our Company or related financial instruments by the members of the Board of Directors or the Management Team members if these directly or indirectly exceed 1% of the shares issued by our Company. If the entire holdings of all members of the Board of Directors or the Management Team members exceed 1% of the shares issued by our Company, there will not be separate disclosure by members of the Board of Directors or members of the Management Team. Disclosure will occur according to the provisions of the Luxembourg act dated December 4, 1992 relating to the information to be published when acquiring or disposing of an important participation in a listed company, as amended.
- Clause 7.1.2 of the Code: The consolidated financial statements of our Company will, for the time being, not be publicly accessible within 90 days of the end of the financial year and interim reports will not be publicly accessible within 45 days of the end of the reporting period. However, these financial statements will be made available pursuant to the provisions of the Exchange Rules of the Frankfurt Stock Exchange, as amended (consolidated financial statements within four months, quarterly reports within 2 months after the end of the reporting period), and the provisions of the German Securities Trading Act (Wertpapierhandelsgesetz), as applicable.

All the aforesaid disclosures shall be included in the Corporate Governance Report.

Luxembourg, March 18, 2008



Dr. Rolf Bartke
Chairman of Board of Directors

Group Management Report

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SAF-HOLLAND S.A. Group Management Report for the 2007 Fiscal Year

I. BUSINESS ACTIVITIES AND GENERAL FRAMEWORK

I.1 Organisational and technical structure

SAF-HOLLAND S.A. is a stock corporation registered under Luxembourg law. Its registered office is at Boulevard de la Pétrusse 68-70 in L-2320 Luxembourg. It is registered with the Register of Commerce of Luxembourg under the section B number 113.090.

These consolidated annual financial statements of SAF-HOLLAND S.A. and its subsidiaries, hereinafter referred to as SAF-HOLLAND, the Group or the Company, were drawn up in accordance with the International Financial Reporting Standards (IFRS) that were in force as at the reporting date. The Company's financial year ends on December 31. Important financial and product-specific concepts are explained in the glossary on pages 154 to 157.

The Group is one of the world's leading manufacturers and providers of high quality product systems, and components for commercial vehicles (trucks and trailers) and for buses and recreational vehicles. Its product range consists of axle and suspension systems, fifth wheels and coupling devices, kingpins, and landing legs. The Group and its three Business Units currently include 22 production sites in Europe, North America, Brazil, Australia, China, and India. In addition, the Company operates a service network with over 7,000 branch offices around the world.

I.2 Origins

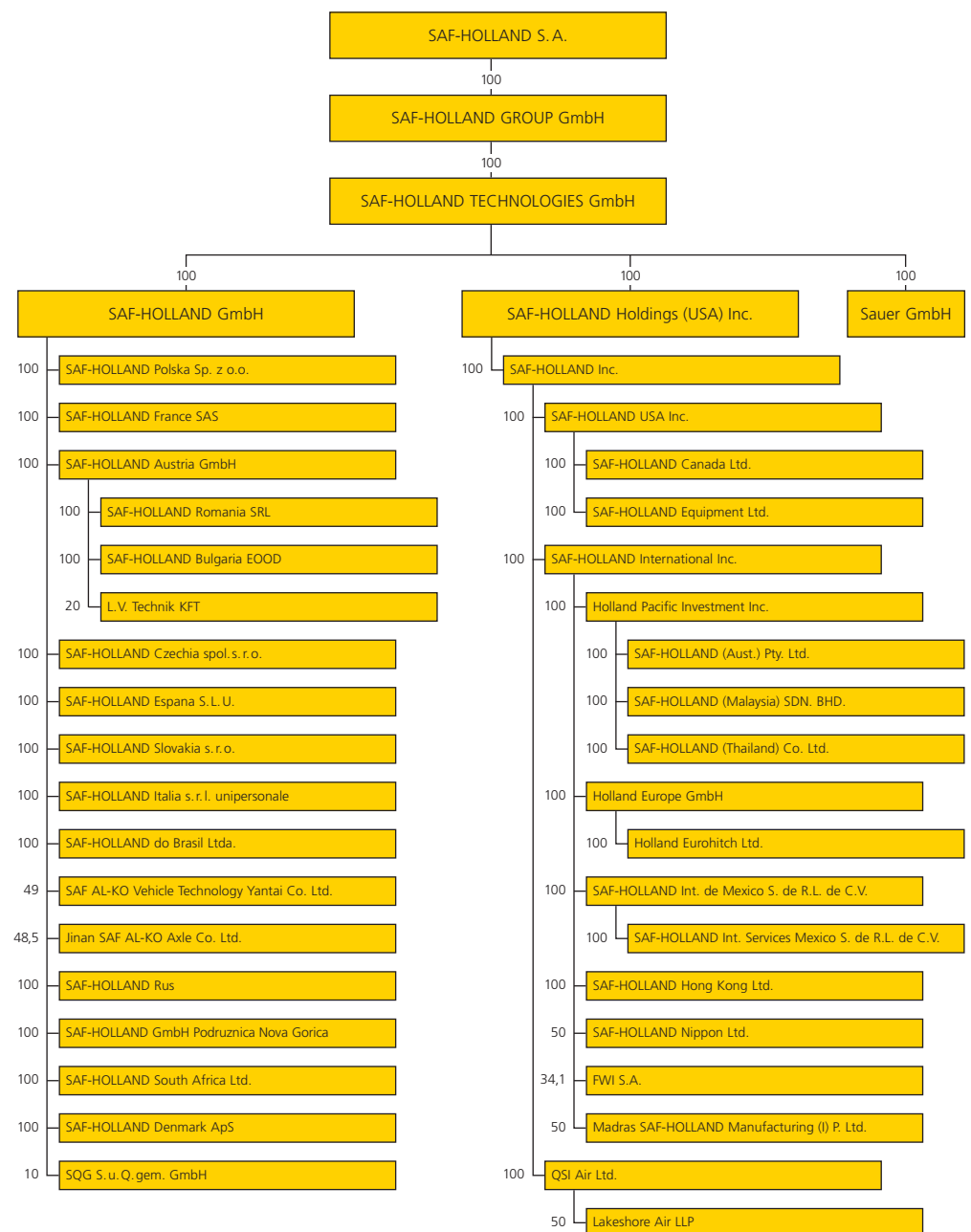
SAF-HOLLAND S.A. was founded in December 2005 to acquire the SAF Group of Bessenbach, Germany, a European market leader in the manufacture and distribution of axles and axle systems for the trailer industry. The acquisition was carried out on March 31, 2006 indirectly via a wholly-owned subsidiary, SAF-HOLLAND GROUP GmbH, and its wholly-owned subsidiary SAF-HOLLAND TECHNOLOGIES GmbH. These two companies were established to handle the financial and fiscal structuring of the transaction. On December 18, 2006, SAF-HOLLAND TECHNOLOGIES GmbH acquired the US-based Holland Group, an American market leader in components and systems for the truck and trailer industry.

Prior to the acquisition of the Holland Group, a majority shareholding in SAF was held by Pamplona Capital Partners I, LP, a private equity company based in London, UK. Pamplona had acquired the SAF shareholding from a German private equity company, Deutsche Beteiligung AG, and from the management and members of the company's founding family. Before the acquisition, Holland was a wholly-owned family business. Since the combination of the two companies, family members and the management have held significant stakes in SAF-HOLLAND S.A. The shareholder structure is shown in the chapter entitled "The Share" on page 25 of this annual report.

Shares in SAF-HOLLAND S.A. were first listed on the Frankfurt Stock Exchange on July 26, 2007 in its Prime Standard segment. In the initial public offering (IPO), the shares were placed with institutional investors at € 19 each. They included 5.12 million shares issued in a capital increase and a further 2.38 million shares sold by existing shareholders. By going public, SAF-HOLLAND achieved several objectives:

- Both its equity ratio improved and its indebtedness was reduced significantly.
- The Company gained a greater degree of entrepreneurial independence.
- Its standing with business partners and in the capital market was enhanced.
- The Company now has an additional means of financing its growth.

Corporate structure:



I.3 Comparability

The consolidated financial statements to December 31, 2007 include figures for the previous year that are in part not comparable. Before the combination of the two companies, the North American Holland Group filed reports in accordance with the US GAAP accounting principles to a balance sheet date of October 31. The SAF Group, in contrast, compiled financial statements in accordance with the accounting principles laid down in the German Commercial Code (HGB) with December 31 as its reporting date. At the end of the fiscal year 2006, the SAF-HOLLAND Group's accounts were converted to the international IFRS standard and a uniform fiscal year ending on December 31.

Due to the corporate acquisitions in the course of 2006, the IFRS income statement to December 31, 2006 includes the SAF Group only with its business activity from March 31 to December 31, 2006 and the business development of the Holland Group only from December 18 to 31, 2006. To ensure comparability of the previous year's and the most recent figures, the SAF-HOLLAND Group made use of a pro forma income statement for the period from January 1 to December 31, 2006, drawn up on the basis of the German accounting standard 15 (DRS), Section 26. The aim of this format is to present the business activities as if the structure created by the business combination had existed beginning January 1, 2006. The pro forma income statement is therefore a hypothetical representation.

The balance sheet to December 31, 2007 is, in contrast, fully comparable with the balance sheet to December 31, 2006.

As the Business Units were defined with effect from July 1, 2007, however, figures for 2006 can only be compiled for sales and gross profit.

I.4 Segments

Before the acquisition, SAF was organised by function and Holland by region. Holland mainly did business in North America, while SAF's main business focus was in Europe. Each company complements the other as they did not overlap significantly in either products or regional market breakdown. In the course of 2007, the Company established a new organisational structure. The organisational merger of the two companies was completed in the first half of 2007 via a so-called Top Integration Committee.

Based on the "One Face to the Customer" principle, SAF-HOLLAND has been organised in three Business Units since July 1, 2007:

- Trailer Systems
- Powered Vehicle Systems
- Aftermarket

All three Business Units are each responsible for their own operating business and their results. Each has all of the necessary resources at its disposal. Essential service areas are organised centrally.

The trailer business in North America and Europe contributes 68 % toward sales. As Holland had no axle technology of its own, an opportunity now exists to transfer SAF know-how to the United States and thereby secure a good market position for axle systems in North America.

Truck business accounts for 10 % of sales, at present still mainly in North America. Here too, a technology transfer is envisioned. US fifth wheel know-how combined with the extensive service network in Europe is intended to make SAF-HOLLAND a leading provider of these products in Europe as well.

The Aftermarket Business Unit contributes 22 % toward sales. In North America, this segment accounts for around 37 % of sales, compared with 14 % – thus far – in Europe. The driver of growth here is the installed base, in other words, the widespread distribution of SAF axle systems, which has risen sharply in Europe in recent years.

I.5 Management and control, Remuneration report

SAF-HOLLAND S.A.'s management is based on the Anglo-American board system with a Board of Directors in addition to the Management Board that is in charge of operational activity. Half of the members of the Board of Directors have ties to the Company and are shareholders. The other half has no links with the Company. Except for CEO Rudi Ludwig, no Board Director also exercises an operative function within the SAF-HOLLAND Group.

Chairman of the Board of Directors is Dr. Rolf Bartke, and Ulrich Otto Sauer is Vice Chairman. Members of the Board of Directors receive remuneration for their work, plus additional fees for special functions such as chairing the Audit Committee and the Remuneration Committee. Mr. Ludwig receives no remuneration for his work on the Board of Directors. In addition to the Board of Directors, a Management Board was appointed as part of the new organisational structure as from July 1, 2007. The Management Board consists of CEO Rudi Ludwig, CFO Wilfried Trepels, COO Sam Martin, and Steffen Schewerda as Head of Group Operations. The function of Head of Group Operations was created to ensure overarching management of the 22 production sites. The Management Board also includes the Business Unit Heads: Detlef Borghardt (Trailer Systems), Jack Gisinger (Powered Vehicle Systems), and Tim Hemingway (Aftermarket).

For executives at the four uppermost management levels, including the Management Board, a performance-related remuneration system was introduced. It is underpinned by target agreements. Up to five personal targets and two result targets at the enterprise level are defined. The higher the employee is in the corporate hierarchy, the greater the weighting of corporate performance as a whole.

I.6 Key sales markets and competitive position

SAF-HOLLAND is a market leader in Europe for axle systems and in North America for fifth wheels, kingpins, and other components for heavy-duty commercial vehicles, in other words, the largest or second-largest provider in terms of market share.

1.7 Legal and economic factors

Three determining factors influence SAF-HOLLAND's course of business:

1. **Economic cycle:** In general, international economic trends are a key indicator of transport volume. However, weak economic development does not burden the transportation business in all markets equally. Take Europe, for example. Cost pressure on companies in western Europe is powering a trend towards outsourcing production to locations in eastern Europe where costs are lower, thereby boosting demand for transportation capacities even when the economic going is tough.
2. **Infrastructure:** Growing globalisation attracts investment in infrastructure, such as the road networks. Conversely, an inadequate infrastructure impairs the logistics sector. In Germany, for instance, the introduction of so-called megatrucks with a higher payload capacity and a greater weight was rejected due to fears of safety risks and of the road network not being able to cope with the extra stresses and strains.
3. **Regulation:** Conditions of the general legal framework of the target markets influence customers' buying decisions and can also function as growth drivers for the Company's sales. The legislative focus around the world is on a trend toward reducing emissions that may lead to an increase in demand for energy-efficient trucks and trailers. Other factors to be mentioned are developments in safety standards such as shorter braking distances or securing the payload.

1.8 Corporate controlling

The internal controlling system orients itself based on the development of business for each individual Business Unit. The main focus is on market share development, and the sales and profits of the Business Units. A key target figure is the gross margin, which is determined by prices, quantities, costs, and the mixture of products sold.

The central parameter for controlling is EBIT or adjusted EBIT. The reason for adjustment is that in the course of the acquisitions and of going public, many costs were incurred that cannot be allocated to operating business and would therefore lead to a distorted picture of the actual profit situation. EBIT is adjusted for the following factors: depreciation and amortisation arising from the purchase price allocation, and transaction and integration costs arising from the IPO and the business combination.

Other core parameters for controlling and measurement of performance are net working capital and ROCE (return on capital employed). In principle, SAF-HOLLAND seeks to gear its production to demand, combined with strict receivables and supplier management, a reduction in turnaround times, and efficient production.

In the context of non-financial controlling factors, the focus at SAF-HOLLAND is on customer satisfaction. Customer satisfaction is established by means of surveys conducted by external market research institutes. At the same time, a record of delivery reliability is kept during operating business. In fiscal year 2007, customer satisfaction was marred by supply bottlenecks, mainly in Europe. They were caused by the surge in demand for SAF-

HOLLAND products and by bottlenecks in the allocation of preliminary products by suppliers that occurred in spite of the existence of comprehensive framework contracts.

I.9 Disclosure regarding article 11 (3) of the law on takeovers of May 19, 2006

- a) Information regarding section a) of the law (structure of capital) can be found on pages 24 to 25 of this report.
- b) There are no restrictions on the transfer of securities.
- c) In connection with the requirements of article 11. (1) c) of the Luxembourg law dated 19 May 2006, the shareholders holding significant shareholdings in SAF-HOLLAND S.A. are as follows:

Shareholders Names	Shares	% of voting rights	
1) Pamplona Capital Partners I, LP is a controlled undertaking of Pamplona Equity Advisors I Ltd. (GP) which in turn is a controlled undertaking of Pamplona PE Investments (Cayman Islands). Pamplona PE Investments (Cayman Islands) is itself a controlled undertaking of Mr. Alexander Knaster.	Pamplona Capital Partners I, LP ¹⁾	6,505,877	34.5%
2) ASAF Verwaltungs GmbH is a controlled undertaking of Mr. Ulrich Otto Sauer.	ASAF Verwaltungs GmbH ²⁾	1,757,475	9.3%
3) Luruna GmbH is a controlled undertaking of Mr. Rudi Ludwig.	Luruna GmbH ³⁾	1,131,141	6.0%
4) Holland Holdco, LLC is a controlled undertaking of Holland Shareholders, LLC and of Mr. Richard W. Muzzy, Jr. Holland Shareholders, LLC is itself controlled by Mr. Richard W. Muzzy, Jr. Mr. Richard W. Muzzy, Jr. controls additional 12,548 shares (0.1% of the voting rights) through another holding company (Holland Holdco #2 Ltd.).	Holland Holdco, LLC ⁴⁾	959,665	5.1%

d) There are no securities granting special control rights to their holders.

e) The control rights of any shares issued in connection with employee share plans are exercised directly by the respective employees.

f) There are no restrictions on voting rights.

g) There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of directive 2004/109/EC (Transparency Directive).

h) The members of the Board of Directors are appointed and may be dismissed by the General Meeting of the Shareholders duly convened with a simple majority of the shareholders present and voting (meaning 50 % plus one vote) without any quorum requirement (please refer to article 18.12 of the Company's articles of incorporation and to article 67 of the law in respect of the requisite majority). Any vote of the General Meeting of the Shareholders shall be valid if it is supported by the majority of the votes of the shareholders present and voting.

- d) There are no securities granting special control rights to their holders.
- e) The control rights of any shares issued in connection with employee share plans are exercised directly by the respective employees.
- f) There are no restrictions on voting rights.
- g) There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of directive 2004/109/EC (Transparency Directive).
- h) The members of the Board of Directors are appointed and may be dismissed by the General Meeting of the Shareholders duly convened with a simple majority of the shareholders present and voting (meaning 50 % plus one vote) without any quorum requirement (please refer to article 18.12 of the Company's articles of incorporation and to article 67 of the law in respect of the requisite majority). Any vote of the General Meeting of the Shareholders on an item relating to an amendment of the articles of incorporation requires a quorum of at least 50 % of the share capital and a majority of 66.67 % of the votes cast at the meeting.
- i) Information regarding Section i) of the law (issue and buy-back of shares) can be found on pages 52 and 115 of this report. The Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in the Company's interest. All powers not expressly reserved by law or by the Articles to the General Meeting fall within the competence of the Board of Directors.
- j) There are no significant agreements to which the Company is a party and which take effect, alter, or terminate upon a change of control of the Company following a takeover bid.
- k) There are no agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or of their employment ceases because of a takeover bid.

II. OVERVIEW OF BUSINESS DEVELOPMENT

II.1 Overall economic conditions

Around the world, the general economic trend was favorable. Triggered by the US sub-prime mortgage crisis and the resulting credit crunch in the USA and Europe however, economic development tailed off in the second half of the year and was therefore down in comparison to the previous year. Overall, world economic growth in 2007 was 4.9 % (previous year: 5.4 %) ¹⁾. In the United States, the real GDP rose by 2.2 % (previous year: 2.9 %) ²⁾. The European Union's economic performance showed a 2.9 % improvement (previous year: 3.0 %) ³⁾. The trend was similar in Germany, where 2.5 % growth (previous year: 2.9 %) ⁴⁾ was slightly lower in comparison. As a result of this economic growth, freight volumes rose – in Germany, for example, by 5.5 % to 3,430 million tons ⁵⁾.

1) International Monetary Fund (IMF)

2) Bureau of Economic Analysis

3) Eurostat

4) German Federal Statistical Office

5) German Federal Statistical Office

Growth stimuli in European markets continue unabated for SAF-HOLLAND, whereas sales were down in the United States for regulatory and economic reasons.

Europe: Trailer production grew 8.2 % to 299,830 units, whereas truck production (vehicles over 15 tons) shot up 15.7 % to 425,197 vehicles.

North America: The number of trailers manufactured fell by 25 % to 244,205. The fall was even greater in the truck category (Class 8), where sales were down by around 44 % to 211,981 units ⁶⁾.

6) ACT Publications: "Commercial Truck, Bus and Trailer Industry Outlook Report," February 2008; ACT Publications: "State of the Industry Series: #1 N.A. Classes 5–8 Vehicles, December and Year-to-date 2007 Data," January 2008; JD Power and Associates: "Global Commercial Vehicle Forecast," Fourth Quarter 2007

II.2 Major events in the 2007 fiscal year

In general, SAF-HOLLAND's business is characterised by slight seasonal trends. As a rule, the first quarter is the strongest, while plant closures in summer and the Christmas season lead to lower sales in the third and fourth quarters.

Due to heavy demand in Europe, axle production capacities were increased by 25 %. Capacity is due for a further increase of more than 20 % in 2008. This increase in capacity is based on the trend in order entry and order back-log, and on framework contracts concluded with customers.

In North America, trailer business was still satisfactory in the first half of the year, but demand for transportation services fell sharply in the second half due to the real estate crisis, leading to a decline in sales. Another significant factor that contributed towards weak US business in the truck segment was pull-forward effects that led to high sales in 2006 and, as expected, to a sharp decline starting in the second quarter of 2007. Due to new emissions regulations that came into effect as at 01/01/07, many leasing companies and large freight forwarding companies ordered new tractor units over and above their actual requirements. This cycle only exists in this form in the United States because in Europe, the introduction of new standards is usually accompanied by tax breaks. These subsidies largely offset the usually higher cost of new engines for the freight forwarder or fleet operator. Customers are therefore not forced to pull investments forward.

Capacities were adjusted in North America by layoffs in the production workforce. In addition, the Company reduced personnel in the indirect production area. To support the cost reduction program, an early retirement program was launched to reduce personnel expenses in all indirect areas. The program is being expanded and continued in 2008. SAF-

HOLLAND plans to consolidate production locations in the United States and Europe to increase production efficiency.

To quickly boost initial synergies from the combination of SAF and Holland, business activities were merged in Australia as part of an overall plan. Further steps will be taken in Germany, the UK, and Brazil.

In the emerging markets of Europe, Latin America, and Asia, SAF-HOLLAND is aiming for strong growth. To help achieve this objective, the Group established a company in Brazil in 2006 that posted its first sales of axle systems in the fourth quarter of 2007. The Group anticipates powerful growth in Brazil in 2008.

In April 2007, the joint venture Madras SAF-HOLLAND Manufacturing (I) P. Ltd. with headquarters in Chennai, India was set up with a local partner, with each partner holding a 50 % share in the business. The state of roads and bridges in India may not permit any significant business in heavy-duty trucks and trailers at this time, but SAF-HOLLAND is already supplying suspension systems to bus manufacturers in India and thereby deriving indirect benefit from the growth in passenger transportation in this highly populous country.

II.3 Earnings development

As stated earlier (in I.3 Comparability), the latest results for the year are compared with pro forma results for 2006.

Income statement

€ m	2007		2006 Pro forma	
Sales	812.5	100.0%	777.8	100.0%
Cost of sales	-670.9	-82.6%	-634.8	-81.6%
Gross profit	141.6	17.4%	143.0	18.4%
Other income	3.2	0.4%	5.7	0.7%
Selling expenses	-45.5	-5.6%	-46.4	-6.0%
Administrative expenses	-48.8	-6.0%	-34.9	-4.5%
Research and development costs	-11.8	-1.5%	-12.1	-1.6%
Other operating expenses	0.0	0.0%	-0.3	0.0%
Operating profit	38.7	4.8%	55.0	7.1%
Finance result	-32.6	-4.0%	-32.1	-4.1%
Investment income	0.7	0.1%	0.7	0.1%
Profit/loss before taxes on income	6.8	0.8%	23.6	3.0%
Taxes on income	4.4	0.5%	-10.5	-1.3%
Net profit for the year	11.2	1.4%	13.1	1.7%
Number of shares *	18,837,375		18,837,375	
Earnings per share in €*	0.59		0.70	

* The number of shares is assumed as if the number of shares issued as at 12/31/07 had been unchanged in 2007 and throughout the 2006 fiscal year.

II.3.1 Sales development

SAF-HOLLAND Group sales rose by 4.5 % from € 777.8 million to € 812.5 million in the reporting period. In Europe, sales rose from € 402.2 million to € 519.7 million, while in North America they fell to € 292.8 million from € 375.6 million in the previous year. The course of business in the Business Units developed along similar lines (see II.4 Business Development in the Business Units).

Adjusted for currency effects, Group sales would have risen by 7.9 % to € 839.0 million in the reporting period. The average dollar-euro exchange rate in fiscal 2007 was 1.3683 (previous year: 1.2547).

Sales development by region

€ m	2007		2006 Pro forma	
Europe	519.7	64.0 %	402.2	51.7 %
North America	292.8	36.0 %	375.6	48.3 %
Total	812.5	100.0 %	777.8	100.0 %

Sales development by region (exchange rate-adjusted)

€ m	2007		2006 Pro forma	
Europe	519.7	61.9 %	402.2	51.7 %
North America	319.3	38.1 %	375.6	48.3 %
Total	839.0	100.0 %	777.8	100.0 %

Sales development by Business Unit

€ m	2007		2006 Pro forma	
Trailer Systems	551.1	67.8 %	473.0	60.8 %
Powered Vehicle Systems	81.3	10.0 %	114.3	14.7 %
Aftermarket	180.1	22.2 %	190.5	24.5 %
Total	812.5	100.0 %	777.8	100.0 %

Sales development by Business Unit (exchange rate-adjusted)

€ m	2007		2006 Pro forma	
Trailer Systems	560.4	66.8 %	473.0	60.8 %
Powered Vehicle Systems	88.7	10.6 %	114.3	14.7 %
Aftermarket	189.9	22.6 %	190.5	24.5 %
Total	839.0	100.0 %	777.8	100.0 %

II.3.2 Earnings development

In the 2007 fiscal year, the Company's adjusted EBIT totaled € 60.5 million compared with € 65.1 million the previous year. The adjusted EBIT margin was 7.4 % after 8.4 % the previous year.

Adjusted for currency effects, EBIT would have amounted to € 62.1 million in 2007 at an average dollar-euro exchange rate of 1.3683 (previous year: 1.2547).

EBIT was adjusted as follows:

- In the course of corporate acquisitions, a purchase price allocation (PPA) was made within the framework of which € 123.8 million in intangible assets, € 72.1 million in goodwill, € 31.8 million in revaluation of property, plant, and equipment, and inventories, and € 55.5 million in deferred taxes was booked as of December 31, 2006. This led to € 6.7 million in depreciation and amortisation in the 2007 fiscal year – a sum that will recur in the years ahead. In addition, one-time effects totaling € 1.2 million resulted from revaluation of inventories.
- One-time IPO expenses related to the IPO totaled € 10.5 million for the IPO for legal advice, auditing, taxation advice, and supporting services.
- Expense for the integration of the two companies totaled € 2.7 million, primarily for consulting and personnel reduction. SAF-HOLLAND anticipates integration costs again in 2008 as a consolidation of production sites is planned.

Overview: Purchase price allocation (PPA)

€ m	01/01/07	Revaluation in accordance with change in tax rate	Disposals	Depreciation and amortisation	Foreign currency differences	12/31/07
Intangible assets	123.8			3.7	-4.5	115.6
Goodwill	72.1				-3.0	69.1
Property, plant and equipment	30.6		0.1	3.0	-1.3	26.2
Inventories	1.2		1.2			0
Gross total	227.7		1.3	6.7	-8.8	210.9
Deferred tax liabilities	55.5	7.5		2.7	-2.3	43.0
Net total	172.2	-7.5	1.3	4.0	-6.5	167.9

Reconciliation statement for adjusted figures

€ m	2007	2006 Pro forma
Net profit for the year	11.2	13.1
Taxes on income	-4.4	10.5
Finance result	32.6	32.1
Depreciation and amortisation from PPA *	6.7	7.0
Step-up inventory from PPA *	1.2	2.2
Transaction and integration costs	13.2	0.2
Adjusted EBIT	60.5	65.1
as a percentage of sales	7.4%	8.4%
Depreciation and amortisation	12.0	11.9
Adjusted EBITDA	72.5	77.0
as a percentage of sales	8.9%	9.9%
Depreciation and amortisation	-12.0	-11.9
Finance result	-32.6	-32.1
Prepaid expenses as a result of refinancing	6.9	4.7
Profit/loss before taxes and adjustments	34.8	37.7
Taxes on income **	-12.5	-13.6
Adjusted net profit for the year	22.3	24.1
as a percentage of sales	2.7%	3.1%
Number of shares ***	18,837,375	18,837,375
Adjusted earnings per share in € ***	1.18	1.28

* Purchase price allocation (PPA) from the acquisition of the SAF Group as at 03/31/06 and the Holland Group as at 12/18/06.

** A uniform tax rate of 36% was assumed for the adjusted net profit for the year.

*** The number of shares is assumed as if the number of shares issued as at 12/31/07 had been unchanged in 2007 and throughout the 2006 fiscal year.

II.3.3 Development of other significant income statement items

The earnings are primarily determined by how the gross margin develops. In the reporting period, it was 17.4 % as compared to 18.4 % in the previous year. It was influenced by three factors: a shift in the customer make-up toward large customers with lower margins, the rising cost of materials, and production costs that were too high due to inadequate capacity utilisation in the United States.

Other income was down to € 3.2 million from € 5.7 million the previous year due to lower insurance reimbursements. In spite of higher sales, selling expenses at € 45.5 million were down on the previous year's € 46.4 million, which included the cost of exhibiting at the IAA commercial vehicles trade show, held every other year in Hannover. Higher administrative expenses – € 48.8 million compared to € 34.9 million the previous year – were due to going public and integration costs. Research and development costs totaled € 11.8 million after € 12.1 million in 2006.

Investment income was unchanged at €0.7 million, consisting mainly of earnings contributions from investments in China and France. While the two Chinese companies concentrate on production and sales in China and on export, the French company, in which SAF-HOLLAND holds a 34.1 % stake, is a supplier of cast parts with locations in France and Mexico.

The financial result was €-32.6 million compared with the previous year's €-32.1 million. The financial result is burdened by one-time factors. Both in 2006 and in 2007, extraordinary borrowing costs were charged as capital (€6.9 million in 2007 and €4.7 million in 2006). They were incurred due to new borrowing in the course of the SAF and Holland acquisitions in 2006 and as a result of the IPO in 2007.

The average interest rate for borrowings was 6.7 % p.a. Funds were raised in both the EURIBOR and the LIBOR market. On 03/08/07, the Company signed swap agreements that covered around 80% of interest risks to hedge against interest rate fluctuations.

In operating business, exchange rate effects play only a minor role at SAF-HOLLAND. Our strategy is to manufacture in the respective regional markets. This not only constitutes real hedging but also reduces logistics expenses. Significant effects only occurred in the course of consolidation as a result of translating the annual financial statements of the companies outside the Euro zone.

Adjusted depreciation and amortisation totaled €12.0 million in 2007 after €11.9 million in the previous year because investments at €19.3 million were higher than in the previous year (2006: €17.0 million).

As at 12/31/07, the Group's tax ratio was 36 % and should have led to €-2.5 million in tax expense. In fact, the Company netted €4.4 million in tax income. This was partly due to the 2008 corporate tax reforms passed by the German Bundestag (lower house of the German parliament) in May 2007 and approved by the Bundesrat (upper house of German parliament) on 07/06/07. Headline points of the reform package were the reduction of corporation tax from 25 % to 15 % and of the trade tax rate from 5 % to 3.5 % as at 2008. Due to lower income tax rates, the calculation of deferred taxes on balance led to €7.5 million in net income from taxes. In addition, capitalisation of a loss carry-forward in Luxembourg resulting from IPO transaction costs led to a €2.9 million positive tax effect. Other effects arising from deferred taxes totaled €-3.5 million.

Net profit for the 2007 fiscal year was €11.2 million after €13.1 million the previous year. It was affected by €-11.1 million (previous year: €-11.0 million) in net non-operating influences such as depreciation and amortisation on the purchase price allocation, write-downs on new borrowings, transaction and integration costs, and taxation effects.

Assuming the 18,837,375 shares on the balance sheet date to have been the applicable number throughout fiscal 2007 and the previous year, earnings per share were € 0.59 (previous year: € 0.70 per share).

II.4 Business development in Business Units

Business Unit overview

	Business Unit Trailer Systems		Business Unit Powered Vehicle Systems		Business Unit Aftermarket		Total	
	2006		2006		2006		2006	
€ m	2007	Pro forma	2007	Pro forma	2007	Pro forma	2007	Pro forma
Sales	551.1	473.0	81.30	114.3	180.1	190.5	812.5	777.8
Cost of sales	-483.2	-409.0	-69.9	-100.5	-117.8	-125.4	-670.9	-634.9
Gross operating result	67.9	64.0	11.4	13.8	62.3	65.1	141.6	142.9
As a percentage of sales	12.3%	13.5%	14.0%	12.1%	34.6%	34.2%	17.4%	18.4%

II.4.1 Trailer Systems

In 2007, the Trailer Systems Business Unit benefited from strong growth of freight volumes in Europe, especially eastern Europe and Russia. In the United States, the real estate crisis put a damper on business from the third quarter onward. Sales rose by 16.5 % (or 18.5 %, exchange rate-adjusted) to € 551.1 million. We expect market shares to remain unchanged.

The gross margin was 12.3 % (previous year: 13.5 %). The lower margin was due to the higher cost of materials, structural changes in the customer base, and to inadequate capacity utilisation in the United States. The Company responded to this trend by increasing prices from 07/01/07 and from 01/01/08 in Europe. The cost of underutilisation of capacity in the US was reduced by layoffs of variable personnel and of employees in indirect production areas. In this segment, the Company aims to achieve a gross margin of the 2006 level over the medium term.

II.4.2 Powered Vehicle Systems

In the Powered Vehicle Systems Business Unit, there was a powerful regulatory effect in the truck segment. With new emissions standards due to come into force in the United States on 01/01/07, fleet operators had pulled investments forward to 2005 and 2006. That led to an expected decline in the truck industry of around 40 % in 2007. Sales fell only by 28.9 % (or 22.4 %, exchange rate-adjusted). SAF-HOLLAND increased its US market share.

In spite of lower sales, the gross margin in the Powered Vehicle Systems Business Unit was satisfactory at 14.0 % (previous year: 12.1 %). This was due mainly to an improved product composition with a higher proportion of special products sold in 2007. Here too, truck purchases pulled forward in the United States played a decisive role. The Company expects the gross margin in this segment to stabilise.

II.4.3 Aftermarket

In the Aftermarket Business Unit, sales totaled € 180.1 million. While business increased by over 14 % in Europe, sales in North America declined by 15 % (or 7.3 %, exchange rate-adjusted) due to external regulatory conditions.

In the Aftermarket segment, the gross margin improved slightly to 34.6 % from the previous year's 34.2 %. The Group expects the gross margin to remain steady at this level.

II.5 Financial position

The task of financial management is to ensure that the Company has sufficient funding at its disposal at all times and to strike a sensible balance between internal funding and outside borrowing. In addition, risks are minimised by means of real hedging (manufacturing and selling within the different currency areas) and by hedging for exposures as a matter of principle.

II.5.1 Financing

In fiscal 2007, the Company's credit lines totaled € 304.4 million. Some loans were repaid in connection with the IPO, thereby ending the year with a utilisation of the credit line totaling € 262.6 million on the basis of a Euro exchange rate of \$1.472. A consortium led by Morgan Stanley provided the credit line consisting of B and C tranches totaling € 139.7 million each and revolving credit of € 25 million. The B and C tranches were around 49 % Euro- and around 51 % dollar-denominated as at 12/31/07.

Off-balance sheet obligations totaled € 4.6 million in the reporting year and were therefore € 0.5 million lower than the previous year's € 5.1 million. They consist for the most part of operational leasing of vehicles and machinery.

As a part of financial management, the Company will to a large extent automate cash pooling in Europe and North America in 2008.

II.5.2 Investments

Investments totaled € 19.3 million (previous year: € 17.0 million) and amounted to 2.4 % (previous year: 2.2 %) of sales. At that rate, they are on a par with depreciation and amortisation. As depreciation and amortisation included € 6.7 million (previous year: € 7.0 million) arising from the purchase price allocation, investments are higher than real depreciation and amortisation. This underscores the straightforward SAF-HOLLAND growth strategy. Investments serve mainly to expand capacity and to facilitate rationalisation.

An important individual investment in 2007 was the inauguration of the R&D test laboratory in Bessenbach, Germany. The total investment came to € 4.4 million, of which € 2.2 million was invested during the 2007 fiscal year. The laboratory's main purpose is to reduce develop-

ment times and to improve quality assurance. It simulates different road conditions and other stress factors on axle aggregates. Another focal point of investment was the increase in axle system capacities at the European production facilities. Investment here totaled € 6.7 million.

The main criterion on which investment decisions are based is return on investment (ROI). As a target figure for assessing the ROI, SAF-HOLLAND aims for a period of less than two years. Investment to open up new markets is based on market studies and only undertaken after customer commitments, e.g. in the form of a letter of intent, have been made. As a first step, the investment is geared toward the upper end of the value creation chain. To ensure lasting growth in new markets, this is followed by further investment in downstream value creation stages to enable each market to stand alone.

II.5.3 Liquidity

The Company aims to finance internal growth from cash flow in the form of investment and net working capital, to reduce the level of indebtedness, and to make a sustainable dividend payment possible.

The Group's financial position improved as a result of the good development of business and of the inflow of funding from going public. At the end of the financial year, cash and cash equivalents had risen to € 27.8 million compared with € 21.9 million the previous year. Net operating cash flow from operating activities in 2007 amounted to € 43.5 million. Cash flow from investments was € -33.8 million, consisting primarily of investments in non-current assets of € 19.3 million and a subsequent cash outflow of € 7.2 million arising from the acquisition of the Holland Group in December 2006 as well as a repayment of a vendor loan of € 8.5 million. Cash flow from financing activity amounting to € -4.7 million mainly reflects the IPO. In the course of going public, the subscribed share capital was increased and indebtedness was reduced (for further details of equity development see II.5.4 Assets). The net inflow of funds from the capital increase raised by going public was € 91.8 million. The proceeds were used to redeem preferred shares and convertible preferred equity certificates of € 8.2 million as well as existing shareholder loans totaling € 49.5 million and bank loans amounting to € 9.9 million. In addition, cash flow from financing activity includes € 27 million in interest payments that were influenced as an extraordinary item by € 6.4 million in interest on the shareholder loan that was redeemed. Comparative figures for fiscal 2006 are not available because, due to the two acquisitions, no comparable opening balance sheet to 01/01/06 was drawn up and no comparable cash flow statement could be compiled for 2006.

Net working capital totaled € 75.9 million (previous year: € 68.8 million) on the balance sheet date, equivalent to 9.3% of sales (previous year: 8.8%). A major contributing factor is inventories, for which a 45-day turnover rate is our target. On the balance sheet date, this rate was 53 days. As a matter of principle, the Company only manufactures to customer orders or in relation to a specific sales forecast. No inventories are built up except in the Aftermarket Business Unit. This reduces capital lockup and rules out the risk of producing

goods for which there is no market demand as far as possible. Payables to suppliers are also taken into account in optimising net working capital. The company considers the relative advantages of paying early to earn a discount or making full use of the time allowed for payment on a case by case basis.

Strict receivables management is intended to contribute toward reducing the day-to-day capital requirement and the risk of default. The aim is to achieve a 40-day DSO range. As at the balance sheet date, an average of 39 days (previous year: 42) was achieved in the reporting year. In the context of receivables management, the Company defines insurance or house limits for each customer. Once they are exceeded, no further shipments are permitted until the outstanding amount is back below the limit. The target for net working capital is 9 % of sales, but it can be higher in phases of strong growth.

Net indebtedness (bank loans and shareholders' loans less cash and cash equivalents) totaled € 235.1 million (previous year: € 321.0 million) as at the balance sheet date. In February 2008, the Company negotiated a new financing arrangement (see III. Events After the Balance Sheet Date). With a credit line of € 325 million, it now has sufficient financial leeway to absorb seasonal fluctuations and fund further growth.

II.5.4 Assets

As at 12/31/07, total assets were € 554.6 million, or € 10.5 million above the previous year's figure. At € 333.8 million, non-current assets were € 4.1 million down on the previous year. In spite of € 19.3 million in investments and depreciation and amortisation in the region of € 18.7 million, the value of non-current assets was down on the year due to the dollar's lower exchange rate against the Euro. Current assets rose from € 206.3 million as at 12/31/06 to € 220.8 million at the end of the reporting year. This rise is due especially to an increase in inventories in connection with the larger volume of business. Inventories rose to € 96.7 million compared with € 84.5 million in the previous year. Receivables and other asset items at € 91.1 million were down on the previous year's € 94.9 million due to intensive receivables management and in spite of higher sales.

Equity rose to € 108.2 million from € 9.4 million at the end of 2006. This was due to the positive earnings trend and to the capital increase that contributed € 97.3 million toward equity ratio improvement. The equity ratio was 19.5 % compared with the previous year's 1.7 %. The return on capital employed (ROCE) for fiscal 2007 was 10.5 % (previous year: 11.8 %), and we aim to increase it to 15 % in the medium term.

In the course of the IPO, existing preferred shares were redeemed in full and existing bearer shares with a par value of € 1.25 were converted via split to a par value of € 0.01. In a capital increase as part of the IPO, 5.12 million new shares were issued on 07/26/07 at € 19.00 per share. The proceeds from the IPO were used as follows: € 8.2 million to redeem preferred shares and convertible preferred equity certificates, € 56.0 million to repay shareholders' loans, € 8.5 million to repay a vendor loan and € 9.9 million to redeem bank loans and cover IPO and transaction costs.

The Company has € 112,000 in authorised capital, consisting of 11.2 million shares, each with a par value of € 0.01. The right to utilise this capital runs until 07/05/2012. In accordance with statutory provisions in Luxembourg, the Company is authorised to acquire treasury stock.

Pension provisions fell from € 15.7 million to € 13.6 million. Other provisions totaled € 13.1 million compared with € 13.6 million the previous year. Other liabilities and trade payables were largely unchanged on the year at € 90.9 million.

During the acquisition of the SAF Group as at 03/31/06 and of the Holland Group as at 12/18/06, undisclosed reserves were revealed, arising from the difference between the carrying amounts of the units acquired and the purchase prices paid for them. In a purchase price allocation (PPA, see II.3.2 Earnings Development), all assets are revalued. Any undisclosed reserves revealed lead to additional depreciation and amortisation that are eliminated during the determination of the adjusted figures.

For intangible assets with an indefinite useful life and for goodwill, an impairment test was undertaken at the Business Unit level. It was based on plans for the Business Units, planned EBITDA margins, and on certain discount rates. The test did not lead to any impairment of value. The values in use were well above the carrying amounts.

As at 12/31/07, the amount owed to banks was € 262.9 million, or € 19.3 million less than in the previous year. Cash and cash equivalents rose to € 27.8 million (previous year: € 21.9 million). Shareholders' loans totaling € 60.7 million at the end of 2006 were repaid in full in the course of the IPO. As a result, net indebtedness fell from € 321.0 million to € 235.1 million. The ratio of outside capital to total capital was reduced accordingly from 61.5% to 44.6%.

II.5.5 Appropriation of net income

The Company pursues a dividend policy of distributing 40 % to 50 % of net profits for the year to shareholders. The Board of Directors proposes to the Annual General Meeting the payment of € 8.0 million in dividends for the 2007 fiscal year, equivalent to 42.47 Euro cent per share.

II.6 Employees

At the end of 2007, SAF-HOLLAND had 2,974 employees (previous year: 3,279), with an average for the year of 2,996 employees (previous year: 3,201). This decline was due to adjustment of production capacities in the United States. Personnel expenses across the Group totaled € 131.1 million in the reporting year, an average of approximately € 43.700 per employee.

The Company can adjust its payroll flexibly. It responds to seasonal or cyclical fluctuations in demand by reducing the number of production shifts worked, in Germany for example from 19 to 18 or 15 shifts. In addition, an average 15 % of workers at European production facilities are employed on temporary contracts and a further 13 % on limited contracts and can therefore be deployed flexibly.

In 2007, the Company adopted the Uniform Framework Wage Agreement (ERA) in Germany as agreed. Although the Agreement led to an average cost increase of 3.5 % for companies across the industry, at SAF-HOLLAND it was implemented in such a way that costs rose by only 1.8 %. Sales per employee rose from around € 243,000 to about € 271,000 and thereby confirmed that the Company is positioned efficiently.

SAF-HOLLAND would like to bind employees to the Company on a long-term basis. One way in which it seeks to do so is a bonus program from which employees benefited during the reporting period. An extensive continuing education program is also provided, with a focus on quality management, technology, and languages; 30 % of employees make use of the program. The Company attaches great importance to qualified trainees. It employs 59 apprentices, a ratio of 5.6 %, at its German production facilities.

In addition, SAF-HOLLAND helps employees make financial provision for old age by means of a Company pension program. It is a direct insurance plan that converts part of their wages into a nest egg for their retirement years. For all senior management employees in Germany, comprehensive group accident insurance coverage has been taken out. The Company also supports and funds annual health exams for executives, who can thereby maintain and promote their health and efficiency.

II.7 Research and development

Expenditures for research and development (R&D) in 2007 amounted to around € 11.8 million compared with € 12.1 million the previous year. The R&D ratio was therefore 1.5 % after 1.6 % in 2006. Focal points of R&D are on reducing weight, improving energy efficiency, cutting the total cost of ownership of our products, and developing new technologies. The Company's test facilities in North America and Europe set industry standards. New developments are frequently undertaken jointly with suppliers. SAF-HOLLAND aims by means of such cooperation arrangements to secure primary marketing rights. Company patents and licenses protect important product components.

A recent R&D highlight was the new INTRA ALL-IN axle system, introduced to the market in 2007. Subject to certain conditions and bearing in mind the existing warranties, SAF-HOLLAND provides maintenance free of charge for the INTRA ALL-IN axle system for a period of up to 72 months or one million kilometers. Another product innovation was a special fifth wheel made of aluminum. It weighs much less than the usual cast iron or steel couplings and is especially economical for special uses such as in tankers or silo vehicles.

The focus of R&D in 2007 and 2008 is on adapting American and European products for each other's markets.

II.8 Sustainability report

For SAF-HOLLAND, sustainability means primarily a commitment to using natural resources sparingly. The Company seeks to do so by means of a comprehensive system of targets. Reducing product weight in particular can lead to greater transportation efficiency, a reduction in pollution, and tire abrasion, and thereby to greater cost effectiveness. A case in point is a specially coated fifth wheel that no longer needs to be lubricated. That saves around 30 kilograms of lubricating grease per truck per year that would otherwise pollute the environment. High product quality and a long service life mean that parts do not need to be replaced prematurely. SAF-HOLLAND is also working on a continuous reduction of noise, dust, and exhaust emissions during production.

In addition, SAF-HOLLAND as a socially responsible enterprise is involved in a large number of social, sporting, and cultural events. At the Bessenbach site in Germany, for example, the Company helped fund a nursery at the day care facility that can also be used by children whose parents are not SAF-HOLLAND employees. As a partner of competitive sport, SAF-HOLLAND is associated with motocross sidecar racing.

III. EVENTS AFTER THE BALANCE SHEET DATE

Since the balance sheet date, the following events of material importance for assessing the Company's position have occurred:

III.1 New financing

After the IPO in July 2007, SAF-HOLLAND S.A.'s key figures improved significantly. To improve the Company's financing commitments, negotiations with banks were commenced in the fourth quarter of 2007, and Dresdner Kleinwort and UniCredit were entrusted with syndicating a new credit line. On February 19, 2008, a new credit line of around € 325 million was agreed. The syndication was well oversubscribed, with 14 banks, including two US banks, contributing lots of between € 10 million and € 48 million. The five-year loan will lead to a reduction in loan costs of between 1 and 1.25 percentage points. The financing is structured as a € 140 million loan with half-yearly capital repayments of € 5.5 million and will enable the Company to progressively improve its capital structure. In addition, the Group has a € 185 million revolving credit facility at its disposal.

In this connection, € 6.9 million in unscheduled expenses occurred in 2007 for booking out capitalised financing costs for the previous financing. The Company assumes that the ROI on the loan costs can be achieved in 18 months. With the new credit line, leading banks have confirmed their confidence in the SAF-HOLLAND Group.

III.2 Further consolidation

The integration of the activities of the former SAF and Holland Groups in the UK was completed in 2008. SAF-HOLLAND transferred the business of the former Holland Group, which was handled by a subsidiary, Holland Eurohitch Ltd. (2007 sales: € 3.7 million), to Industrial Machinery Supplies Ltd. (IMS). IMS has been a trading partner of the former SAF group for several years and forms part of a group of companies with an international reputation that has also served SAF-HOLLAND very successfully for many years as a dealer in the Benelux countries.

IV. RISK REPORT

As a player in the global economy, the SAF-HOLLAND Group is exposed to a large number of risks of a general nature. In the months ahead, it will face the additional risk of a more restrictive lending policy on the part of the banks in the course of the credit crunch which may impair the funding of growth. These are risks on which the Company naturally has no influence.

After the combination of SAF and Holland in December 2006 and the establishment of the new Business Units in July 2007, a uniform and comprehensive risk manual was drawn up that serves as a guideline for the entire Group.

For all Company-specific risks, SAF-HOLLAND has made extensive provisions that are outlined below.

IV.1 Overview of risks

IV.1.1 Customer structure

The principal risks include dependence on individual customers. At SAF-HOLLAND, sales distribution by customer roughly corresponds to our customers' market shares. Ten large customers account for around 50 % of the original equipment business. There are also a large number of small and mid-sized customers who are highly significant in their respective niches. With its positioning in Europe and North America, the Company has improved its risk profile significantly and is an international partner of the commercial vehicle and trailer industry. Aftermarket business is a stabilising factor in the Group with a 22 % share of sales that has potential for improvement. This segment in particular is independent of investment cycles and large customers and improves the risk position of the entire Group significantly.

Modern credit management also helps keep default risks to a minimum. In Europe, this is done in close cooperation with Atradius Kreditversicherungs AG, Cologne, Germany, which provides insurance coverage against default for the lion's share of existing third party receivables via credit limits. Across the Group, around 60 % of receivables is covered in this way.

In North America, there is no way to insure against the risk of default that makes economic sense. That is why we operate there with so-called house limits in place of the credit limits through which we have insurance coverage in Europe.

IV.1.2 Procurement risks

In principle, there is a risk that we may be unable to pass on higher commodity prices to customers in full. The price trend for components depends, however, less on the price of crude steel than on that of scrap steel. For one, contracts with customers are indexed to the price of scrap steel; for another, contracts include clauses that provide for negotiations in this connection. Therefore, scope for price increases does exist to offset risks.

To reduce dependence on suppliers, SAF-HOLLAND has adopted as a matter of principle a three-supplier strategy. Framework contracts with core suppliers specify quantities and prices, ensuring availability of materials at commercially calculated costs.

IV.1.3 Personnel risks

Risks in the personnel sector are production downtimes as a result of strikes or cost increases as a result of wage agreements. Around 40 % of SAF-HOLLAND employees are unionised. As a member of the employers' associations Verband der Bayerischen Metall- und Elektroindustrie e.V. (VBM) and Bayerischer Unternehmensverband Metall und Elektro e.V. (BayME), the Company seeks to be on good terms with both workers' council members and labor union representatives. It has negotiated Company agreements that can differ significantly from the usual German regional wage agreements if that will lead to an improvement in its competitive position and thereby secure jobs. In the event of fluctuations in demand, the Company can deploy personnel flexibly.

IV.1.4 Production risks

SAF-HOLLAND's investment strategy concentrates on investments with a swift ROI that serve the purpose of rationalisation and expansion of capacities. This can also involve reducing in-house production depth if that seems appropriate. SAF-HOLLAND aims to concentrate mainly on the production steps of welding, surface treatment, and assembly and thereby to significantly reduce the complexity of the production process.

Insurance coverage has been taken out against the risk of production downtimes due to fire or other unforeseeable factors. Contingency plans have also been drawn up for external procurement to ensure continued ability to deliver.

IV.1.5 Information technology risks

These are reduced to a minimum by ensuring on the basis of the investment strategy that an efficient structure is in place. The comprehensive security concept ranges from internal and external access restriction and control to mirroring hardware structures so that in the event of an IT system failure, production downtimes can be avoided or the likelihood of a failure occurring can be reduced significantly.

IV.1.6 Financing risks

In February 2008, the Company negotiated a new credit line (see III.1 New Financing). The contract provides for certain key Company figures to be maintained (by means of covenants). Interest rates due are reduced if covenant performance develops favorably within predefined bandwidths. By the terms of the contract, performance with respect to the key figures is checked and reviewed quarterly.

A breach of the Company's contractual commitments as a borrower would entitle the consortium of banks to cancel the credit agreement. To steer clear of this risk, SAF-HOLLAND has integrated controls to ensure that the key figures are fulfilled in its planning process and monitors developments continuously. Any aberration can thereby be identified at an early stage so that counter-measures can be undertaken in good time.

On the basis of the figures planned for fiscal 2008 and the medium-term financial planning figures, no risk of a breach of the specified key figures is apparent. The key figures derived from the plan include sufficient leeway to ensure that even if business does not develop according to plan, the key figures agreed with the banks can still be achieved.

IV.1.7 Interest rate risks

SAF-HOLLAND has concluded swap agreements to hedge against interest rate fluctuations. As at 12/31/07, around 80 % of existing interest rate commitments was covered in this way. Swaps provide for the Company paying a fixed interest rate, the swap rate, to the bank in question in return for a floating rate (EURIBOR or LIBOR). In this way, the floating rate is converted into a fixed rate. As at the balance sheet date, the LIBOR swap rate was 4.69 %. Due in part to the sub-prime crisis, the LIBOR rate has fallen and the market value of the dollar swaps that we hold was negative as at 12/31/07. The EURIBOR swap rate is 3.9 % and had a positive market value as at 12/31/07. In the event of further changes in LIBOR or EURIBOR rates, market values may change either positively or negatively.

In addition to its existing swap agreements, the Group has negotiated EURIBOR and LIBOR interest rate options. They provide for the obligation to renew existing swap agreements for a further two years starting in 2010. As at 12/31/07, these options had a negative market value as a result of the financial market's interest rate expectations for the exercise period. The market value of options adjusts continuously to financial market players' interest rate expectations and can develop either positively or negatively.

All interest-rate hedging business is stated in the balance sheet at its market value as at 12/31/07 and covers the risk of future interest rate changes in line with current market expectations.

IV.1.8 Exchange rate risks

Exchange rate fluctuation risks arise only in connection with consolidation and the translation of annual financial statements for companies outside of the Euro zone. In the reporting period, 36% of the Company's sales were attained in North America. Exchange rate effects only play a minor role in operating business. The Group's strategy is to buy and manufacture in its regional sales markets, thereby achieving real hedging.

IV.1.9 Quality risks

Everything that SAF-HOLLAND produces is manufactured to high quality standards. For example, all kingpins – a critical coupling element that connects trucks and trailers – are checked thoroughly before delivery to the customer. SAF-HOLLAND attaches importance to ensuring product quality at the production stage by means of secure processes. Automated and monitored processes are used at many stages, such as the use of robots for nearly all of the welding work on axles and suspension systems.

SAF-HOLLAND is comprehensively certified according to the international DIN ISO 9001 quality standard. The Company is now preparing to introduce ISO/TS 16949 in – initially – selected processes at selected locations. The long-term objective is to implement TS 16949 universally as the commercial vehicle manufacturers' international guideline for collaboration with suppliers.

Quality is monitored constantly, and the response to problems is immediate. Suppliers are incorporated intensively into this process on a partnership basis, even when it comes to absorbing the resulting costs. In rare cases, however, product recalls can prove necessary. In 2007, for example, a program was launched in North America to replace faulty components in certain fifth wheels. The estimated cost will be around € 1.4 million. A sufficient precaution was taken in the consolidated financial statements for 2007 in the form of a provision. Product replacements and recalls can occur in spite of all care and attention and comprehensive quality assurance right from the product development stage. Dealing with problems swiftly and consistently is, however, appreciated by customers.

IV.1.10 Regulatory risks

Statutory changes, especially in regulations to reduce exhaust emissions, can exert an influence on the demand behavior of customers in the truck sector. Because engines with lower emission ratings are usually more expensive, financially strong customers in particular tend to order vehicles in excess of their actual requirements before new emission regulations come into force. This leads in the following year to a significant decline in demand. This effect occurs mainly in the United States, as government subsidies tend to ease this effect in Europe. These regulatory effects can affect around 10% of the Company's sales. That is why the Group follows the development of and forecasts for new vehicle registrations on the basis of external statistics on a monthly basis in order to be able to react promptly and appropriately.

IV.1.11 Rating

In the course of securing the new credit line, the banks predominantly gave SAF-HOLLAND a triple B rating.

IV.1.12 Conclusion

In connection with the overall assessment of risks faced by the Group, ensuring ongoing ability to deliver is of particular importance in view of dynamic market developments in Europe that are keeping SAF-HOLLAND production facilities working at full capacity. Even minor technical upsets at a supplier can lead to production downtimes. What is more, the Group's business is dependent not only on the cyclical development of prices and sales but on the economic development of large customers. Overall, however, these risks are manageable across the Group. The Company's continued existence as a going concern continues to be assured. For known risks, sufficient provision has been made in the form of write-downs, value adjustments, and risk provisions.

IV.2 Opportunities report

The main opportunities for SAF-HOLLAND will result from a significant increase in sales. This is to be achieved by a number of means:

- Two-way technology transfer between North America and Europe
- Growth of business in Brazil in the wake of the country's strong growth rates and increasing incorporation into the global economic process
- Growth in China due for the most part to rising investments in infrastructure
- Growth in Russia and other former CIS states

Based on sales growth and the resulting reduction in fixed costs, the Company's profits should increase accordingly.

V. OUTLOOK

The Company's target markets will develop in 2008 much as they did last year. In line with market developments, SAF-HOLLAND anticipates sales growth in excess of 15 % across the Group in 2008. In the event of a recession in the United States, the Company is still assuming sales growth of around 10 % across the Group. The main growth stimuli are expected to come from western Europe and growth markets in eastern Europe, Brazil, and Asia.

For the Trailer Systems Business Unit, SAF-HOLLAND expects growth in Europe to continue at a high level in 2008 and not to tail off until 2009. In the United States, business development is likely to continue to be weak because the financial crisis and its negative consequences have yet to be surmounted. In international business, Brazil seems likely to play a key role starting in 2008. After axle production in the USA has been established, sales opportunities in the region of double-digit millions will arise there as well.

For the Powered Vehicle Systems Business Unit with its focus on North America, business is expected to continue to be poor in 2008. In the United States, new emissions limits are to come into force on 01/01/10, so SAF-HOLLAND anticipates pull-forward buying in 2009. As engines will be available for testing much sooner than when emissions limits were last amended, the pull-forward effect may not be as strong in 2009 as it was in 2006. Business in North America is therefore likely to remain poor in 2008 and not to pick up until 2009.

In the Aftermarket Business Unit, a further significant increase is expected in Europe in 2008 along with a stabilisation of business in North America.

Investment will be above average in 2008 and amount to € 25 million. The primary planning includes capacity expansion in Europe and setting up axle production facilities in North America. For 2009, we anticipate investments totaling € 20 million.

In 2008 and 2009, the number of production locations in North America and Europe is to be reduced. That will lead to lower production costs and greater efficiency, thereby strengthening the Group's competitiveness. In this connection, there will also be another early retirement program with the goal of reducing employee numbers, especially in administration.

The Company expects adjusted EBIT to be in the region of 8 % to 8.5 % of sales in the 2008 fiscal year. This marked improvement in profitability is based on the expected sales growth and economies of scale. Financial results will benefit from the new credit line. The equity ratio should continue to increase in the years ahead. Without special factors such as those which arose in 2007, fiscal 2008 should bring a significant increase in net profit for the year. By 2009, the Company's goal is to report sales of € 1 billion and by 2010, an adjusted EBIT margin of 10 %. SAF-HOLLAND continues to anticipate a favorable overall business development.

Luxembourg, March 25, 2008



Dr. Rolf Bartke
Chairman of Board of Directors



Rudi Ludwig
Chief Executive Officer (CEO)

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Consolidated Income Statement

For the period January 1, 2007 to December 31, 2007

k €	Notes	01/01/07–12/31/07	12/21/05–12/31/06
Sales	(4)	812,504	309,517
Cost of sales	(5)	-670,938	-260,162
Gross profit		141,566	49,355
Other income	(6.1)	3,230	3,412
Selling expenses	(6.2)	-45,541	-21,144
Administrative expenses	(6.3)	-48,763	-10,776
Research and development costs	(6.4)	-11,831	-3,747
Other expenses		0	-208
Operating profit		38,661	16,892
Finance income		1,348	1,245
Finance expenses	(6.5)	-33,954	-15,264
Share of investments accounted for using the equity method	(10)	709	51
Profit before tax		6,764	2,924
Income tax income/expense	(7)	4,404	-2,227
Profit for the year		11,168	697
Attributable to equity holders of the parent		11,168	697
Basic earnings per share (EPS) EUR	(27)	0.15	0.008
Diluted earnings per share EUR	(27)	0.02	0.002

Consolidated Balance Sheet

As at December 31, 2007

k €	Notes	12/31/07	12/31/06
ASSETS			
Non-current assets		333,806	337,866
Goodwill	(8)	69,111	72,113
Intangible assets	(8)	118,580	127,051
Property, plant and equipment	(9)	108,556	106,497
Investments accounted for using the equity method	(10)	13,842	13,139
Financial assets	(11)	1,674	3,952
Other non-current assets	(12)	2,617	2,429
Deferred tax assets	(7)	19,426	12,685
Current assets		220,760	206,259
Inventories	(13)	96,714	84,452
Trade receivables	(14)	86,191	90,597
Other current assets	(14)	4,949	4,322
Income tax assets	(15)	5,149	4,950
Cash and cash equivalents	(16)	27,757	21,938
Total assets		554,566	544,125
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent		108,157	9,369
Subscribed share capital	(17.1)	188	1,184
Share premium	(17.1)	93,146	109
Retained earnings	(17.2)	12,317	811
Convertible preferred equity certificates	(17.3)	0	7,193
Accumulated other comprehensive income	(17.4)	2,506	72
Non-current liabilities		329,214	417, 928
Interest bearing loans and other financial liabilities from shareholders	(18)	0	60,664
Pensions and other post-employment benefit plans	(19)	11,401	12,903
Other provisions	(20)	4,230	4,244
Interest bearing loans and borrowings	(21)	261,293	279,947
Finance lease liabilities	(22)	821	898
Other financial liabilities	(32)	2,908	0
Other liabilities	(25)	237	227
Deferred tax liabilities	(7)	48,324	59,045
Current liabilities		117,195	116,828
Pensions and other post-employment benefit plans	(19)	2,221	2,795
Other provisions	(20)	8,899	9,332
Income tax liabilities	(23)	6,922	5,199
Interest bearing loans and borrowings	(21)	1,627	2,323
Finance lease liabilities	(22)	443	466
Trade and other payables	(24)	90,877	89,517
Other liabilities	(25)	6,206	7,196
Total liabilities and equity		554,566	544,125

Consolidated Statement of Changes in Equity

For the period January 1, 2007 to December 31, 2007

k €	Attributable to equity holders of the parent					Total equity
	Subscribed share capital (Note 17.1)	Share premium (Note 17.1)	Retained earnings (Note 17.2)	Convertible preferred equity certificates (Note 17.3)	Accumulated other comprehensive income (Note 17.4)	
As at January 1, 2007	1,184	109	811	7,193	72	9,369
Foreign currency translation	–	–	–	–	3,323	3,323
Net gain/loss on cash flow hedges	–	–	–	–	-889	-889
Total income and expense for the year recognised directly in equity	0	0	0	0	2,434	2,434
Profit for the year	–	–	11,168	–	–	11,168
Total income and expense for the year	0	0	11,168	0	2,434	13,602
Issue of convertible preferred equity certificates	–	–	–	40	–	40
Issue of share capital	51	97,229	–	–	–	97,280
Transaction costs	–	-4,192	–	–	–	-4,192
Redemption of preferred shares	-1,058	–	–	–	–	-1,058
Share-based payment compensation	–	–	338	–	–	338
Reclassification due to contractual arrangements	11	–	–	–	–	11
Redemption of convertible preferred equity certificates	–	–	–	-7,233	–	-7,233
As at December 31, 2007	188	93,146	12,317	0	2,506	108,157

For the period December 21, 2005 to December 31, 2006

k €	Attributable to equity holders of the parent					Total equity
	Subscribed share capital (Note 17.1)	Share premium (Note 17.1)	Retained earnings (Note 17.2)	Convertible preferred equity certificates (Note 17.3)	Accumulated other comprehensive income (Note 17.4)	
As at December 21, 2005	125	0	0	0	0	125
Foreign currency translation	–	–	–	–	72	72
Total income and expense for the year recognised directly in equity	0	0	0	0	72	72
Profit for the year	–	–	697	–	–	697
Total income and expense for the year	0	0	697	0	72	769
Issue of share capital	1,463	109	–	–	–	1,572
Share-based payment compensation	–	–	114	–	–	114
Reclassification due to contractual arrangements	-404	–	–	–	–	-404
Issue of convertible preferred equity certificates	–	–	–	7,193	–	7,193
As at December 31, 2006	1,184	109	811	7,193	72	9,369

Consolidated Cash Flow Statement

For the period January 1, 2007 to December 31, 2007

k €	Notes	01/01/07 – 12/31/07	12/21/05 – 12/31/06
Cash flow from operating activities			
Profit before tax		6,764	2,924
- Finance income		-1,348	-1,245
+ Finance expenses	(6.5)	33,954	15,264
-/+ Share of net profit of investments accounted for using the equity method	(10)	-709	-51
+ Amortisation and depreciation of intangible and tangible assets	(6.7)	18,707	7,119
- Allowance and write-up of current assets		-488	-146
-/+ Gain/loss on disposal of property, plant and equipment		-283	54
+ Expense for share-based payments	(30)	338	114
Profit before change of net working capital		56,935	24,033
+/- Change in other provisions and pensions		-2,193	-654
+/- Change in inventories		-9,712	-3,943
+/- Change in trade receivables		1,495	8,373
+/- Change in income tax assets and other assets		0	-288
+/- Change in trade and other payables		5,207	6,861
+/- Change in other liabilities		0	2,195
Cash flow from operating activities before income tax paid		51,732	36,576
- Income tax paid		-8,249	-6,490
Net cash flow from operating activities		43,483	30,086
Cash flow from investing activities			
- Acquisition of subsidiaries net of cash acquired		-15,729	-255,029
- Purchase of property, plant and equipment		-17,946	-5,400
- Purchase of intangible assets		-1,364	-1,320
+/- Proceeds from financial assets		42	-1,683
- Purchase of investments accounted for using the equity method		-231	0
+ Proceeds from sales of property, plant and equipment		520	106
+ Proceeds from sales of intangibles		38	0
+ Interest received		866	233
Net cash flow from investing activities		-33,804	-263,093
Cash flow from financing activities			
+ Proceeds from capital increase net of costs		91,806	8,765
+ Payments from shareholders		40	48,424
- Repayments to shareholders		-56,908	0
- Payments for finance lease		-476	-341
- Interest paid		-27,138	-11,031
- Repayments of current and non-current financial liabilities		-13,851	-207,915
+ Proceeds from current and non-current financial liabilities		1,822	417,043
Net cash flow from financing activities		-4,705	254,945
Net increase in cash and cash equivalents		4,974	21,938
Net foreign change difference		845	0
Cash and cash equivalents at the beginning of period		21,938	0
Cash and cash equivalents at the end of period	(16)	27,757	21,938

Notes to the Consolidated Financial Statements

For the period January 1, 2007 to December 31, 2007

1 CORPORATE INFORMATION

SAF-HOLLAND S.A. (the "Company" or the "Group") is a commercial company incorporated in Luxembourg on December 21, 2005 under the legal form of a "Société Anonyme." The registered office of the Company is at 68-70, Boulevard de la Pétrusse, L-2320 Luxembourg. The Company is registered with the Register of Commerce of Luxembourg under the section B number 113.090.

SAF-HOLLAND S.A. began trading on the Prime Standard of the Frankfurt Stock Exchange on July 26, 2007. The Company's shares are now listed under the symbol 'SFQ' (ISIN is LU0307018795). In preparation for the IPO, a shareholder resolution from June 18, 2007 decided to split the 109,739 ordinary shares of the Company with a par value of EUR 1.25 each into 13,717,375 ordinary shares with a par value of EUR 0.01 each. Furthermore, the Company issued 5,120,000 ordinary shares with a par value of EUR 0.01 as determined in the shareholders' resolution from July 25, 2007. On the stock exchange, the shares were initially issued at an offering price of EUR 19.00. The shares are floated on the Prime Standard.

SAF-HOLLAND S.A., together with its subsidiaries, is a global producer and supplier of key systems and components for the trailer, truck, bus, and recreational vehicle industries. Its product range includes premium trailer axle systems, truck and trailer suspensions, fifth wheels, kingpins, couplers, and landing legs. The Company sells its products on five continents to original equipment manufacturers (OEMs), as well as to original equipment suppliers (OESs), and through other aftermarket channels. The Company operates 22 manufacturing facilities in five continents.

The consolidated financial statements of SAF-HOLLAND S.A. were authorised for issue in accordance with resolution of the Board of Directors on March 25, 2008. Under Luxembourg law, the financial statements are approved by the shareholders.

SAF-HOLLAND S.A. acquired SAF-HOLLAND GmbH with effective date March 31, 2006 and SAF-HOLLAND Holdings (USA) Inc. with effective date December 18, 2006. Therefore, the fiscal year 2007 is not directly comparable with the fiscal year 2006.

2 ACCOUNTING AND VALUATION PRINCIPLES

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

The balance sheet presents current and non-current assets as well as current and non-current liabilities. The income statement is presented using the cost of sales method. Under this format, net revenues are compared against the expenses incurred to generate these revenues, classified into cost of sales, selling, administrative, and research and development functions.

The consolidated financial statements are presented in Euro and all values are rounded to the nearest thousand (kEUR) except when otherwise indicated.

SAF-HOLLAND S.A. was incorporated on December 21, 2005. Due to the fact that the Company was established at the end of 2005 and the operations commenced in 2006, no material income and expenses incurred in the 11 days of 2005. Therefore, the prior year International Financial Reporting Standards (IFRS) consolidated financial statements were prepared for the first time for the period from December 21, 2005 to December 31, 2006. The following reporting periods cover a fiscal year starting on January 1 and ending on December 31.

Statement of compliance

The consolidated financial statements of SAF-HOLLAND S.A. and all its subsidiaries (the "Group") have been prepared in accordance with IFRS as adopted by the European Union. All IFRSs, IASs, IFRICs, and SICs which are endorsed by the European Union and which are effective as of December 31, 2007 are applied in the consolidated financial statements of the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of SAF-HOLLAND S.A. and its subsidiaries as of December 31 each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies.

All intra-Group balances, transactions, income and expenses, and profits and losses resulting from intra-Group transactions that are recognised in assets are eliminated in full. All subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All business combinations are accounted for using the purchase method. The acquirer allocates the cost of a business combination by recognising the acquiree's identifiable assets, liabilities, and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of identifiable assets and of the liabilities and contingent liabilities acquired is recognised as goodwill.

SAF-HOLLAND TECHNOLOGIES GmbH a subsidiary of SAF-HOLLAND GROUP GmbH – two acquisition-vehicles, which were only founded to purchase the Group – acquired SAF-HOLLAND GmbH based in Bessenbach-Keilberg, Germany, and SAF-HOLLAND Holdings (USA) Inc. based in Holland, MI, USA, on March 31, 2006 and December 18, 2006 respectively. Both acquisitions have been accounted for in the previous year as business combinations using the purchase method. The consolidated financial statements for 2006 include the result of operations of both entities from their respective dates of acquisition, thereby including nine months operations for SAF-HOLLAND GmbH and 13 days operations for SAF-HOLLAND Holdings (USA) Inc.

Because of this, the income statement of the previous year 2006 is not comparable with the current fiscal year 2007 in which both subgroups are included for the first time for 12 months.

2.2 Significant accounting judgements, estimates, and assumptions

For the preparation of the consolidated financial statements in accordance with IFRS, assumptions have been made and estimations have been used which affect the reported amount of the assets, liabilities, income, expenses, and the disclosure of contingent liabilities at the reporting date. In individual cases, the actual outcome may deviate from these assumptions and estimations. Any changes will be recognised in profit or loss as they become known.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill and intangible assets with an indefinite useful life

The Group determines whether goodwill is impaired on at least an annual basis. This requires an estimation of the 'value-in-use' of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2007 was EUR 69.1 million (12/31/06: EUR 72.1 million). The difference compared to the previous year is a result of foreign exchange rate changes. Further details are given in Note 8.

The Group determines whether an intangible asset with an indefinite useful life is impaired on at least an annual basis by comparing its carrying amount with its recoverable amount. This requires an estimation of the recoverable amount which is the higher of the 'fair value less cost to sell' and the 'value-in-use' of the cash-generating units to which the intangible asset is allocated. Estimating the fair value less cost to sell and the value-in-use amount requires management to make estimates of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present

value of those cash flows. The carrying amount of intangible assets with an indefinite useful life as of December 31, 2007 was EUR 29.8 million (12/31/06: EUR 30.9 million). The difference compared to the previous year is a result of foreign exchange rate changes. Further details are given in Note 8.

Measurement of property, plant and equipment and intangibles with finite useful lives

Measurement of property, plant and equipment and intangible assets involves the use of estimates for determining the fair value at the acquisition date, in particular in the case of such assets acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of the fair values of assets and liabilities, as well as of the useful lives of the assets is based on management's judgement. The carrying value of property, plant and equipment as of December 31, 2007 was EUR 108.6 million (12/31/2006: EUR 106.5 million). Further details are given in Note 9.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses as of December 31, 2007 was EUR 5.9 million (12/31/06: EUR 1.7 million) and the unrecognised tax losses as of December 31, 2007 were EUR 13.6 million (12/31/06: EUR 19.0 million). Further details are given in Note 7.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates, future pension increases, expected fluctuations, and health care cost trends. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. The net employee benefit liability as of December 31, 2007 is EUR 13.6 million (12/31/06: EUR 15.7 million). Further details are given in Note 19.

Other provisions

The recognition and measurement of other provisions is based on an estimate of the probability of the future outflow of benefits, supplemented by past experience and the circumstances known at the balance sheet date. As such, the actual outflow of benefits may differ from the amount recognised under other provisions. Other provisions as of December 31, 2007 amount to EUR 13.1 million (12/31/06: EUR 13.6 million). Further details are given in Note 20.

2.3 Summary of significant accounting policies

Foreign currency translation

The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation.

As of the reporting date, the assets and liabilities of affiliates are translated into the presentation currency of SAF-HOLLAND S.A. (Euro) at the rate of exchange prevailing at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

The most important foreign currencies regarding the consolidated financial statements are the USD and the CAD. The exchange rates for these currencies at the balance sheet date are EUR/USD = 1.47284 and EUR/CAD = 1.44640, respectively. The weighted average exchange rates for the period are EUR/USD = 1.36832 and EUR/CAD = 1.46919 respectively.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised if the recognition criteria of IAS 38 are not fulfilled. In these cases the respective expenditures are reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment whenever there is an indication that the intangible asset may be impaired, but at least annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed at least annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The policies applied to the Group's intangible assets can be summarised as follows:

	Customer relationship	Technology	Brand	Service net	Licenses and software
Amortisation method used	Amortised on a straight line basis over the useful lives	Amortised on a straight line basis over the useful lives	No amortisation	Amortised on a straight line basis over the useful lives	Amortised on a straight line basis over the period of the patent
Useful lives	25–40 years	10–18 years	Indefinite	20 years	3–5 years
Remaining useful lives	23–39 years	8–17 years	Indefinite	18–19 years	1–5 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are disclosed in the income statement when the asset is derecognised.

Property, plant and equipment

Plant and equipment are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such costs include the cost of replacing part of the plant and equipment when that cost incurred, if the recognition criteria are met.

Land and buildings are measured at cost less depreciation on buildings.

Depreciation is calculated on a straight line basis over the useful life of the assets.

If an item of property, plant and equipment consists of several components with different estimated useful lives, the individual significant components are depreciated over their individual useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives, and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

The policies applied to the Group's property, plant and equipment can be summarised as follows:

	Land and buildings	Plant and equipment	Other equipment, office furniture and equipment
Depreciation method used	Depreciated on a straight line basis over the useful lives	Depreciated on a straight line basis over the useful lives	Depreciated on a straight line basis over the useful lives
Useful lives	8–50 years	2–12 years	3–10 years

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Investments accounted for using the equity method

The Group's investment in its associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is not a subsidiary or a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The Group has interests into joint ventures which are jointly controlled entities, whereby the venturers have contractual arrangements which established joint control over the economic activities of the entity. The Group's investments in its joint ventures are accounted for using the equity method of accounting.

Profits and losses resulting from transactions between the Group and the associates and joint ventures are eliminated to the extent of the interest in the associate or joint venture.

The reporting dates of the associate and joint ventures and the Group are identical and the associate's and joint venture's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any of such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a

pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries, or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot however exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill in the fourth quarter of the year.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually in the fourth quarter of the year either individually or at the cash-generating unit level, as appropriate. However, in situations in which triggering events indicate that the assets might be impaired an impairment test is done within the period.

Investments accounted for using the equity method

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates and joint ventures. The Group determines at each balance sheet date whether there is any objective evidence that the investment in associates and joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and joint ventures and the carrying amount and recognises the amount in the income statement.

Financial assets and financial liabilities

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

Financial liabilities within the meaning of IAS 39 are classified as financial liabilities measured at fair value through profit or loss or as other financial liabilities.

If financial assets and liabilities are recognised initially, they are measured at fair value, plus, in the case of financial assets and liabilities not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets and liabilities on initial recognition and, where allowed and appropriate, reevaluates this designation at each financial year end. As of the balance sheet date, excluding derivatives, no primary financial assets were classified as "financial assets measured at fair value through profit or loss" or "held-to-maturity investments" nor were financial liabilities classified as "financial liabilities measured at fair value through profit or loss" in the Group.

All regular types of purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular types of purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Primary financial instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

All trade receivables are categorized as loans and receivables. Due to their short maturity, amortised cost of trade receivables equal their face value. Furthermore, all loans to associates, employees, vendors, or other parties are categorised as loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in another category. After initial recognition, the financial assets available for sale are measured at fair value, with gains or losses net of deferred taxes being carried in a separate equity item. At the date on which the investment is derecognised or determined to be impaired, the accumulated gain or loss previously recognised in equity is disclosed in the consolidated income statement.

For financial assets that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is measured on the basis of estimates where a reliable estimate is possible. In the Group, available-for-sale financial assets include investments recognised in the balance sheet under financial assets. If there is no active market for these investments and the fair value cannot be reliably measured, the investments are carried at cost.

Financial liabilities

Financial liabilities not categorised as fair value through profit and loss are measured after initial recognition at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the originated financial liabilities are derecognised as well as through the amortisation process.

Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement otherwise net of tax in the equity.

The fair value of interest rate swaps is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group uses only cash flow hedges. Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in profit or loss. Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the trade receivables is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement – if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are valued at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials – Purchase cost on a weighted average cost basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

Interest bearing loans and borrowings

All loans, borrowings, and other financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans, borrowings, and other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Other financial liabilities

Other financial liabilities only include derivatives classified as held for trading and derivatives designated as effective hedging instruments. The derivatives are measured at fair value. Fair value changes of the derivatives classified as held for trading are recognised in profit and loss, whereas the respective changes of derivatives designated as effecting hedging instruments are recognised, net of income taxes, directly in equity.

Other provisions

Provisions are recognised if the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest method.

Pensions and other post-employment benefit plans

Defined benefit plans

The European subgroup operates defined benefit pension plans. By reason of a company agreement dated as of January 1, 2007, no further rights to pension benefits can be earned, since the pension plans are frozen. The North American subsidiaries have several funded defined benefit and defined contribution retirement plans covering substantially all employees. Benefits paid under the defined benefit plans are generally based on either years of service or the employee's compensation over the last several years of employment. Union employees are covered by a defined benefit retirement plan under the contract with their collective bargaining unit. The North American subgroup also provides post-retirement medical benefits to certain employees of the subgroup and also has deferred compensation plans with certain officers and key employees.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets from which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Termination benefits

The European subsidiaries included in the consolidated financial statements grant employees the option of concluding phased retirement agreements governing early retirement from the relevant entity. In the consolidated financial statements, the phased retirement agreements are treated as obligations for termination benefits, and liabilities and personnel expenses in the amount of the present value of the anticipated additional payments are disclosed at the date on which the employee accepts or is expected to accept the offer of phased retirement. The termination benefit liability comprises the present value of the termination benefit obligation less the fair value of plan assets from which the obligations are to be settled directly.

Other long-term employee benefit plans

A number of employees in the Group are granted long-service awards. The corresponding obligations are also measured using the projected unit credit method.

Defined contribution plans

The North American subgroup sponsors defined contribution retirement savings plans covering substantially all eligible US employees. Under the provisions of these plans, SAF-HOLLAND matches a portion of each participant's contribution. The Company may also make discretionary contributions to one of these plans.

Obligations for state-operated defined contribution plans are recognised as an expense in the income statement. The Group has no further payment obligations once the contributions have been paid.

The only obligation of the Group with respect to the defined contribution plans described above is to make the specified contributions.

Share based payment transactions

Certain members of the key management personnel of the Group received equity instruments which had to be classified under IFRS 2 as share-based payment transactions ('equity settled transactions'). These shares were granted due to the limitation within the shareholder's agreement dated March 29, 2006 with regard to the leaver condition.

The cost of these equity-settled transactions was measured by reference to the fair value at the date on which they are granted. The fair value is determined using a binomial pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. Cancellation or settlement is an acceleration of vestings. The amount that otherwise would have been recognised for services received over the remainder of vesting periods is recognised immediately in that case.

In connection with the IPO, the equity-settled transaction was cancelled affecting the net income.

Further details are given in Note 30.

Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c), or d) and at the date of renewal or extension period for scenario b).

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits, and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Sales tax

Revenues, expenses, and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividends

Revenue is recognised when the Group's right to receive the payment is established.

2.4 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

In 2007, the Group implemented a new reporting structure based on the operating segments "Trailer Systems," "Powered Vehicle Systems," and "Aftermarket". As a result, the Group reallocated the Goodwill which had been previously allocated to the geographical units "Europe" and "North-America" to the operating segments using a relative value approach based on EBITDA.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment – Presentation of Financial Statements
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The Group has also early adopted the following IFRS and IFRIC interpretations. Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including revisions to accounting policies.

- IFRS 8 Operating Segments
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements

This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies, and processes for managing capital. These new disclosures are shown in Note 34.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appear to be less than fair value. As the Group has no equity instruments issued to employees, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivatives requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 Interim Financial Reporting and Impairment

The Group adopted IFRIC Interpretation 10 as of January 1, 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

IFRS 8 Operating Segments

This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (geographical) and secondary (business) reporting segments of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 4, including revised comparative information.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

The Group has elected to adopt IFRIC Interpretation 11 as of January 1, 2007 insofar as it applies to the consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

2.5 Future changes in accounting policies

The following amended or new IAS, IFRS, and IFRIC interpretations were issued in 2006 and 2007 with an effective date for financial periods beginning on or after January 1, 2008. These standards and interpretations have not been endorsed by the European Union, yet. The Group currently plans to adopt these standards and interpretations at the date when their application is required, provided that the endorsement of the European Union is finalised at that date. The Group has chosen not to adopt these standards or interpretations early:

IAS 23 Borrowing Costs

A revised IAS 23 Borrowing Costs was issued in March 2007 and becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

Due to insignificant meaning of qualifying assets in the Group, no material impact on the consolidated financial statements is anticipated from the first-time application of this new standard.

IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is a service concession operator and hence this Interpretation will have no impact on the Group.

IFRIC 13 Customer Loyalty Programmes

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after July 1, 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the Group's financial statements as no such plans currently exist.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit plan that can be recognised as an asset under IAS 19 Employee Benefits. As at December 31, 2007, the Canadian defined benefit plan is overfunded in the amount of kEUR 759. Notwithstanding that, the Group expects that this Interpretation will not have any significant impact on the financial position or performance of the Group.

IFRS 3 Business Combinations

The revised standard was issued in January 2008 and becomes effective for financial years beginning on or after July 1, 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The changes introduced by IFRS 3R must be applied prospectively and will affect future acquisitions. As for the future business combinations, the Group will prospectively continue applying the purchased goodwill method, revisions do not impact accounting. The revaluation inline with step acquisitions and the compulsory consideration of a service in return on the acquisition date will tend to result in a higher goodwill value.

IAS 27 Consolidated and Separate Financial Statements According to IFRS

The revised standard was issued in January 2008 and becomes effective for financial years beginning on or after July 1, 2009. IAS 27R requires that a change in the ownership interest of a subsidiary be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IAS 27R must be applied prospectively and will affect future transactions with minority interests.

Amendment of IFRS 2 Share-based payments – Vesting conditions and cancellations

This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after January 1, 2009. The Standard restricts the definition of “vesting conditions” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment plans which non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

Amendment of IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements

The amendment of IAS 32 and IAS 1 was published in February 2008 and must be applied for the first time for annual periods beginning on or after January 1, 2009. The amendment of IAS 32 requires certain puttable financial instruments and obligations arising on liquidations to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosures of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.

3 BUSINESS COMBINATIONS

Acquisitions in 2007

No acquisition took place in 2007.

Acquisitions in 2006

Acquisition of SAF-HOLLAND GmbH

On March 31, 2006, the Group acquired 100 % of the voting shares of SAF-HOLLAND GmbH (formerly Otto Sauer Achsenfabrik GmbH), an unlisted company based in Bessenbach-Keilberg, Germany, specialised in the manufacturing and sale of non-driven axles and axle systems for heavy truck-trailers and semi-trailers.

The fair value of the identifiable assets and liabilities of SAF-HOLLAND GmbH as of the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

k €	Fair value recognised on acquisition	Carrying value
Technology	13,801	0
Service net	3,494	0
Brand	20,084	0
Customer relationship	43,916	0
Licences and software	2,890	2,890
Property, plant and equipment	51,039	35,219
Investments in associates	5,876	5,876
Financial assets	1,409	1,409
Other assets	1,458	1,458
Deferred tax assets	1,087	1,087
Inventories	35,104	34,134
Trade receivables	54,616	54,616
Income tax assets	438	438
Cash and cash equivalents	1,767	1,767
	236,979	138,894
Pensions and other post-employment benefit plans	6,709	6,709
Financial liabilities	28,777	28,777
Interest bearing loans from shareholders	870	870
Finance lease liabilities	1,594	1,594
Deferred tax liabilities	36,046	1,173
Other provisions	5,368	5,368
Income tax liabilities	6,516	6,516
Trade and other payables	44,291	44,291
	130,171	95,298
Net assets	106,808	43,596
Goodwill arising on acquisition	43,140	
Total consideration	149,948	

The total cost of the combination was kEUR 149,948 and comprised the purchase price (kEUR 145,000) and costs directly attributable to the combination (kEUR 4,948).

Cash outflow on acquisition:

k €	
Total cost of the combination	149,948
Net cash acquired with the subsidiary	-1,767
Loan from shareholders	-870
Property acquisition tax	-645
Net cash outflow	146,666

Acquisition of SAF-HOLLAND Holdings (USA) Inc.

On December 18, 2006, the Group acquired 100 % of the voting shares of SAF-HOLLAND Holdings Inc., USA, an acquisition vehicle which was founded to acquire the HOLLAND Group. The HOLLAND Group is an unlisted company based in Holland, MI, USA, specialised in the manufacturing and sale of fifth wheels, landing gears, sliders, suspensions, kingpins, and coupling devices for the heavy duty transportation industry.

The fair value of the identifiable assets and liabilities of SAF-HOLLAND Holdings (USA) Inc. as of the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

k €	Fair value recognised on acquisition	Carrying value
Technology	5,002	0
Brand	10,789	0
Customer relationship	28,776	4,327
Property, plant and equipment	54,206	38,805
Investments in associates	7,212	6,412
Other assets	4,492	4,335
Deferred tax assets	7,736	7,960
Inventories	45,406	44,095
Trade receivables	37,998	37,998
Income tax assets	3,490	3,490
Cash and cash equivalents	2,577	2,577
	207,684	149,999
Pensions and other post-retirement benefit plans	8,765	8,765
Other provisions	7,442	7,258
Financial liabilities	43,583	43,583
Deferred taxes	20,354	176
Trade and other payables	30,714	30,714
	110,858	90,496
Net assets	96,826	59,503
Goodwill arising on acquisition	28,973	
Total consideration	125,799	

The total cost of the combination was kEUR 125,799 and comprised the purchase price (kEUR 116,418) and costs directly attributable to the combination (kEUR 9,381).

Cash outflow on acquisition:

k €

Total cost of the combination	125,799
Net cash acquired with the subsidiary	-2,577
Vendor note	-7,616
Other liabilities	-7,243
Net cash outflow	108,363

4 SEGMENT INFORMATION

The Company was incorporated on December 21, 2005 for the purpose of acquiring the entire share capital of SAF-HOLLAND GmbH (the "SAF"), a transaction completed on March 31, 2006. Subsequently, the Group acquired the entire share capital of SAF-HOLLAND Holdings (USA) Inc. (the "Holland") on December 18, 2006. Prior to the acquisition transactions, SAF and Holland were each independent leading developers and suppliers of premium heavy-duty vehicle systems and products in their core markets – Europe for SAF and North America for Holland – with both also being active in other key markets.

As a result of the transactions above, the Group now controls the two former subgroups – SAF and Holland.

In 2007, a reporting structure in the sense of a management information system was implemented for the first time. For this reason the segment reporting in accordance with IFRS was shifted from regulation IAS 14, as applied in the previous year, to the management approach according to IFRS 8.

For management purposes, the Group is organised into customer-oriented Business Units based on their products and services, and has three reportable operating segments as follows:

Trailer Systems: This Business Unit is a supplier of components and systems for use on trailers such as truck-trailers (semi or articulated trailers), full trailers, and utility-type trailers. Its products include axles, axle systems, both drum and disc braked, mechanical and air suspensions, tandem sliding mechanisms, landing legs, kingpins, pintle hooks, couplers, lift gates, and body kits.

Powered Vehicle Systems: This Business Unit is a supplier of components and systems for use on powered vehicles such as trucks, truck-tractors, buses, and recreational vehicles. Its products include fifth wheels and front and rear air suspensions in a broad range of capacities and applications.

Aftermarket: This Business Unit is a supplier of SAF-HOLLAND spare part and third party products. It sells through a broad network of distributors, OES (aftermarket part of OEM), and dealers. This segment also includes the sales of specialties: Specialties cover the supply of turf and agricultural non-powered soil aeration equipment based on patented designs and technology. Its products are used by golf courses, athletic fields, vineyards, no-till farming, and for the disposal of liquid agricultural waste.

Management monitors the operating results of its Business Units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on adjusted earnings before interest and taxes which as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and finance revenue), income taxes, and operating liabilities are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. However, there are no inter-segment sales.

Segment information for the period January 1, 2007 to December 31, 2007:

1) Eliminations in the operating segments consist of additional amortisation (kEUR 6,678) and step up on inventories (kEUR 1,168) arising from the purchase price allocation.

2) Expenses relating to the IPO (kEUR -10,458), integration and restructuring cost (kEUR -2,787), reduction of depreciation and amortisation (kEUR 2,857), and others (kEUR -887) are not allocated to any business segment.

3) Expenses relating to the IPO (kEUR 10,458), integration and restructuring costs (kEUR 2,787) are not allocated to its business segment.

4) Reduction of depreciation and amortisation (kEUR 2,857) are not allocated to any business segment.

5) Investments in Jinan SAF AL-KO and SAF AL-KO Yantai are allocated to the Business Unit Trailer Systems, FWI S.A. (kEUR 5,938), Lakeshore (kEUR 489), SAF-HOLLAND Nippon (kEUR 812) and Madras SAF-HOLLAND India (kEUR 177) are not allocated to any business segment.

6) Segment assets do not include the above-mentioned investments accounted for using the equity method (kEUR 7,416), derivatives (kEUR 1,269), deferred tax assets (kEUR 19,426), and income tax assets (kEUR 5,149) as these assets are managed on a Group basis.

	2007				
	Business Units			Adjustments and eliminations	Consolidated
k €	Trailer Systems	Powered Vehicle Systems	Aftermarket		
Sales	551,094	81,277	180,133		812,504
Cost of sales	-483,234	-69,891	-117,813		-670,938
Gross profit	67,860	11,386	62,320		141,566
Gross margin	12.3 %	14.0 %	34.6 %		17.4 %
Selling and administrative expenses, research and development costs, other income, and share of investments accounted for using the equity method	-41,318	-9,822	-39,781	-11,275 ²⁾	-102,196
Adjustments ¹⁾	4,465 ¹⁾	1,341 ¹⁾	2,040 ¹⁾	13,245 ³⁾	21,091
Adjusted EBIT	31,007	2,905	24,579	1,970	60,461
Adjusted EBIT margin	5.6 %	3.6 %	13.6 %		7.4 %
Depreciation and amortisation	-14,259	-2,874	-4,431	2,857 ⁴⁾	-18,707
Assets					
Investments accounted for using the equity method	6,426	0	0	7,416 ⁵⁾	13,842
Capital expenditures	14,801	1,651	2,719		19,171
Operating assets	345,755	56,254	119,297	33,260⁶⁾	554,566

Segment information for the period December 21, 2005 to December 31, 2006:

k €	2006				
	Business Units			Adjustments and eliminations	Consolidated
	Trailer Systems	Powered Vehicle Systems	Aftermarket		
Sales	261,267	1,750	46,500		309,517
Cost of sales	-230,670	-1,811	-27,681		-260,162
Gross profit	30,597	-61	18,819		49,355
Gross margin	11.7 %	-3.5 %	40.5 %		15.9 %
Selling and administrative expenses, research and development costs, other income and share of investments accounted for using the equity method	-21,452	-290	-9,486	-1,184 ¹⁾	-32,412
Adjustments ¹⁾	3,076 ¹⁾	79 ¹⁾	667 ¹⁾	0	3,822
Adjusted EBIT	12,221	-272	10,000	-1,184	20,765
Adjusted EBIT margin	4.7 %	-15.5 %	21.5 %		6.7 %
Depreciation and amortisation	-7,967	-55	-627	1,530 ³⁾	-7,119
Assets					
Investments accounted for using the equity method	5,927	0	0	7,212 ⁴⁾	13,139
Capital expenditures	6,505	0	379		6,884
Operating assets	337,863	59,791	121,624	24,847 ⁵⁾	544,125

1) Eliminations in the operating segments consist of additional amortisation (kEUR 2,709) and step up on inventories (kEUR 1,113) arising from the purchase price allocation.

2) Effects from parent companies (kEUR -803) and others (kEUR -381) are not allocated to any business segment.

3) Reduction of depreciation and amortisation (kEUR 1,530) are not allocated to any business segment.

4) Investments in Jinan SAF AL-KO and SAF AL-KO Yantai are allocated to the Business Unit Trailer Systems, FWI S.A. (kEUR 5,844), Lakeshore (kEUR 536), and SAF-HOLLAND Nippon (kEUR 832) are not allocated to any business segment.

5) Segment assets do not include investments accounted for using the equity method (kEUR 7,212), deferred tax assets (kEUR 12,685), and income tax assets (kEUR 4,950) as these assets are managed on a Group basis.

Management assesses the reporting of the operating segments based on a measure of adjusted EBIT. This measurement basis excludes the effects of non-recurring expenditures from operating segments such as depreciation and amortisation from purchase price allocation, expenses relating to the IPO, and restructuring and integration costs.

A reconciliation from operating profit to adjusted EBIT is provided as follows:

k €	01/01/07–12/31/07	12/21/05–12/31/06
Operating profit	38,661	16,892
Additional depreciation and amortisation from PPA	+6,678	+2,708
Step up inventory PPA	+1,168	+1,113
Expenses relating to the IPO	+10,458	0
Integration and restructuring costs	+2,787	0
Share of investments accounted for using the equity method	+709	+51
Adjusted EBIT	60,461	20,765

Also, the geographical units "Europe" and "North America" were determined.

In Europe, SAF-HOLLAND manufactures and sells axles and suspensions for trailers and semi-trailers. The Company also provides replacement components to the aftermarket for all trailer systems and powered vehicle systems. It sells through a broad network of distributors, OES (aftermarket sector of OEM), and dealers.

In North America, SAF-HOLLAND manufactures and sells key components for the trailer, truck, bus, and recreational vehicle industries. Particularly, it is a leading supplier of suspensions, sliders, fifth wheels, kingpins, and landing legs, pintle hooks and coupling device. In North America, the company also provides replacement components to the aftermarket for all trailer systems and powered vehicle systems. It sells through a broad network of distributors, OES (aftermarket sector of OEM), and dealers.

Segment information by geographical markets for the period January 1, 2007 to December 31, 2007:

k €	01/01/07 – 12/31/07	12/21/05 – 12/31/06
Revenues from external customers		
Europe	519,742	303,889
North America	271,357	5,628
Other	21,405	0
Total	812,504	309,517

The revenue information above is based on the location of the customer.

k €	12/31/07	12/31/06
Non-current assets		
Europe	187,857	183,959
North America	120,572	136,008
Other	3,518	1,262
Total	311,947	321,229

Non-current assets for this purpose consist of Goodwill, intangible assets, property plant and equipment, investments accounted for using the equity method, and other non-current assets which do not arise from post employment benefit assets.

Revenues from one customer amounted to kEUR 107,165 (2006: kEUR 61,595) arising from sales by the Trailer Systems Business Unit.

5 COST OF SALES

Cost of sales mainly contain cost of materials kEUR 526,877 (2006: kEUR 222,088), personnel expenses kEUR 83,647 (2006: kEUR 24,802), depreciation of property, plant and equipment kEUR 10,797 (2006: kEUR 2,885), and amortisation of intangibles kEUR 2 (2006: kEUR 37).

6 OTHER REVENUES AND EXPENSES

6.1 Other income

Other income mainly contains insurance compensation of kEUR 384 (2006: kEUR 2,069).

6.2 Selling expenses

Selling expenses mainly contain personnel expenses of kEUR 20,891 (2006: kEUR 4,348), depreciation of property, plant and equipment of kEUR 562 (2006: kEUR 320), and amortisation of intangibles of kEUR 2,183 (2006: kEUR 1,190).

6.3 Administrative expenses

Administrative expenses mainly contain personnel expenses of kEUR 19,974 (2006: kEUR 6,693), expenses relating to the IPO of kEUR 10,458 (2006: kEUR 0), integration and restructuring costs of kEUR 2,787 (2006: kEUR 191), depreciation of property, plant and equipment of kEUR 2,045 (2006: kEUR 853), and amortisation of intangibles of kEUR 1,269 (2006: kEUR 728).

6.4 Research and development costs

Research and development costs mainly contain personnel expenses of kEUR 6,552 (2006: kEUR 1,920), depreciation of property, plant and equipment of kEUR 198 (2006: kEUR 40), and amortisation of intangibles of kEUR 1,651 (2006: kEUR 1,066).

6.5 Finance expenses

Finance expenses break down as follows:

k €	01/01/07 – 12/31/07	12/21/05 – 12/31/06
Loan and bank overdraft	-24,591	-10,859
Transaction costs	-7,709	-3,978
Finance expenses due to pensions and other post-employment benefit plans	-290	-386
Other	-1,364	-41
Total	-33,954	-15,264

Transaction costs amounting to kEUR 7,709 (2006: kEUR 3,978) consist of arrangements fees in connection with refinancing transactions in December 2006 in the amount of kEUR 6,936 and other fees in the amount of kEUR 773. The Group arranged refinancing in December 2006 due to the acquisition of SAF-HOLLAND Holdings (USA) Inc. As the Group signed an agreement (letter of intent) to refinance all loan arrangements post IPO at the end of 2007, all accrued transaction costs were expensed. Further details are given in Note 35.

6.6 Employee benefit expenses

The employee benefit expenses have the following structure:

k €	01/01/07 – 12/31/07	12/21/05 – 12/31/06
Wages and salaries	-117,013	-31,314
Social insurance contributions	-12,513	-6,306
Pension expenses	-1,538	-143
Total	-131,064	-37,763

Employee benefit expenses include kEUR 5,461 (2006: kEUR 2,391) for state-operated defined contribution plans.

6.7 Depreciation and amortisation expenses

In 2007, the depreciation and amortisation expenses are included in the following captions:

k €	Depreciation	Amortisation	Total
Cost of sales	-10,797	-2	-10,799
Selling expenses	-562	-2,183	-2,745
Administration expenses	-2,045	-1,269	-3,314
Research and development costs	-198	-1,651	-1,849
Total	-13,602	-5,105	-18,707

Depreciation and amortisation expenses caused by purchase price allocation amount to kEUR 6,678 (2006: kEUR 2,709).

In 2006, the depreciation and amortisation expenses are included in the following captions:

k €	Depreciation	Amortisation	Total
Cost of sales	-2,885	-37	-2,922
Selling expenses	-320	-1,190	-1,510
Administration expenses	-853	-728	-1,581
Research and development costs	-40	-1,066	-1,106
Total	-4,098	-3,021	-7,119

7 INCOME TAXES

The major components of the income tax expense are:

k €	01/01/07–12/31/07	12/21/05–12/31/06
Current income taxes	-11,135	-3,260
Deferred income taxes	15,539	1,033
Income tax income/expense, reported in the income statement	4,404	-2,227

The effective income tax rate for the year ended December 31, 2007 is -65.10 % (12/31/06: 76.16 %). The following table reconciles the expected income tax expenses computed by applying the Company's combined income corporate tax rate of 36.0 % in 2007 (12/31/06: 36.58 %) to the actual income tax expense. For German entities, 2007 income tax rate includes a corporate income tax rate, after the benefit of deductible trade income tax of 22.71 % (including a solidarity surcharge of 5.50 % thereon) and trade income taxes of 13.87 %. For entities within the US Group, 2007 income tax rate includes a federal tax rate of 35.0 % and a state tax rate of 1.1 %.

The use of Germany's domestic tax rate was appropriate in 2006 due to the fact that the main operations of the Group in 2006 were located in Germany. For 2007, the tax rate was calculated separately for the German and US entities.

k €	01/01/07–12/31/07	12/21/05–12/31/06
Accounting profit before income tax	6,764	2,924
At Group income tax rate of 36 % in 2007 (12/31/06: 36.58 %)	-2,435	-1,070
Non-deductible interest on long-term debts	-1,131	-731
Used tax loss carry-forwards from previous years, not capitalised	-396	-240
Decrease German tax rate on deferred taxes	7,519	0
Effect lower tax rates	630	0
Others	217	-186
At the effective income tax rate of -65.10 % in 2007 (12/31/06: 76.16 %)	4,404	-2,227

Deferred income tax

Deferred income tax relates to the following:

k €	Consolidated balance sheet		Consolidated income statement	
	12/31/07	12/31/06	01/01/07 –12/31/07	12/21/05 –12/31/06
Deferred tax liability				
Intangible assets	-34,171	-43,843	6,649	728
Property, plant & equipment	-11,245	-13,063	2,350	247
Inventories	-66	-417	415	406
Investments	-359	-291	14	0
Prepaid and expenses	-767	-1,386	512	0
Other	-1,716	-45	-1,834	0
	-48,324	-59,045		
Deferred tax assets				
Employee benefits	5,153	4,386	1,355	-159
Tax loss carry-forwards	5,855	1,666	4,267	0
Warranties	120	1,201	120	0
Inventories	1,175	1,070	-238	-48
Other financial liabilities	743	0	0	0
Other	6,380	4,362	1,929	-141
	19,426	12,685		
Deferred income tax income (expense)			15,539	1,033
Reflected in the balance sheet as follows				
Deferred tax assets	19,426	12,685		
Deferred tax liabilities	-48,324	-59,045		
Deferred tax liabilities net	-28,898	-46,360		

Germany's business taxation reform, which was passed by the German Bundestag on May 24, 2007 and the German Bundesrat on July 6, 2007, resulted in a decrease of business tax rates. Thus, all German deferred taxes were calculated in respect of temporary differences using a combined tax rate of 27.10 % (2006: 36.58 %).

In fiscal year 2007, the impact of the decrease in the German tax rate resulted in a tax benefit from the revaluation of deferred taxes amounting to kEUR 7,519.

The Group has tax losses carried forward in the amount of kEUR 25,542 (12/31/06: kEUR 18,967) that are available indefinitely or definitely for offset against future taxable profits of the companies in which the losses arose as described in the following table. Deferred tax assets have not been recognised in respect of these tax loss carry-forwards for an amount of kEUR 13,587 (12/31/06: kEUR 18,967) as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have not been generating sufficient taxable income.

As of December 31, 2007, deferred taxes at an amount of kEUR 2,382 (12/31/06: kEUR 0) relating to changes in fair value of cash flow hedges and to transaction costs offset against share premium were recognised directly in equity.

Unrecognised tax loss carry-forwards as of December 31, 2007 expire as follows:

k €	12/31/07	12/31/06
Expiry date		
Infinite	9,379	14,656
Within 10 years	4,208	4,311
Total	13,587	18,967

Taxable temporary differences associated with investments in subsidiaries and associates, for which deferred tax liabilities have not been recognised aggregate to EUR 0.3 million (12/31/06: EUR 0.2 million).

There are no income tax consequences relating to the proposed payment of dividends for 2007 by SAF-HOLLAND S.A. to its shareholders.

8 GOODWILL AND INTANGIBLE ASSETS

k €	Customer relationship	Technology	Brand	Service net	Licences and software	Intangible assets	Goodwill
Historical costs							
Gross amount 12/21/05	0	0	0	0	0	0	0
Additions from initial consolidation	72,692	18,803	30,873	3,494	2,890	128,752	72,113
Additions	0	0	0	0	1,320	1,320	0
Gross amount 12/31/06	72,692	18,803	30,873	3,494	4,210	130,072	72,113
Additions	0	0	0	0	1,386	1,386	0
Disposals	0	0	0	0	38	38	0
Foreign currency translation	-2,580	-667	-1,096	-124	-150	-4,617	-3,002
Reclassification	0	0	0	0	-185	-185	0
Gross amount 12/31/07	70,112	18,136	29,777	3,370	5,223	126,618	69,111
Accumulated amortisation							
As at 12/21/05	0	0	0	0	0	0	0
Additions	845	1,045	0	131	1,000	3,021	0
As at 12/31/06	845	1,045	0	131	1,000	3,021	0
Additions	1,850	1,632	0	175	1,448	5,105	0
Foreign currency translation	0	0	0	0	-88	-88	0
As at 12/31/07	2,695	2,677	0	306	2,360	8,038	0
Net amount 12/31/06	71,847	17,758	30,873	3,363	3,210	127,051	72,113
Net amount 12/31/07	67,417	15,459	29,777	3,064	2,863	118,580	69,111

Acquisitions in 2006

Customer relationship, technology, brand, and service net include intangible assets acquired through business combinations in 2006. As of October 1, 2007, the acquired brands, which have an indefinite useful life, were tested for impairment.

Determining the useful life of an intangible asset requires judgment. Brands are expected to have indefinite lives based on their history and our plans to continue to support and build the acquired brands. Our assessment as to brands that have an indefinite life is based on a number of factors including competitive environment, market share, brand history, underlying product life cycles, operating plans, and the macroeconomic environment of the countries in which the brands are sold. Our estimates of the useful lives of intangibles with

definite useful lives, primarily including technologies and customer relationships and the service network, are primarily based on these same factors. All of our acquired technology, customer-related and service network intangibles are expected to have determinable useful lives.

Impairment testing of goodwill and intangibles with indefinite useful lives

Goodwill acquired through business combinations and brands with indefinite lives has been allocated in 2007 in accordance with IAS 36 due to the change of the reporting structure in three individual cash-generating units, which are also reportable segments under IFRS 8, for impairment testing as follows:

- Cash-generating unit "Trailer Systems"
- Cash-generating unit "Powered Vehicle Systems"
- Cash-generating unit "Aftermarket"

Carrying amount of Goodwill and brand allocated to each of the cash-generating units

As at December 31, 2007:

k €	Trailer Systems 12/31/07	Powered Vehicle Systems 12/31/07	Aftermarket 12/31/07	Total 12/31/07
Goodwill	36,107	5,764	27,240	69,111
Brand	25,096	4,350	331	29,777

Cash-generating unit "Trailer Systems"

The recoverable amount of goodwill for the cash generating unit "Trailer Systems" has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 13.38 % and cash flows beyond the five-year period are extrapolated using a 0.5 % growth rate. The discount rate was calculated using a weighted average cost of capital approach.

Cash-generating unit "Powered Vehicle Systems"

The recoverable amount of goodwill for the cash-generating unit "Powered Vehicle systems" has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 14.62 % and cash flows beyond the five-year period are extrapolated using a 0.5 % growth rate. The discount rate was calculated using a weighted average cost of capital approach.

Cash-generating unit "Aftermarket"

The recoverable amount of goodwill for the cash-generating unit "Aftermarket" has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 13.94 % and cash flows beyond the five-year period are extrapolated using a 0.5 % growth rate. The discount rate was calculated using a weighted average cost of capital approach.

Key assumptions used in value-in-use calculations

The calculation of the value-in-use for the cash-generating units was influenced by and is therefore most sensitive to the following assumptions:

- EBITDA margin,
- Discount rates,
- Raw materials price inflation,
- Market share during the budget period, and
- Growth rate used to extrapolate cash flows beyond the budget period.

EBITDA margins – EBITDA margin is based on average values achieved in the two years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements. For the cash-generating unit "Trailer Systems," a factor of approx. 12.0 % per annum was applied for the first year from 2008 to 2009 and in total 5 % for the years after 2009 until 2012. For the cash-generating unit "Powered Vehicle Systems," a factor of approx. 28 % was applied for the whole projection period of five years. And for the cash-generating unit "Aftermarket," a factor of approx. 38 % was applied for the five-year projection period of the cash flows.

Discount rates – Discount rates reflect the management's estimate of the risks specific to each cash-generating unit. In determining appropriate discount rates for the cash-generating unit, regard has been given to the yield on a ten-year government bond at the beginning of the budgeted year.

Raw materials price inflation – Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available (principally for Europe and the United States), otherwise past actual raw material price movements have been used as an indicator of future price movements.

Market share assumptions – These assumptions are important because, as well as using industry data for growth rates (as noted below), management assess how the unit's position, relative to its competitors, might change over the budget period. Management expects the Group's share of the market to be stable over the budget period.

Growth rate estimates – Rates are based on published industry research.

In the previous year, the goodwill and brand was tested for impairment under the preceding reporting structure of IAS 14 for the two cash-generating units which were also reportable segments for impairment testing as follows:

- Cash-generating unit "Europe"
- Cash-generating unit "North America"

Carrying amount of goodwill and brand allocated to each of the cash-generating units:

As at December 31, 2006:

k €	Unit Europe 12/31/06	Unit North America 12/31/06	Total 12/31/06
Goodwill	43,140	28,973	72,113
Brand	20,084	10,789	30,873

Cash-generating unit "Europe"

The recoverable amount of the cash-generating unit "Europe" has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to cash flow projections was 13.95 % and cash flows beyond the five-year period were extrapolated using a 0.5 % growth rate. The discount rate was calculated using a weighted average cost of capital approach.

Cash-generating unit "North America"

Because the North American unit consists of SAF-HOLLAND Holdings (USA) Inc., which was acquired on December 18, 2006, an impairment test was not necessary as of December 31, 2006.

The recoverable amount of the brands "SAF" and "Holland" has been determined based on a fair value calculation less cost to sell using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 9.45 % for the brand "SAF" and 9.56 % for the brand "Holland." Cash flows beyond the five-year period are extrapolated using a 0.5 % growth rate. The discount rate was calculated using a weighted average cost of capital approach.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of all Business Units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the units to materially exceed their recoverable amounts.

9 PROPERTY, PLANT AND EQUIPMENT

k €	Land and buildings	Plant and equipment	Other equipment, office furniture and equipment	Advances to supply and construction in progress	Total
Historical costs					
Gross amount 12/21/05	0	0	0	0	0
Additions from initial consolidation	57,441	39,423	5,335	3,046	105,245
Additions	343	2,428	1,258	1,535	5,564
Disposals	0	540	4	0	544
Reclassification	73	191	6	-270	0
Gross amount 12/31/06	57,857	41,502	6,595	4,311	110,265
Additions	1,254	11,310	1,571	6,210	20,345
Disposals	216	863	6	0	1,085
Foreign currency translation	-1,862	-2,345	-260	-115	-4,582
Reclassification	1,339	5,448	336	-6,938	185
Gross amount 12/31/07	58,372	55,052	8,236	3,468	125,128
Accumulated depreciation					
As at 12/21/05	0	0	0	0	0
Additions	727	2,404	967	0	4,098
Disposals	0	330	0	0	330
As at 12/31/06	727	2,074	967	0	3,768
Additions	1,905	9,660	2,037	0	13,602
Disposals	0	749	1	0	750
Foreign currency translation	-12	-24	-12	0	-48
As at 12/31/07	2,620	10,961	2,991	0	16,572
Net amount 12/31/06	57,130	39,428	5,628	4,311	106,497
Net amount 12/31/07	55,752	44,091	5,245	3,468	108,556

The carrying value of plant and equipment held under finance leases as of December 31, 2007 was kEUR 1,195 (12/31/06: kEUR 1,371). Additions during the year included kEUR 431 (2006: kEUR 164) of plant and equipment held under finance leases. Depreciation during the year amounted to kEUR 511 (2006: kEUR 140). Leased assets are pledged as security for the related finance lease liabilities.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following investments were accounted for using the equity method:

	Country of incorporation	% equity interest
Associates		
SAF AL-KO Vehicle Technology Yantai Co. Ltd.	China	49.0
Jinan SAF AL-KO Axle Co. Ltd.	China	48.5
Lakeshore Air LLP	USA	50.0
FWI S.A.	France	34.1
Joint Ventures		
SAF-HOLLAND Nippon Ltd.	Japan	50.0
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.	India	50.0

The following table summarises financial information of the Group's investments in its associates:

As at December 31, 2007:

	SAF Yantai 12/31/07	Jinan SAF 12/31/07	Lakeshore 12/31/07	FWI S.A. 12/31/07	Total 12/31/07
Percentage	49.0 %	48.5 %	50.0 %	34.1 %	
k €					
Current assets	1,664	4,224	234	6,165	12,287
Non-current assets	2,547	509	255	3,801	7,112
Current liabilities	-1,356	-1,162	0	-3,287	-5,805
Non-current liabilities	0	0	0	-772	-772
Foreign currency translation	0	0	0	31	31
Net assets = Carrying amount of the investment as at December 31, 2007	2,855	3,571	489	5,938	12,853
Sales	1,512	2,956	259	12,835	17,562
Profit/loss for the period	-8	510	8	210	720

As at December 31, 2006:

	SAF Yantai 12/31/06	Jinan SAF 12/31/06	Lakeshore 12/31/06	FWI S.A. 12/31/06	Total 12/31/06
Percentage	49.0 %	48.5 %	50.0 %	34.1 %	
k €					
Current assets	1,218	3,285	254	6,518	11,275
Non-current assets	2,516	537	282	3,579	6,914
Current liabilities	-866	-763	0	-3,786	-5,415
Non-current liabilities	0	0	0	-467	-467
Net assets = Carrying amount of the investment as at December 31, 2006	2,868	3,059	536	5,844	12,307
Sales*	250	1,827	0	456	2,533
Profit/loss for the period	-169	220	0	0	51

* since acquisition date

The following table summarises financial information of the Group's investments in its joint ventures:

As at December 31, 2007:

	SAF-HOLLAND Nippon Ltd. 12/31/07 50.0 %	Madras SAF-HOLLAND Manufacturing (I) P. Ltd. 12/31/07 50.0 %	Total 12/31/07
Percentage			
k €			
Current assets	572	102	674
Non-current assets	229	79	308
Current liabilities	-1	0	-1
Non-current liabilities	0	-4	-4
Foreign currency translation	12	0	12
Net assets = Carrying amount of the investment as at December 31, 2007	812	177	989
* since acquisition date Sales	297	0*	297
Profit/loss for the period	22	-33	-11

As at December 31, 2006:

	SAF-HOLLAND Nippon Ltd. 12/31/06 50.0 %
Percentage	
k €	
Current assets	610
Non-current assets	253
Current liabilities	-31
Non-current liabilities	0
Net assets = Carrying amount of the investment as at December 31, 2006	832
* since acquisition date Sales*	0
Profit/loss for the period	0

11 FINANCIAL ASSETS

k €	12/31/07	12/31/06
Available-for-sale financial assets	405	3,813
Derivative financial assets	1,269	139
	1,674	3,952

The total amount of other financial assets is non-current. Further details are given in Note 26.

12 OTHER NON-CURRENT ASSETS

The other non-current assets consist mainly of deposits for workers compensation and health insurance claims amounting to kEUR 1,673 (12/31/06: kEUR 2,038) and defined benefit assets amounting to kEUR 759 (12/31/06: kEUR 0). Further details are given in Note 19.

13 INVENTORIES

k €	12/31/07	12/31/06
Raw materials	46,347	41,716
Work in progress	14,232	17,074
Finished goods	34,745	25,010
Goods in transit	1,390	652
Total	96,714	84,452

The amount of write-down of inventories recognised as an expense is kEUR 1,267 (12/31/06: kEUR 710), which is recognised in cost of sales.

14 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Trade receivables are non-interest bearing and are generally on 30 to 90-day terms.

Allowances on trade receivables amounted to kEUR 246 in the period from January 1, 2007 to December 31, 2007 (2006: kEUR 146). The allowances on trade receivables are recorded on a separate allowance impairment account and netted with the gross amount of trade receivables.

k €	Carrying amount	Of which: neither impaired nor past due on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					more than 360 days
			less than 30 days	between 30 and 60 days	between 61 and 90 days	between 91 and 120 days	between 121 and 360 days	
Trade receivables as of Dec. 31, 2007	86,191	72,161	8,419	1,699	724	416	1,192	80
Trade receivables as of Dec. 31, 2006	90,597	75,174	10,872	2,160	475	395	961	38

The total amount of trade receivables is due within one year.

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

k €	Allowance account
As at December 21, 2005	0
Charge for the year	146
As at December 31, 2006	146
Charge for the year	246
Utilised	22
As at December 31, 2007	370

The other current assets consist of the following:

k €	12/31/07	12/31/06
Prepaid expenses	2,036	1,200
VAT receivables	1,484	0
Insurance premiums	369	1,022
Claims for damages	0	1,171
Other	1,060	929
Total	4,949	4,322

15 INCOME TAX ASSETS

Income tax assets consist of the following:

k €	12/31/07	12/31/06
Refundable corporate tax (Germany)	2,356	1,459
Refundable federal income taxes (USA)	1,709	2,475
Refundable foreign, state, and local income taxes	1,084	1,016
Total	5,149	4,950

16 CASH AND CASH EQUIVALENTS

k €	12/31/07	12/31/06
Cash at banks and on hand	10,938	18,116
Short-term deposits	16,819	3,822
Total	27,757	21,938

17 EQUITY

17.1 Subscribed share capital and share premium

The Company was incorporated with a share capital amounting to EUR 125,000.00 represented by 100,000 ordinary shares with a par value of EUR 1.25 each, fully paid-in.

On March 27, 2006, the shareholders decided to increase the share capital by EUR 1,451,187.50 by the issuing of 1,160,950 preferred shares with a par value of EUR 1.25 each, fully paid-in.

On December 18, 2006, the shareholders decided to increase the share capital by EUR 12,035 by issuing 9,628 new ordinary shares with a par value of EUR 1.25 each together with a share premium of EUR 108,621.

On April 19, 2007, the shareholders decided to increase the share capital by EUR 138.75 by issuing 111 new ordinary shares with a par value of EUR 1.25.

In preparation of the IPO, a shareholder resolution from June 18, 2007 decided to split the 109,739 ordinary shares and 1,160,950 preferred shares of the Company with a par value of EUR 1.25 each into 13,717,375 ordinary shares and 145,118,750 preferred shares with a par value of EUR 0.01 each. Furthermore, the Company issued 5,120,000 ordinary shares with a par value of EUR 0.01 as determined in the shareholders' resolution from July 25, 2007. On the stock exchange, the shares were initially issued at an offering price of EUR 19.00. The shares are floated on the Prime Standard in Frankfurt, Germany.

Also on July 25, 2007, the shareholders of the Company decided to redeem and repay all the 145,118,750 preferred shares with the par value of EUR 0.01 each.

As at December 31, 2007, the share capital of the Company amounted to EUR 188,373.75 represented by 18,837,375 ordinary shares with a par value of EUR 0.01 each, fully paid-in.

According to the articles of SAF-HOLLAND S.A., the preferred shares had the same rights and preferences as the ordinary shares. According to a shareholders' agreement from December 18, 2006, the shareholders shall have subscription rights on the basis of their pro rata aggregate holdings of ordinary shares if SAF-HOLLAND S.A. calls upon its shareholders to increase its capital or if SAF-HOLLAND S.A. or any of its subsidiaries issues any securities excluding any non-equity securities issued in the ordinary course of business, non-convertible loan capital, and certificates of indebtedness in respect of borrowings, or if shares are issued in connection with an exit by way of a public listing.

In a shareholders' agreement from March 29, 2006, the shareholders of SAF-HOLLAND S.A. and certain managing directors of SAF-HOLLAND GmbH (formerly Otto Sauer Achsenfabrik GmbH), which was acquired by SAF-HOLLAND S.A., agreed that these managing directors are entitled and obliged to acquire a certain volume of shares in SAF-HOLLAND S.A. from the shareholders. According to this agreement, the respective managing directors acquired a total number of 8,940 ordinary and 314,628 preferred shares and paid a total amount of

kEUR 404 (par value of EUR 1.25 per share) as consideration. Additionally, these managing directors received 10,000 ordinary shares and 351,920 preferred shares with a par value of EUR 1.25 per share in SAF-HOLLAND S.A. from the other shareholders without paying any cash consideration in exchange.

According to the same shareholders' agreement, each managing director is entitled and obliged to sell and transfer its ordinary and preferred shares to the Group when he ceases to be a managing director and/or employee of SAF-HOLLAND GmbH. Due to this contractual arrangement, the respective ordinary and preferred shares of the managing directors have to be classified as financial liability in accordance with IAS 32. Based on the terms and conditions set out in the shareholders' agreement for this obligation to purchase its own equity instruments, it was determined that the present value of the redemption amount to be recognised as financial liability amounts to kEUR 404. In connection with the IPO this contractual arrangement for the managing directors was abolished and the ordinary shares amounting to EUR 11,175 had to be reclassified to equity.

Based on the articles of SAF-HOLLAND S.A., the Board of Directors is authorised to increase the share capital of the Company by kEUR 112 represented by 11,200,000 shares with a nominal value of EUR 0.01 each. This authorisation is limited until July 5, 2012.

17.2 Retained earnings

The retained earnings include the profit for the year amounting to kEUR 11,168 (12/31/06: kEUR 697) and the share-based payment compensation amounting to kEUR 338 (12/31/06: kEUR 114) in accordance with IFRS 2. Further details regarding the share-based payment compensation are given in Note 30.

17.3 Convertible preferred equity certificates

On March 31, 2006, the Company issued non-yield-bearing convertible preferred equity certificates (CPECs) for an aggregate amount of EUR 2,947,815, with each share having a par value of EUR 1.25. The CPECs carry the right to convert one CPEC into one company share upon conversion events as defined in the terms and conditions of the CPECs.

On December 18, 2006, the Company issued further non-yield-bearing convertible preferred equity certificates (CPECs) for an aggregate amount of EUR 4,245,165, with each share having a par value of EUR 1.25. The CPECs carry the right to convert one CPEC into one company share upon conversion events as defined in the terms and conditions of the CPECs.

On April 19, 2007, the Company issued further non-yield-bearing convertible preferred equity certificates (CPECs) for an aggregate amount of EUR 40,037.50 with each share having a par value of EUR 1.25. The CPECs carry the right to convert one CPEC into one company share upon conversion events as defined in the terms and conditions of the CPECs.

On July 25, 2007, the Company repaid all the issued non-yield-bearing convertible preferred equity certificates (CPECs) for an aggregate amount of kEUR 7,233.

17.4 Accumulated other comprehensive income

Other comprehensive income exclusively comprises foreign currency translation adjustments amounting to kEUR 3,323 (12/31/06: kEUR 72) and the net of tax value of the interest rate SWAP kEUR -889 (see Note 32).

18 INTEREST BEARING LOANS AND OTHER FINANCIAL LIABILITIES FROM SHAREHOLDERS

k €	12/31/07	12/31/06
Issue of PECs	0	49,095
Loan note	0	7,616
Interest expenses	0	3,549
Ordinary and preferred shares (see Note 17.1)	0	404
Total	0	60,664

On March 31, 2006, the Company issued unsecured preferred equity certificates (PECs) for an aggregate amount of kEUR 44,520. In addition, on December 18, 2006 the Company issued preferred equity certificates (PECs) for an aggregate amount of kEUR 4,575. The PECs carried the right to receive a yield of 10.00 % per annum on the sum of the par value of the PECs together with any accrued and unpaid yield. The preferred equity certificates have a par value of EUR 1.25 and on aggregate total kEUR 49,095.

On April 19, 2007, the Company issued further unsecured preferred equity certificates (PECs) for an aggregate amount of kEUR 53.

In 2007, interest amounting to kEUR 3,021 (2006: kEUR 3,431) was accrued for PECs. On July 25, 2007, the Company repaid all the issued preferred equity certificates (PECs) for an aggregate amount of kEUR 49,148 and related accrued interest amounting to kEUR 6,452.

On December 18, 2006, the Company issued unsecured subordinated loan notes of EUR 1 each amounting in total to EUR 7,616,003 and bearing interest at a rate of 8 % per annum. In addition, on April 19, 2007 the Company issued unsecured subordinated loan notes of EUR 1 each amounting in total to EUR 27,773 and bearing interest at a rate of 8 % per annum. In 2007, interest for the loan note in the amount of kEUR 352 (2006: kEUR 22) was accrued.

On July 25, 2007, the Company repaid in full the unsecured subordinated loan notes for an amount of kEUR 7,644 and related accrued interest amounting to kEUR 374.

Considering a time and risk equivalent interest rate, the face value of the PECs and the loan notes as of December 31, 2006 equaled its fair value.

19 PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

In Germany, the Group provides defined benefit plans for the employees according to plant regulations. On the one hand there are future pension payments to be provided to the staff depending on the job tenure. On the other hand there are single commitments to the management. By reason of a company agreement dated as of January 1, 2007, no further rights to pension benefits can be earned since the German pension plans are definitely frozen on that date.

In North America, the Group has several funded defined benefit and defined contribution retirement plans covering substantially all employees. Benefits paid under the defined benefit plans are generally based on either years of service or the employee's compensation over the last several years of employment. Union employees are covered by a defined benefit retirement plan under the contract with their collective bargaining unit. Additionally, post-retirement medical benefits are provided to certain employees in North America. There are also deferred compensation plans with certain officers and key employees.

The following tables summarise the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the balance sheet for the respective plans:

Net benefit expense as at December 31, 2007:

k €	2007			
	Pension plans			Post-employment medical
	German plan 12/31/07	US plan 12/31/07	Canadian plan 12/31/07	12/31/07
Current service cost	14	342	303	120
Interest cost on benefit obligation	311	1,852	399	281
Expected return on plan assets	0	-2,103	-450	0
Actuarial loss amortisation	0	0	0	43
Charge for special termination benefits	0	0	0	548
Losses on curtailment	168	0	0	0
Net benefit expense	493	91	252	992
Actual return on plan assets	0	1,739	122	0

Net benefit expense as at December 31, 2006:

k €	2006		
	Pension plans		Post-employment medical 12/31/06
	German plan 12/31/06	North American plans 12/31/06	
Current service cost	102	38	3
Interest cost on benefit obligation	238	139	9
Expected return on plan assets	0	-154	0
Net benefit expense	340	23	12
Actual return on plan assets	0	0	

The interest expenses amounting to kEUR 2,843 (12/31/06: kEUR 386) and the expected return on plan assets amounting to kEUR -2,553 (12/31/06: kEUR -154) are allocated to financial expenses. The current service costs amounting to kEUR 779 (12/31/06: kEUR 143), the actuarial loss amortisation amounting to kEUR 43 (12/31/06: kEUR 0), charge for special termination benefits amounting to kEUR 548 (12/31/06: kEUR 0), and losses for curtailment amounting to kEUR 168 (12/31/06: kEUR 0) are allocated according to their function.

Benefit asset/liability 2007:

k €	2007			
	Pension plans			Post- employment medical 12/31/07
	German plan 12/31/07	US plan 12/31/07	Canadian plan 12/31/07	
Defined benefit obligation	6,303	29,933	8,373	5,493
Fair value of plan assets	0	-28,377	-8,671	0
	6,303	1,556	-298	5,493
Unrecognised actuarial gain/loss	578	960	-461	-1,238
Unrecognised past service cost	-30	0	0	0
Benefit assets/liability	6,851	2,516	-759	4,255

The Canadian plan as of December 31, 2007 is over-funded in the amount of kEUR 759. This defined benefit asset is recorded as an other non-current asset. Due to the similar structuring of the pension plans in the USA and Canada, these plans were disclosed and summarized as North American plans in 2006. Considering the surplus of the Canadian pension plans in the current year, these plans are disclosed separately in 2007 for presentation purposes.

Benefit asset/liability 2006:

k €	2006		
	Pension plans		Post-employment medical
	German plan 12/31/06	North American plans 12/31/06	
Defined benefit obligation	6,787	41,549	4,254
Fair value of plan assets	0	-36,808	0
	6,787	4,741	4,254
Unrecognised actuarial gain/loss	-50	-34	0
Benefit asset/liability	6,737	4,707	4,254

Changes in the present value of the defined benefit obligation are as follows:

k €	2007			
	Pension plans			Post- employment medical
	German plan 01/01/07 -12/31/07	US plan 01/01/07 -12/31/07	Canadian plan 01/01/07 -12/31/07	
Defined benefit obligation as at 01/01/07	6,787	34,282	7,267	4,254
Interest costs	311	1,852	399	281
Current service costs	14	342	303	120
Benefits paid	-386	-1,466	-154	-511
Actuarial gains/losses on obligation	-591	-1,354	84	1,258
Special termination benefits	0	0	0	548
Curtailments	168	0	0	0
Foreign currency translation	0	-3,723	474	-457
Defined benefit obligation as at 12/31/07	6,303	29,933	8,373	5,493

k €	2006		
	Pension plans		Post-employment medical
	German plan	North American plans	
	12/21/05 –12/31/06	12/21/05 –12/31/06	12/21/05 –12/31/06
Defined benefit obligation as at 12/21/05	0	0	0
Additions from business combinations	6,709	41,380	4,242
Interest costs	238	139	9
Current service cost	102	38	3
Benefits paid	-262	-8	0
Defined benefit obligation as at 12/31/06	6,787	41,549	4,254

For the following reporting period (January 1, 2008 until December 31, 2008), retirement payments amounting to kEUR 2,492 are expected.

Changes in the fair value of plan assets are as follows:

k €	2007		2006
	US plan	Canadian plan	North American plans
Fair value of plan assets as at beginning of period respectively acquisition date	29,383	7,425	36,857
Expected return	2,103	450	0
Redemption	0	0	-154
Employer contribution	1,915	867	0
Contributions by employees	0	0	113
Actuarial gains/losses	-364	-328	0
Benefits paid	-1,466	-168	-8
Exchange rate deviations	-3,194	425	0
Fair value of plan assets as at end of period	28,377	8,671	36,808

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	North American pension plans	
	2007	2006
American equities	63 %	62 %
American bonds	30 %	26 %
Cash and money market	3 %	8 %
Real estate	4 %	4 %
	100 %	100 %

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Group's plans are shown below:

	2007	2006
Discount rate:		
– German plan	5.50 %	4.75 %
– US and Canadian plans	6.42 %	5.73 %
Expected rate of return on plan assets:		
– US and Canadian plans	7.53 %	7.64 %
Future salary increases:		
– German plan	0.00 %	0.00 %
– US and Canadian plans	4.00 %	4.00 %
Future pension increases:		
– German plan	1.50 %	1.50 %
– US and Canadian plans	0.00 %	0.00 %
Turnover rates:		
– German plan	4.60 %	4.60 %
– US and Canadian plans	4.22 %	4.33 %
Health care inflation:		
Initial rate (health care cost trend rate assumed for next year)	10.00 %	7.50 %
Ultimate rate (rate to which the cost trend rate is assumed to decline)	5.00 %	4.25 %
Year of ultimate	2012	2013

The future salary increase for the German plans is assessed with 0.00 % because the defined benefits under these plans are only dependent on the period the respective employee works for the Group and not on the respective salary of the individual employee. Thus, each employee will receive a fixed amount as defined benefit based on the number of years employed by the Group.

For the North American plans, pension increases are not considered as the pension payments remain stable after retirement. Therefore, only salary increases up to retirement are considered in determining the defined employee benefits for these plans.

A one percentage point change in the assumed rate of increase in healthcare costs would have the following effects:

2007:

k €	Increase	Decrease
Effect on the aggregate current service cost and interest cost	30	-44
Effect on the defined benefit obligation	426	-389

2006:

k €	Increase	Decrease
Effect on the aggregate current service cost and interest cost	27	-40
Effect on the defined benefit obligation	346	-303

20 OTHER PROVISIONS

Other provisions contain primarily warranties, partial retirement, environmental, workers compensation and health insurance benefits, and others. They are subdivided into non-current and current other provisions, whose development is shown below:

As at December 31, 2007

k €	Product warranty	Partial retirement	Environmental issues	Workers compensation and health insurance benefits	Other	Total
Non-Current						
As at 01/01/2007	0	425	581	2,347	891	4,244
Additions	906	180	318	0	0	1,404
Utilised	0	0	0	226	0	226
Reclassifications	0	-78	-104	-240	-566	-988
Foreign exchange differences	0	0	-57	-147	0	-204
As at 12/31/2007	906	527	738	1,734	325	4,230
Current						
As at 01/01/2007	4,776	313	925	831	2,487	9,332
Additions	6,646	194	0	0	223	7,063
Utilised	4,432	205	626	831	2,196	8,290
Reclassifications	0	78	104	240	566	988
Foreign exchange differences	0	0	-108	-86	0	-194
As at 12/31/2007	6,990	380	295	154	1,080	8,899

Product warranty

A provision is recognised for expected warranty claims on products sold during past periods, based on the past experience of the level of repair and returns. The product warranty is restricted to repair free of charge or, at the discretion of the Group, to replacement of the unit free of charge at the workshop of a Group's competence partner, a specialist workshop authorised by SAF-HOLLAND.

Partial retirement

In Germany, SAF-HOLLAND offers phased retirement plans to its employees taking premature retirement. The model used is the so-called "block model" dividing phased retirement into two employment periods. The first operating phase includes full working hours. In the second phase, the so-called exemption phase, working hours are zero.

Environmental issues

The provisions for environmental issues are set-up for environmental remediation obligations as a result of a past event that are probable and can be estimated reliably.

Workers compensation and health insurance benefits

The company is self-insured for workers compensation and health insurance and has purchased stop-loss coverage in order to limit its exposure to any significant level of claims. Workers compensation and health insurance claims are recognised based on occurred claims. The Group estimates the aggregate liability for these claims using its historical experience.

21 INTEREST BEARING LOANS AND BORROWINGS

k €	Non-current		Current		Total	
	12/31/07	12/31/06	12/31/07	12/31/06	12/31/07	12/31/06
Interest bearing collateralised loans	261,111	279,757	1,528	0	262,639	279,757
Bank overdraft	0	0	99	463	99	463
Other loans	182	190	0	1,860	182	2,050
Total	261,293	279,947	1,627	2,323	262,920	282,270

In connection with the acquisition of the Holland Group in December 2006, the Group entered into a multi-tranche senior facilities agreement ("SFA") dated November 30, 2006. The SFA includes two Euro tranches ("Facility B1" and "Facility C1") and two US Dollar tranches ("Facility B2" and "Facility C2") as well as a revolving facility tranche, as illustrated below:

k €	Amount drawn under the term loans		Face value after deducting incidental financing costs		Available facility	
	12/31/07	12/31/06	12/31/07	12/31/06	12/31/07	12/31/06
Facility B1	63,554	67,000	63,554	63,138	67,000	67,000
Facility B2 (USD-Loan)	69,005	81,154	69,005	79,098	72,748	81,154
Facility C1	63,147	64,273	63,147	65,229	67,000	67,000
Facility C2 (USD-Loan)	65,405	74,265	65,405	72,292	72,748	81,154
Revolving facility	1,528	0	1,528	0	25,000	25,000
Total	262,639	286,692	262,639	279,757	304,496	321,308

Term, availability, and repayments

The B facilities each have a term of eight years. The C facilities each have a term of nine years. All term loans are each to be repaid in two equal instalments, the B1 and B2 facility loans in June 2014 and December 2014, and the C1 and C2 facility loans in June 2015 and December 2015. The revolving facility has a term of seven years and is available for advances until November 2013.

The interest rates for the facilities in 2007 are based on EURIBOR or LIBOR, plus any mandatory costs and a margin of 2.25 % (12/31/06: 2.25 %) (for the revolving facility), 2.25 % (12/31/06: 2.5 %) (for facility B1 and facility B2), or, respectively, 2.75 % (12/31/06: 3.0 %) (for facility C1 and facility C2) per annum, subject to a customary margin adjustment dependent on the total net debt cover for the relevant interest period. The decline in margins mainly results from repayments of interest bearing collateralised loans after the IPO in the amount of kEUR 9,875.

The Group has to comply with certain financial covenants relating to the adherence to specific financial ratios. These ratios comprise EBITDA, interests, cash flows, net debts, and capital expenditures. The covenants shall remain in force from the date of the financing agreement for so long as any amount is outstanding or any commitment is in force.

The Company's credit facilities and loans are secured as follows:

- Pledge of the shares in SAF-HOLLAND GROUP GmbH (RM 2549 Vermögensverwaltungs GmbH), SAF-HOLLAND TECHNOLOGIES GmbH (RM 2550 Vermögensverwaltungs GmbH), and SAF-HOLLAND GmbH (Otto Sauer Achsenfabrik GmbH)
- Pledge of the shares in SAF-HOLLAND Holdings (USA) Inc., SAF-HOLLAND Inc. (formerly The Holland Group Inc.)
- Assignment of the borrowers' present and future trade receivables
- Assignment of all present and future licensing rights, patents, trademarks, or other industrial rights
- Pledge of the current and future assets of SAF-HOLLAND GmbH as collateral
- Pledge of the current and future assets of SAF-HOLLAND Holdings (USA) Inc. as collateral
- Pledge of bank accounts
- First-ranking land charges totaling EUR 34.1 million on the business of properties
- Pledge of claims from the profit and loss transfer agreements

In February 2008, the Group entered into a new credit agreement. Further details are given in Notes 26 and 35.

22 FINANCE LEASE LIABILITIES

The Group is leasing various items of machinery and equipment (such as driverless transportation systems and forklifts).

Based on the terms and conditions with respect to the length of the leasing periods and the salvage values granted in the respective lease agreements, these leases are classified as finance leases.

Future minimum lease payments under these finance leases with the present value of the net minimum lease payments are as follows:

	12/31/07		12/31/06	
Minimum lease payments in k €	Lease payments	Present value including initial payments and residual values	Lease payments	Present value including initial payments and residual values
Within one year	496	443	502	466
After one year but not more than five years	791	821	856	876
More than five years	0	0	19	22
Total	1,287	1,264	1,377	1,364

k €	12/31/07	12/31/06
Present value of minimum lease payments in total	1,264	1,364
Present value of initial payments	-209	-209
Present value of residual values	-267	-267
Present value of minimum lease payments excluding initial payments and residual values	788	888
Interest portion	499	489
Lease instalments payable	1,287	1,377
Lease payments of the year	583	428

23 INCOME TAX LIABILITIES

Income tax liabilities consist of corporate income tax plus solidarity surcharge thereon amounting to kEUR 3,063 (12/31/06: kEUR 2,310) and trade income tax amounting to kEUR 3,859 (12/31/06: kEUR 2,203).

24 TRADE AND OTHER PAYABLES

The trade payables as well as other payables recognised at the reporting date are non-interest bearing and are normally settled within two to six months. Therefore their fair value equals their book values. During the reporting period and at the reporting date, the Group was not in default of any payables.

25 OTHER LIABILITIES

Other liabilities are non-interest bearing. The other liabilities mainly encompass other taxes. The non-current portion amounts to kEUR 237 (12/31/06: kEUR 227) for anniversary obligations.

26 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying amounts, amounts recognised, and fair values by category

k €	Category in accordance with IAS 39	Carrying amount 12/31/07	Amounts recognised in balance sheet according to IAS 39		Fair value recognised in profit or loss	Amounts recognised in balance sheet according to IAS 17	Fair Value 12/31/07
			Amortised cost/cost	Fair value recognised in equity			
Assets							
Cash and cash equivalents	LaR	27,757	27,757				27,757
Trade receivables	LaR	86,191	86,191				86,191
Other financial assets	AfS	405	405				405
Derivative financial assets							
Derivatives with a hedging relationship	n.a.	1,269		1,269			1,269
Liabilities							
Trade and other payables	FLAC	90,877	90,877				90,877
Interest bearing loans and borrowings	FLAC	262,920	262,920				281,087
Finance lease liabilities	n.a.	1,264				1,264	1,312
Other financial liabilities							
Derivates without a hedging relationship	FLHfT	1,390			1,390		1,390
Derivates with a hedging relationship	n.a.	1,518		1,518			1,518
Of which: aggregated by category in accordance with IAS 39:							
Loans and Receivables (LaR)		113,948	113,948				113,948
Available-for-Sale Financial Assets (AfS)		405	405				405
Financial Liabilities Measured at Amortised Cost (FLAC)		353,797	353,797				371,964
Financial Liabilities Held for Trading (FLHfT)		1,390			1,390		1,390

Cash and cash equivalents and trade and other receivables mainly have short times to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values.

Trade and other payables generally have short times to maturity; the values reported approximate the fair values.

The fair values of interest bearing loans and borrowings and finance lease liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and a credit spread curve for specific currencies. The increased fair value of interest bearing loans and borrowings in 2007 results from a strong enhancement of the Group's credit rating (see also Note 35).

k €	Category in accordance with IAS 39	Carrying amount 12/31/06	Amounts recognised in balance sheet according to IAS 39		Fair value recognised in profit or loss	Amounts recognised in balance sheet according to IAS 17	Fair Value 12/31/06
			Amortised cost/cost	Fair value recognised in equity			
Assets							
Cash and cash equivalents	LaR	21,938	21,938				21,938
Trade receivables	LaR	90,597	90,597				90,597
Other financial assets	AfS	3,813	3,813				3,813
Derivative financial assets							
Derivatives without a hedging relationship	FAHfT	139			139		139
Liabilities							
Trade and other payables	FLAC	89,517	89,517				89,517
Interest bearing loans and borrowings	FLAC	282,270	282,270				282,270
Interest bearing loans and other financial liabilities from shareholders	FLAC	60,664	60,664				60,664
Finance lease liabilities	n.a.	1,364				1,364	1,598
Of which: aggregated by category in accordance with IAS 39:							
Loans and Receivables (LaR)		112,535	112,535				112,535
Available-for-Sale Financial Assets (AfS)		3,813	3,813				3,813
Financial Assets Held for Trading (FAHfT)		139			139		139
Financial Liabilities Measured at Amortised Cost (FLAC)		432,451	432,451				432,451

Net gain/loss by category

k €	From interest	From subsequent measurement		From derecognition	Net gain/loss 2007
		At fair value	Impairment/reversal of impairment		
Loans and Receivables	326		-246		80
Financial Assets Held for Trading				512	512
Financial Liabilities Measured at Amortised Cost	-32,780				-32,780
Financial Liabilities Held for Trading		-233			-233
Total	-32,454	-233	-246	512	-32,421

k €	From interest	From subsequent measurement		From derecognition	Net gain/loss 2006
		At fair value	Impairment/reversal of impairment		
Loans and Receivables	546		-146		400
Financial Assets Held for Trading		139			139
Financial Liabilities Measured at Amortised Cost	-14,758				-14,758
Financial Liabilities Held for Trading					
Total	-14,212	139	-146		-14,219

The components of net gain/loss are recognised in finance income/expenses, except for impairments/reversal of impairments of trade receivables that are classified as "loans and receivables" which are reported under cost of sales.

Interest expenses from financial liabilities measured at amortised cost primarily consist of interest expense on interest bearing collateralised loans.

Financial liabilities

k €	12/31/07			
	Total	due within 1 year	due > 1 year < 5 years	due > 5 years
Interest bearing loans and borrowings ¹⁾	262,920	262,920		
Finance lease liabilities	1,264	443	821	
Derivative financial liabilities				
Derivates without a hedging relationship	1,390		1,390	
Derivates with a hedging relationship	1,518		1,518	
Financial liabilities	267,092	263,363	3,729	0

1) Due to the refinancing of the current interest bearing loans and borrowings in 2008, the full amount has to be repaid in 2008. Nevertheless, the existing loan facility is classified as non-current liability due to the refinancing arranged in February 2008 as described in Note 35. The expected maturity of the new loan provided in 2008 is: due within one year kEUR 5,569, due between one and five years kEUR 44,554, and due after five years kEUR 274,144.

k €	12/31/06			
	Total	due within 1 year	due > 1 year < 5 years	due > 5 years
Interest bearing loans and borrowings	282,270	2,323		279,947
Interest bearing loans and other financial liabilities from shareholders	60,664		60,664	
Finance lease liabilities	1,364	466	876	22
Financial liabilities	344,298	2,789	61,540	279,969

The following tables show contractually agreed (undiscounted) interest payments and repayments of the non-derivative financial liabilities and the derivatives with positive and negative fair values:

k €	Cash flows 2008			Cash flows 2009		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest bearing loans and borrowings	-1,089	-1,961	-262,920			
Finance lease liabilities	-79		-364	-47		-392
Derivative financial liabilities						
Derivates without a hedging relationship						
Derivates with a hedging relationship		-1,480			-1,480	
Derivative financial assets						
Derivates with a hedging relationship		253			253	

k €	Cash flows 2010–2012			Cash flows 2013–17		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest bearing loans and borrowings						
Finance lease liabilities	-24		-358			
Derivative financial liabilities						
Derivates without a hedging relationship		-1,390				
Derivates with a hedging relationship		-1,480				
Derivative financial assets						
Derivates with a hedging relationship		253				

The above-shown table does not include future interest payments and repayments for the refinancing arranged in February 2008 as described in Note 35.

All instruments held at December 31, 2007 and for which payments were already contractually agreed were included. Planning data for future, new liabilities is not included. Amounts in foreign currency were each translated at the closing rate at the reporting date. The variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before December 31, 2007. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

27 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders of the parent by the average number of shares outstanding during the year. This figure may become diluted by potential shares (primarily CPECs). When determining diluted earnings per share, CPECs are taken into account if they have a diluting effect.

The SAF-HOLLAND S.A. began trading in 2007 on the Prime Standard of the Frankfurt Stock Exchange on July 26. In preparation of the IPO, a shareholder resolution from June 18, 2007 decided to split the 109,739 ordinary shares of the Company with a par value of EUR 1.25 each into 13,717,375 ordinary shares with a par value of EUR 0.01 each. Furthermore, the Company issued 5,120,000 ordinary shares with a par value of EUR 0.01 as determined in the shareholders' resolution from July 25, 2007. The total amount is 18,837,375 ordinary shares with a par value of EUR 0.01 each.

Earnings per share		12/31/07	12/31/06
Profit/loss for the period	k €	11,168	697
Number of shares outstanding (weighted average)	thousands	75,523	90,057
Earnings per share			
Basic	€	0.15	0.008
Diluted	€	0.02	0.002

Diluted earnings per share		12/31/07	12/31/06
Profit of the year (basic)	k €	11,168	697
Dilutive effects on profit (loss)	k €	0	0
Profit of the year (diluted)	k €	11,168	697
Adjusted weighted average number of shares outstanding (basic)	thousands	75,523	90,057
Dilutive potential of ordinary and preferred shares (weighted average)	thousands	23,032	29,842
CPECs (weighted average)	thousands	410,668	228,879
Weighted average number of shares outstanding (diluted)	thousands	509,223	348,778
Diluted earnings per share	€	0.02	0.002

The EPS calculation in accordance with IFRS assumed that the stock split took place already as at January 1, 2007 (likewise for the previous year). Therefore, the prior year calculation of earnings per share was adjusted. The following table explains the EPS calculation for 2007.

Number of shares (weighted average)

	Number	Par value before split (EUR)	Par value after split (EUR)	Number
Number of shares before IPO				
01/01/07–04/19/07				
Ordinary shares	100,688	1.25	0.01	12,586,000
Preferred shares	846,322	1.25	0.01	105,790,250
Total	947,011	1.25	0.01	118,376,250
04/19/07–07/25/07				
Ordinary shares	100,800	1.25	0.01	12,600,000
Preferred shares	846,322	1.25	0.01	105,790,250
Total	947,122	1.25	0.01	118,390,250
Number of shares after IPO				
07/25/07–12/31/07				
Ordinary shares	18,837,375		0.01	
Number of shares (as if stock split since 01/01/07)				
	Par value (EUR)	Number	Days	Value
01/01/07 – 04/19/07	0.01	118,376,250	109	12,903,011,250
04/19/07 – 07/25/07	0.01	118,390,250	96	11,365,464,000
07/25/07 – 12/31/07	0.01	18,837,375	155	2,919,793,125
Total			360	27,188,268,375
Average		75,523,006		

Weighted average number of shares (diluted)

	Number	Par value before split (EUR)	Par value after split (EUR)	Number
01/01/07–04/19/07				
Ordinary shares	8,940	1.25	0.01	1,117,500
Preferred Shares	314,628	1.25	0.01	39,328,500
CPECS	5,754,384	1.25	0.01	719,298,000
Total	6,077,951	1.25	0.01	759,744,000
04/19/07–07/25/07				
Ordinary shares	8,940	1.25	0.01	1,117,500
Preferred Shares	314,628	1.25	0.01	39,328,500
CPECS	5,786,414	1.25	0.01	723,301,750
Total	6,109,981	1.25	0.01	763,747,750

	Par value (EUR)	Number	Days	Value
Ordinary and preferred shares 01/01/07–07/25/07	0.01	40,446,000	205	8,291,430,000
Total ordinary and preferred shares			205	8,291,430,000
Average		40,446,000		
CPECs 01/01/07–04/19/07	0.01	719,298,000	109	78,403,482,000
CPECs 04/19/07–07/25/07	0.01	723,301,750	96	69,436,968,000
Total CPECs			205	147,840,450,000
Average		721,172,927		

	Par value (EUR)	Number	Weighted	Value
Ordinary and preferred shares	0.01	40,446,000	0.569444	23,031,732
CPECs	0.01	721,172,927	0.569444	410,667,917
				433,699,649
Weighted average number of shares outstanding (basic)				75,522,968
Total number (diluted)				509,222,617

28 CASH FLOW STATEMENT

The cash flow statement was prepared in accordance with the principles of IAS 7 and is broken down by cash flows from operating, investing, and financing activities.

Cash flows from operating activities are disclosed using the indirect method; cash flows from investing activities are disclosed using the direct method. The cash flows from investing activities stem from cash flows which are used to generate income in the long-term, generally for more than one year. Cash flows from financing activities are also disclosed using the direct method. These cash flows comprise cash flows from transactions with shareholders and from the raising or redemption of financial liabilities.

29 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into several lease commitments regarding office equipment, computing, motor vehicles, and forklifts. The lease commitments have an average maturity between three and five years and do not include any extension options. Further obligations do not apply to the lessee after termination of these lease commitments.

At the balance sheet date the following future minimum lease commitments exist due to non-cancelable operating lease commitments:

k €	12/31/07	12/31/06
Within one year	1,906	2,080
After one year but not more than five years	2,598	2,969
More than five years	56	95
Total	4,560	5,144
Operate leasing payments in current year	1,760	490

30 RELATED PARTY DISCLOSURES

The financial statements include the financial statements of SAF-HOLLAND S.A., its subsidiaries, associates, and joint ventures listed in the following chart:

Subsidiaries	Country of incorporation	% equity interest
SAF-HOLLAND GROUP GmbH	Germany	100.0
SAF-HOLLAND TECHNOLOGIES GmbH	Germany	100.0
SAF-HOLLAND GmbH	Germany	100.0
SAF-HOLLAND Polska Sp. z o.o.	Poland	100.0
SAF-HOLLAND France SAS	France	100.0
SAF-HOLLAND Austria GmbH	Austria	100.0
SAF-HOLLAND Czechia spol.s.r.o.	Czech Republic	100.0
SAF-HOLLAND Espana S.L.U.	Spain	100.0
SAF-HOLLAND Slovakia s.r.o.	Slovakia	100.0
SAF-HOLLAND Italia s.r.l. unipersonale	Italy	100.0
SAF-HOLLAND Romania SRL	Romania	100.0
SAF-HOLLAND Bulgaria EOOD	Bulgaria	100.0
SAF-HOLLAND do Brazil Ltda.	Brazil	100.0
SAF-HOLLAND Holdings (USA) Inc.	USA	100.0
SAF-HOLLAND Inc.	USA	100.0
SAF-HOLLAND USA Inc.	USA	100.0
SAF-HOLLAND Canada Ltd.	Canada	100.0
SAF-HOLLAND Equipment Ltd.	Canada	100.0
SAF-HOLLAND International Inc.	USA	100.0
Holland Pacific Investment Inc.	USA	100.0
SAF-HOLLAND (Aust.) Pty. Ltd.	Australia	100.0
SAF-HOLLAND (Malaysia) SDN. BHD	Malaysia	100.0
SAF-HOLLAND (Thailand) Co. Ltd.	Thailand	100.0
Holland Europe GmbH	Germany	100.0
Holland Eurohitch Ltd.	UK	100.0
SAF-HOLLAND International de Mexico S. de R.L. de C.V.	Mexico	100.0
SAF-HOLLAND International Services Mexico S. de R.L. de C.V.	Mexico	100.0
SAF-HOLLAND Hong Kong Ltd.	Hong Kong	100.0
QSI Air Ltd.	USA	100.0

Associates/Joint ventures	Country of incorporation	% equity interest
SAF AL-KO Vehicle Technology Yantai Co., Ltd.	China	49.0
Jinan SAF AL-KO Axle Co., Ltd.	China	48.5
SAF-HOLLAND Nippon, Ltd.	Japan	50.0
Lakeshore Air LLP	USA	50.0
FWI S.A.	France	34.1
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.	India	50.0

Composition of key management personnel:

The table below sets forth the principal executive and non-executive officers as key management of all SAF-HOLLAND S.A. operating subsidiaries as of balance sheet date:

Name	Position
Management Board	
Rudi Ludwig	Chief Executive Officer
Wilfried Trepels	Chief Financial Officer
Samuel Martin	Chief Operating Officer
Detlef Borghardt	Head of Trailer Systems Business Unit
Steffen Schewerda	Head of Group Operations
Jack Gisinger	Head of Powered Vehicle Systems Business Unit
Tim Hemingway	Head of Aftermarket Business Unit
Board of Directors	
Dr. Rolf Bartke	Member of the Board of Directors, Chairman
Ulrich Otto Sauer	Member of the Board of Directors, Vice Chairman
Dr. Siegfried Goll	Member of the Board of Directors
Rudi Ludwig	Member of the Board of Directors
Richard W. Muzzy	Member of the Board of Directors
Gerhard Rieck	Member of the Board of Directors
Bernhard Schneider	Member of the Board of Directors
Martin Schwab	Member of the Board of Directors

The voting period and further functions of the members of the Board of Directors and the Management Board are given on page 148 of this annual report.

According to a shareholders' agreement from March 29, 2006, certain managing directors of SAF-HOLLAND GmbH, which are also key management personnel of SAF-HOLLAND Group GmbH, the key operating subsidiary of SAF-HOLLAND S.A., received 10,000 ordinary shares and 351,920 preferred shares with a par value of EUR 1.25 per share in SAF-HOLLAND S.A. from the other shareholders at that time without paying any cash consideration in exchange. These shares were granted due to the limitation within the shareholder's agree-

ment with regard to the leaver condition. Based on the terms and conditions set out in the shareholders' agreement these shares were classified as equity-settled share-based payments with an estimated vesting period of three years. The fair value of these instruments at grant date was estimated using a binomial pricing model, taking into account the terms and conditions upon which the instruments were granted. The total fair value of these instruments at grant date amounted to kEUR 452.

In the period from January 1, 2007 to December 31, 2007, expenses arising from these equity-settled share-based payments granted to key management personnel amount to kEUR 338 (2006: 114 kEUR). In connection with the IPO, the plan was dissolved affecting the net income.

As of December 31, 2007, ordinary shares amounting to kEUR 39 were held directly or indirectly by the key management. However, due to the proceeded IPO, preferred shares and preferred equity certificates were reimbursed to the management as determined in the shareholders' resolution in July 2007.

Due to the shareholders' agreement dated March 29, 2006, selected Managing Directors were entitled and obliged to acquire 8,940 ordinary shares and 314,628 preferred shares at EUR 1.25 per share like the other shareholders. According to the regulations in the shareholders' agreement, these shares show terms and conditions comparable to the above-described shares which have been acquired without paying any cash consideration. A valuation at grant date with a binomial model resulted in a fair value of zero for these instruments, so that no personnel expenses have to be considered for these instruments.

In the case of preferred shares, Mr. Sauer and the managers were obligated to exercise their voting right as dictated by the Fund. If this obligation is not met, Pamplona has a call option on these shares.

Total remuneration of the members of the Management Board for the fiscal year amounted to kEUR 1,693 (12/31/06: kEUR 1,867). Furthermore, there are no further stock option plans, long-term benefits, or other compensations. The total remunerations of Board of Directors amounted to kEUR 217 (12/31/06: kEUR 0) and were accrued as a liability.

The table below shows the ordinary shares, preferred shares, CPECs, and PECs:

As at December 31, 2007:

k €	Ordinary shares	Preferred shares	CPECs	PECs	Total
Pamplona Capital Partners I, LP	65	0	0	0	65
Holland HoldCo, LLC	10	0	0	0	10
Members of the Board of Directors	18	0	0	0	18
Members of the Management Board	21	0	0	0	21
Free float	74	0	0	0	74
	188	0	0	0	188

As at December 31, 2006:

k €	Ordinary shares	Preferred shares	CPECs	PECs	Total
Pamplona Capital Partners I, LP	84	0	2,948	33,514	36,546
Holland HoldCo, LLC	12	0	4,225	4,552	8,789
Holland HoldCo #2, LLC	0	0	20	22	42
Members of the Board of Directors	18	618	0	7,026	7,662
Members of the Management Board	23	833	0	3,981	4,837
	137	1,451	7,193	49,095	57,876

k €	01/01/07–12/31/07	12/21/05–12/31/06
Interest on PECs for members of the Management Board	246	305
Interest on PECs for members of the Board of Directors	436	539

The interest on PECs for the management was accrued as liability in the previous period and already paid in 2007 in connection with the repayment of PECs.

Shareholders with a significant influence over the Group:

- Pamplona Capital Partners I, LP
- Ulrich Otto Sauer

Pamplona received fees in the aggregate amount of EUR 1.5 million for advisory service relating to the IPO. As part of the acquisition of SAF-HOLLAND GmbH, in fiscal year 2006 SAF-HOLLAND Technologies GmbH paid Pamplona Capital Management, LLP ("Pamplona") advisory fees in the aggregate amount of EUR 1.9 million. As part of the acquisition of SAF-HOLLAND Inc. in 2006, SAF-HOLLAND Holdings (USA) Inc. paid Pamplona advisory fees in the aggregate amount EUR 3 million.

Ulrich Otto Sauer, member of the Board of Directors, provides certain business consultancy services to SAF-HOLLAND GmbH. The annual guaranteed minimum fee amounts to kEUR 150 (12/31/06: kEUR 150). The underlying consultancy agreement became effective on March 1, 2004 and has a fixed term until April 30, 2009. In addition, there exist three tenancy agreements between the Group and Ulrich Otto Sauer amounting to kEUR 24 (12/31/06: kEUR 24) per annum for the tenancy of office and archive space.

Richard Muzzy, member of the Board of Directors, provides certain business consultancy services to SAF-HOLLAND Inc. The annual fee amounts to kUSD 140 (12/31/06: kUSD 140). The agreement became effective on December 18, 2006 and has a minimum fixed term until December 18, 2008.

Transactions with related parties:

As at December 31, 2007:

k €	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Jinan SAF AL-KO Axle Co. Ltd.	798	1,152	562	167
SAF AL-KO Vehicle Technology Yantai Co. Ltd.	24	257	368	163
SAF-HOLLAND Nippon Ltd.	100	0	8	0
Lakeshore Air LLP	517	529	0	49
FWI S.A.	0	24,042	0	325
	1,439	25,980	938	704

As at December 31, 2006:

k €	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Jinan SAF AL-KO Axle Co. Ltd.	173	0	130	0
SAF AL-KO Vehicle Technology Yantai Co. Ltd.	64	0	343	0
SAF-HOLLAND Nippon Ltd.	0	0	5	191
Lakeshore Air LLP	0	0	0	65
FWI S.A.	0	46	0	1,160
	237	46	478	1,416

Transactions with companies in which the key management personnel of the Group has a key management position:

As at December 31, 2007:

k €	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Irwin Seating Company	1,564	0	240	0
	1,564	0	240	0

As at December 31, 2006:

k €	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Irwin Seating Company	0	0	111	0
	0	0	111	0

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2007 (also for 2006), the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

31 DIVIDENDS PAID AND PROPOSED

In fiscal year 2007, no dividend was paid to the shareholders.

k €	2007	2006
Proposed for approval at Annual General Meeting (not recognised as a liability as at December 31, 2007):		
Equity dividends on ordinary shares		
Final dividend for 2007: 42.47 Euro cent per share		
(2006: 0.00 Euro cent per share)	8,000	0

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed in particular to risks from movements in exchange rates, interest rates, and market prices that affect its assets, liabilities, and forecasted transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities. Selected derivative and non-derivative hedging instruments are used for this purpose, depending on the risk assessment. Derivatives are exclusively used as hedging instruments, i.e. not for trading or other speculative purposes.

Currency risk

The Group is exposed to currency risks from its investing, financing, and operating activities. The individual Group entities predominantly execute their operating activities in their respective functional currencies. Therefore, the assessment of the Group's exchange rate risk from ongoing operations is low. Some Group entities, however, are exposed to foreign-currency risks in connection with scheduled payments in currencies that are not their functional currency. Foreign-currency risks that do not influence the Group's cash flows (i.e. the risks resulting from the translation of assets and liabilities of foreign operations into the Group's reporting currency) are generally not hedged, however.

Foreign-currency risks in the area of investment result, for example, from the acquisition and disposal of investments in foreign companies.

Foreign-currency risks in the financing area are caused by financial liabilities in foreign currencies and loans in foreign currencies that are extended to Group entities for financing purposes. The Group entities did not enter significant loans in currencies that are not their functional currency.

Liquidity risk

A liquidity reserve in forms of credit lines and, where necessary cash is maintained to guarantee the solvency and financial flexibility of the Group at all times. Further details are given in Note 21. In the fiscal year 2008, we will furthermore improve our liquidity situation and at the same time decrease the financial strain caused by credit interest by implementing a worldwide cash-pooling system.

Interest rate risk

Due to its financing activities, the Group has an interest rate risk. Changes in interest rates may have an effect on the interest payable cash flows. To hedge this cash flow risk, the Group holds swaps with a downward participating feature to transform some of the variable cash flows into fixed cash flows respectively to fix a maximum interest rate. Further, the Group has the risk that the fair value of its financial liabilities changes due to changes in interest rates. This risk is not hedged by derivatives, but due to the fact that the Company does not plan to settle its liabilities at market prices there is no economic risk.

To hedge the cash flow risk of variable interest bearing collateralised loans, the Group used in the past two interest rate swaps denominated in EUR in the 2006 financial statements. The changes in the cash flows of the hedged items resulting from changes in the EURIBOR swap rate are offset against the changes in the cash flows of the interest rate swaps. The aim of this hedging was to transform the variable interest bearing collateralised loans into fixed-income debt, thus hedging the cash flows of the financial liabilities. At December 31, 2006 the Group held swaps with a face value of EUR 99,801,740 and a fair value of EUR 138,621, which are recorded in financial assets.

Since the criteria for hedge accounting were not fulfilled in 2006, any gains or losses arising from changes in fair value on derivatives during the year 2006 were taken directly to the income statement.

In 2007, in accordance with the risk strategy of SAF-HOLLAND S.A. for the first time cash flow hedges between variable yield loans and interest rate swaps were made, totalling a nominal amount of EUR 107 million respectively USD 137 million. The variable aspect of the swaps as well as the variable yield of loans are linked to the three months EURIBOR respectively three months USD LIBOR. Due to interest rate swaps, the variable yield loans could be transformed cost-effectively to fixed interest bearing loans with a nominal interest rate of 3.9% respectively 4.69%. The swaps reduced their nominal amounts gradually. The coupon due date of the swaps and of the loans are conform. For the prospective efficiency test, a critical term match was conducted. In line with the retrospective test, the hypothetical derivative method was used. In the reporting period, the change in value of swaps amounting to

kEUR -889 was recorded not affecting the net income. The recording of inefficiency of profit and loss statement was not required in the financial year. As the inflow of all secured payments continues to be expected, the hedging measures will be sustained in the following year. Correspondingly, none of the equity amounts have to be reclassified in the profit and loss statement. The interest payments of swaps are shown in the interest income along with interest payments of loans.

The following table shows the contractual maturities of the interest rate swaps:

Start	End	Nominal volume	Reference rate
March 8, 2007	March 9, 2010	107.3 mEUR to 72.0 mEUR	EURIBOR
March 8, 2007	March 9, 2010	139.4 mUSD to 117.0 mUSD	LIBOR

The following table shows the contractual maturities of the prolongation options for the interest rate swaps:

Start	End	Nominal volume	Reference rate
March 9, 2010	March 9, 2012	68.3 mEUR to 64.5 mEUR	EURIBOR
March 9, 2010	March 9, 2012	112.1 mUSD to 107.3 mUSD	LIBOR

The prolongation options grant the counterparty of the interest rate swap agreement the right to prolongate the interest swap to the period from March 9, 2010 until March 9, 2012.

Credit risk

At the level of operations, the outstanding debts are continuously monitored locally. Credit risks must be taken into account through individual and collective impairments. In addition, the Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The maximum credit risk exposure for financial assets and derivatives are the respective carrying amounts as described in Note 26.

Further significant credit risks do not exist at the balance sheet date.

Measurement of derivative financial instruments

The market values of all derivatives at the balance sheet date are as follows:

k €	12/31/2007		12/31/2006	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	1,269	1,518	139	0
Prolongation option for interest rate swaps	0	1,390	0	0
	1,269	2,908	139	0

33 SENSITIVITY ANALYSIS

Interest rate risk

A significant reason for risk due to market rate fluctuations, to which the Group is exposed to, is a long-term interest bearing loan with a variable interest rate. In order to hedge the interest rate risk, the Group utilises interest rate swaps. With these interest rate swaps, all the underlying obligations are guaranteed.

The Group is exposed to interest rate risk mainly in the Euro zone and in the United States of America.

In accordance with IFRS 7.40, the Group has to disclose all the relevant risks from interest rate fluctuations using a sensitivity analysis. This analysis shows effects from market rates changes influencing interest rate payments, interest income, and interest expenditure. The assumptions and methods of the sensitivity analysis were not changed in comparison to the previous year.

If the market interest rates had been 100 basis points higher (lower) at December 31, 2007, profit or loss would have been kEUR 591 (December 31, 2006: kEUR 670) lower (higher). All other variables are assumed to be constant.

Exchange rate risk

The exchange risks of SAF result from investment activity, financing activity, and operating business of the enterprise in different nations. As a result of the important operating activities of the SAF Group in the USA, changes of the USD/EUR exchange rates could significantly affect the consolidated financial statements of SAF. As all USD denominated borrowings are held by USD functional currency entities, the fluctuations in the USD/EUR exchange rate do not have an impact on the Group's income statement.

Furthermore, the Group is exposed to exchange rate risks from individual transactions. These risks result from transactions of an operating entity of SAF Group into a currency other than the functional currency. Particularly transactions of entities in USD are significant hereby. Therefore, risks from transactions in currencies other than USD can be disregarded.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which SAF-HOLLAND S.A. instruments.

Effects of hypothetical changes in exchange rates on the translation risk do not fall within the scope of IFRS 7.

Therefore, SAF-HOLLAND S.A. is not exposed to material currency risks as defined by IFRS 7.

34 CAPITAL MANAGEMENT

The appearance on capital markets requires a modern capital management, which considers shareholders' needs as well as the requirements of the financing banks. Only if the Group has a healthy capital structure, it will successfully participate in the marketplace in the long run. Capital management has to support this approach.

In addition to the income measures EBIT and EBITDA, the monitoring of the development of net working capital and ROCE (Return on Capital Employed) measuring earnings power is the integral component of controlling and optimisation of the existent capital structure. The target of the company is to cover current capital expenditures, business expansion, scheduled debt redemption, and dividend payments with the operating cash flow.

The financial covenants to be fulfilled within the limits of the existing loan agreement on December 31, 2007 are as follows:

- Total Net Debt Cover (Net Debt divided by Consolidated EBITDA)
- Total Interest Cover (Consolidated EBITDA divided by Net Finance Charges)
- Cash Flow Cover (Consolidated Cash Flow to Net Debt Service)
- Capital Expenditure limits

The Group includes within net debt, interest bearing loans and borrowings, interest bearing loans and other financial liabilities from shareholders, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent.

k €	12/31/07	12/31/06
Interest bearing loans and borrowings	262,920	282,270
Interest bearing loans and other financial liabilities from shareholders	0	60,664
Less cash and cash equivalents	-27,757	-21,938
Net debt	235,163	320,996
Consolidated shareholder's equity of the Group	108,157	9,369
Total capital	108,157	9,369
Capital and net debt	343,320	330,365

35 EVENTS AFTER THE BALANCE SHEET DATE

New financing 2008

On February 19, 2008, SAF-HOLLAND S.A. concluded an agreement with a bank consortium, which replaces the previous LBO financing and assures the Group a supply of short-term and long-term borrowed funds of low interest.

By means of the new consortium agreement, borrowed funds amounting to EUR 325 million will be provided within a period of 5 years. The new financing gives the opportunity of expanding the financial scope of the Group by reducing its financing costs and improving its debt and cash flow profile.

The credit agreement arranges the compliance of certain Group key data (so-called covenants). The interest to be paid will decline if the covenants show favorable development within predefined margins. The revision of the compliance by the Group with the relevant covenants is carried out quarterly. The financial covenants to be fulfilled within the limit of the new loan agreement dated February 19, 2008 are as follows:

- Total Net Debt Cover (Net Debt divided by Adjusted Consolidated EBITDA)
- Total Interest Cover (Adjusted Consolidated EBITDA divided by Net Finance Expenses from Loan and Bankoverdraft)
- Equity Cover (Consolidated Equity divided by Total Assets)

Further consolidations

The integration of the activities of the former SAF and HOLLAND Groups in the UK was completed in 2008. On February 14, 2008, SAF-HOLLAND transferred the business of the former HOLLAND Group, which was handled by an subsidiary, HOLLAND Eurohitch Limited (2007: sales EUR 3.7 million), to Industrial Machinery Supplies Ltd. (IMS). IMS has been a trading partner of the former SAF Group for several years and forms part of a group of companies with an international reputation that has also served SAF-HOLLAND very successfully for many years as a dealer in the Benelux countries.

Luxemburg, March 25, 2008



Dr. Rolf Bartke
Chairman of Board of Directors



Rudi Ludwig
Chief Executive Officer (CEO)

GLOSSARY

AfS	Available-for-Sale Financial Assets
CAD	Canadian dollar (currency of Canada)
CPECs	Convertible preferred equity certificates
Co. Ltd.	Company limited
EPS	Earnings per share
EURIBOR	Euro interbank offered rate
EU	European Union
EUR	Euro (currency in the euro area)
FAHfT	Financial Assets Held for Trading
FASB	Financial Accounting Standard Board
FLAC	Financial Liability Measured at Amortised Cost
FLHfT	Financial Liabilities Held for Trading
FVTPL	Fair Value Through Profit or Loss
Ges.mbh	Limited liability company
GmbH	Limited liability company
IAS	International Accounting Standards (see IFRS)
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Inc.	Incorporation
Int.	International
IPO	Initial public offering
kEUR	Thousand of Euro (European currency unit)
LaR	Loans and Receivables
LIBOR	London interbank offered rate
LLC	Limited liability company
LLP	Limited liability partnership
LP	Limited partnership
Ltd.	Private company limited by shares
OEM	Original equipment manufacturer
OES	Original equipment supplier
p.a.	Per annum
PECs	Preferred equity certificates
Pty. Ltd.	Proprietary limited company
S.A.	Société anonyme
SAS	Société par Actions Simplifiée
s.r.l.	Società a Responsabilità Limitata
s.r.o.	Spolnost's ru ením obmedzeným
Sp. z o.o.	Spółka z ograniczon odpowiedzialności
UK	United Kingdom
US	United States
USA	United States of America
USD	United States dollar (currency in the USA)
WACC	Weighted average cost of capital

Independent Auditor's Report

To the shareholders of
SAF-HOLLAND S.A.
Société Anonyme
68-70, Boulevard de la Pétrusse
L-2320 Luxembourg

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Following our appointment by the General Meeting of the Shareholders dated June 18, 2007, we have audited the accompanying consolidated financial statements of SAF-HOLLAND S.A., which comprise the consolidated balance sheet as at December 31, 2007 and the consolidated income statement, consolidated statement of changes in equity, and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of SAF-HOLLAND S.A. as of December 31, 2007 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises



Thierry BERTRAND

March 25, 2008

Responsibility Statement

Statement as required by Section 37y No. 1 of the German Securities Trading Act (WpHG) in conjunction with Section 297 Para. 2 Sentence 3 and Section 315 Para. 1 Sentence 6 of the German Commercial Code (HGB)

"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 assets, liabilities, financial position, and profit or loss 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."

Luxemburg, March 25, 2008



Dr. Rolf Bartke
Chairman of Board of Directors



Rudi Ludwig
Chief Executive Officer (CEO)

Mandates of the Board of Directors/Management Board

Dr. Rolf Bartke

(election date: June 18, 2007; term of office: 4 years)

Chairman of Board of Directors, SAF-HOLLAND S.A.

Chairman of Board of Directors, KUKA AG

Member Board of Directors, EADS NV

Vice Chairman of Board of Directors, SFC Smart Fuel Cell AG

Chairman of Board of Directors, Keiper-Recaro-Group

Member Board of Directors, J&R Carter Partnership Foundation

Member Board of Directors, SORTIMO North America Inc.

Ulrich Otto Sauer

(election date: June 18, 2007; term of office: 3 years)

Vice Chairman of Board of Directors, SAF-HOLLAND S.A.

Chairman of Board of Directors, SAF-HOLLAND GmbH

Managing Director, ASAF Verwaltungs GmbH

Dr. Siegfried Goll

(election date: June 18, 2007; term of office: 3 years)

Member Board of Directors, SAF-HOLLAND S.A.

Vice Chairman of Board of Directors, Rohwedder AG

Member Advisory Board, VOSS Holding GmbH & Co. KG

Member Board of Directors, Witzenmann GmbH

Rudi Ludwig

(election date: June 18, 2007; term of office: 3 years)

Member Board of Directors, SAF-HOLLAND S.A.

Chief Executive Officer, SAF-HOLLAND GROUP GmbH

Managing Director, Luruna GmbH

Richard W. Muzzy

(election date: June 18, 2007; term of office: 2 years)

Member Board of Directors, SAF-HOLLAND S.A.

Member Board of Directors, Besser Company

Member Board of Directors, Paragon Tool & Die

Member Board of Directors, Irwin Seating

Gerhard Rieck

(election date: June 18, 2007; term of office: 4 years)

Member Board of Directors, SAF-HOLLAND S.A.

Member Board of Directors, VOSS Automotive GmbH

Member Board of Directors, KNORR-BREMSE Systeme für Nutzfahrzeuge GmbH

Management Board, REACT GmbH - engineering and consulting - Ingenieure Rieck & Partner

Bernhard Schneider

(election date: June 18, 2007; term of office: 4 years)

Member Board of Directors, SAF-HOLLAND S.A.

Member Advisory Board, IPA-plus (Österreich) Vermittlung für Fernsehwerbung m.b.H.

Management Board, Mediaprint Zeitungs- und Zeitschriftenverlag GmbH

Management Board, Krone Media Beteiligungsgesellschaft m.b.H.

Management Board, Krone Media Aktiv Gesellschaft m.b.H.

Management Board, Krone Hit Radio Medienunternehmen Betriebs- und Beteiligungsgesellschaft m.b.H.

Martin Schwab

(election date: June 18, 2007; term of office: 2 years)

Member Board of Directors, SAF-HOLLAND S.A.

Detlef Borghardt

Managing Director, SAF-HOLLAND GROUP GmbH

Managing Director, D+MB GmbH

Jack Gisinger

Managing Director, SAF-HOLLAND GROUP GmbH

Tim Hemingway

Managing Director, SAF-HOLLAND GROUP GmbH

Sam Martin

Managing Director, SAF-HOLLAND GROUP GmbH

Steffen Schewerda

Managing Director, SAF-HOLLAND GROUP GmbH

Managing Director, EGAL GmbH

Wilfried Trepels

Managing Director, SAF-HOLLAND GROUP GmbH

Member of the Board of Directors, VBM and BayMe

Managing Director, Via Montana GmbH

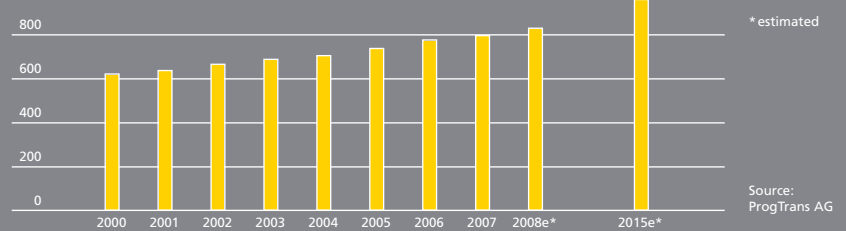


Complex supplier networks live on a constant flow of goods.

More and more borders are opening up in Europe, paving the way for a fast exchange of goods and services. With the integration of new EU members, the demand for efficient transportation systems is increasing.



Freight transportation by road in the 12 new EU members Growth in billion vehicle kilometers (vkm)



Members of the Management Board



Rudi Ludwig

Chief Executive Officer (CEO)

Rudi Ludwig was appointed Chief Executive Officer on June 20, 2007 and appointed to our Board of Directors on June 18, 2007. Mr. Ludwig joined our Company in 2003 as Chief Executive Officer and head of the Management Board for SAF. Between 1992 and 2003, Mr. Ludwig served as a member of the management board of Behr GmbH. Prior to joining Behr, Mr. Ludwig worked for Henkel KGaA and Knorr Bremse AG. Mr. Ludwig studied at Karlsruhe University of Applied Sciences and holds a Dipl. Wirtsch.-Ing. degree from Karlsruhe University. In addition, Mr. Ludwig holds a Dipl. Kfm. degree from the Freie Universität Berlin.



Sam Martin

Chief Operating Officer (COO)

Sam Martin was appointed Chief Operating Officer on June 20, 2007. Martin joined our company in 1974, and since that time he has held the positions of Metallurgical Engineer, Acting Chief Engineer, Vice President Engineering, Executive Vice President Engineering, Executive Vice President, and President and Chief Administrative Officer of the Holland Group. Prior to joining Holland, Martin worked as a Supervisor of the Materials Laboratory for FMC Corp. in Cedar Rapids, Iowa. Martin holds a B.S. from Lafayette College and is Ph.D. in metallurgical engineering from Ohio State University.



Wilfried Trepels

Chief Financial Officer (CFO)

Wilfried Trepels was appointed Chief Financial Officer on June 20, 2007. Mr. Trepels joined our Company in 2005 as Chief Financial Officer of SAF. From 2001 to 2005, Mr. Trepels was a member of the management board of Dürr Systems GmbH, a division of Dürr AG, and from 1998 to 2001, he was a member of the management board of Schenck Process GmbH, a division of Dürr AG. He has also worked for Dürkopp Adler AG as Director of Finance and Accounting. Mr. Trepels holds a Dipl. Kfm. degree in business administration from the University of Aachen.



Detlef Borghardt

Head of Trailer Systems Business Unit

Detlef Borghardt was appointed Head of Trailer Systems Business Unit on June 20, 2007. Mr. Borghardt joined our Company in 2000 as Head of Sales, Services and Marketing for SAF. Before joining SAF, Mr. Borghardt held various leadership positions with Alusuisse-Lonza in Singen, Germany, including: Director of Marketing, Sales, and Engineering; Sales Manager-Extruded Products; Team Leader of Sales Traffic Engineering and Applications; and Product Development Engineer. Mr. Borghardt is a certified engineer and holds a Dipl. Ing. in vehicle design from the University of Applied Sciences in Hamburg.



Jack Gisinger

Head of Powered Vehicle Systems Business Unit

Jack Gisinger was appointed Head of Powered Vehicle Systems Business Unit and Head of Group Engineering on June 20, 2007. Mr. Gisinger joined our company in 1980 and has served as Vice President of Engineering for the Holland Group since 2000. He previously held various Engineering and Management positions, including General Manager of Holland's European operations. Mr. Gisinger holds a B.S. in aeronautical engineering from the University of Illinois and a M.S. in mechanical engineering from the University of Michigan. He is a Registered Professional Engineer in Michigan.



Tim Hemingway

Head of Aftermarket Business Unit

Tim Hemingway was appointed Head of Aftermarket Business Unit on June 20, 2007. Mr. Hemingway joined our company in 1977 and has served as President of Holland USA since 1991. He previously held the positions of Vice President and General Manager of both the Holland Texas and Holland Michigan locations as well as Vice President of Holland International. Mr. Hemingway holds a BSBA from Babson College and a MBA in finance from Suffolk University.



Steffen Schewerda

Head of Group Operations

Steffen Schewerda was appointed Head of Group Operations on June 20, 2007. Mr. Schewerda joined SAF in 1997 and has served for our Company as head of material management, logistics, and production at our facility in Keilberg, Germany and was given additional responsibility for production and industrial engineering in 2003. Before, he worked for SAF in procurement, logistics, and projects. Mr. Schewerda studied engineering at the University of Aachen and holds a Dipl. Ing. degree. He holds a MBA from the University of Augsburg and a MBA from the University of Pittsburgh.

Financial Glossary

Cash flow: Reflects payment flows during a given period, provides information on the source and use of funds, and is an indicator of a company's ability to finance itself.

Cash pooling: Controlling of cash and cash equivalents across the enterprise. Serves to ensure optimal use of funding and improves the financial result.

EBIT: Earnings before interest and taxes

EBIT (adjusted): EBIT without special factors such as transaction and integration costs (calculation on page 46)

EBITDA: Earnings before interest, taxes, depreciation, and amortisation

EBITDA (adjusted): EBITDA without special factors

Goodwill: A company's goodwill is defined as the difference between the purchase price of a company and its net asset value.

Gross margin: $\text{Gross profit/sales} \times 100\%$

Gross profit: Sales minus cost of sales

Impairment test: A test to determine whether the values of intangible assets shown in the balance sheet tally with their actual value

Inventory turnover rate: $\text{Inventories/cost of sales} \times 365 \text{ days}$

IPO: Initial public offering, going public with a capital increase

Net profit for the year (adjusted): Net profit for the year without special factors and based on a uniform tax ratio (calculation on page 46)

Net working capital: Current assets minus cash and cash equivalents minus non-interest-bearing liabilities

PPA: Purchase price allocation. During the acquisition of the SAF Group and the Holland Group, undisclosed reserves were revealed that resulted from the difference between the book values of the business units acquired and the purchase prices paid for them. This leads to write-downs for which adjustments must be made in determining result factors such as EBIT. In the case of an indefinite useful life, as with goodwill, an impairment test must be carried out to check the value.

ROCE: Return on capital employed. $\text{EBIT minus tax expense} / \text{fixed assets minus deferred tax liabilities plus net working capital} \times 100 \%$

ROI: Return on investment, indicates the point at which the earnings from an investment exceed the expense.

Tax ratio: $\text{Tax expenses} / \text{earnings before taxes} \times 100 \%$

Value in use: Corresponds to the cash value of the cash flow anticipated from an asset item.

Technical Glossary

Fifth Wheel

Mounts on the tractor and serves to secure the semi-trailer to the tractor unit by coupling to the trailer kingpin. In addition to its classic products, SAF-HOLLAND manufactures technical specialties such as a lubricant-free fifth wheel or especially lightweight aluminium designs.

Suspension

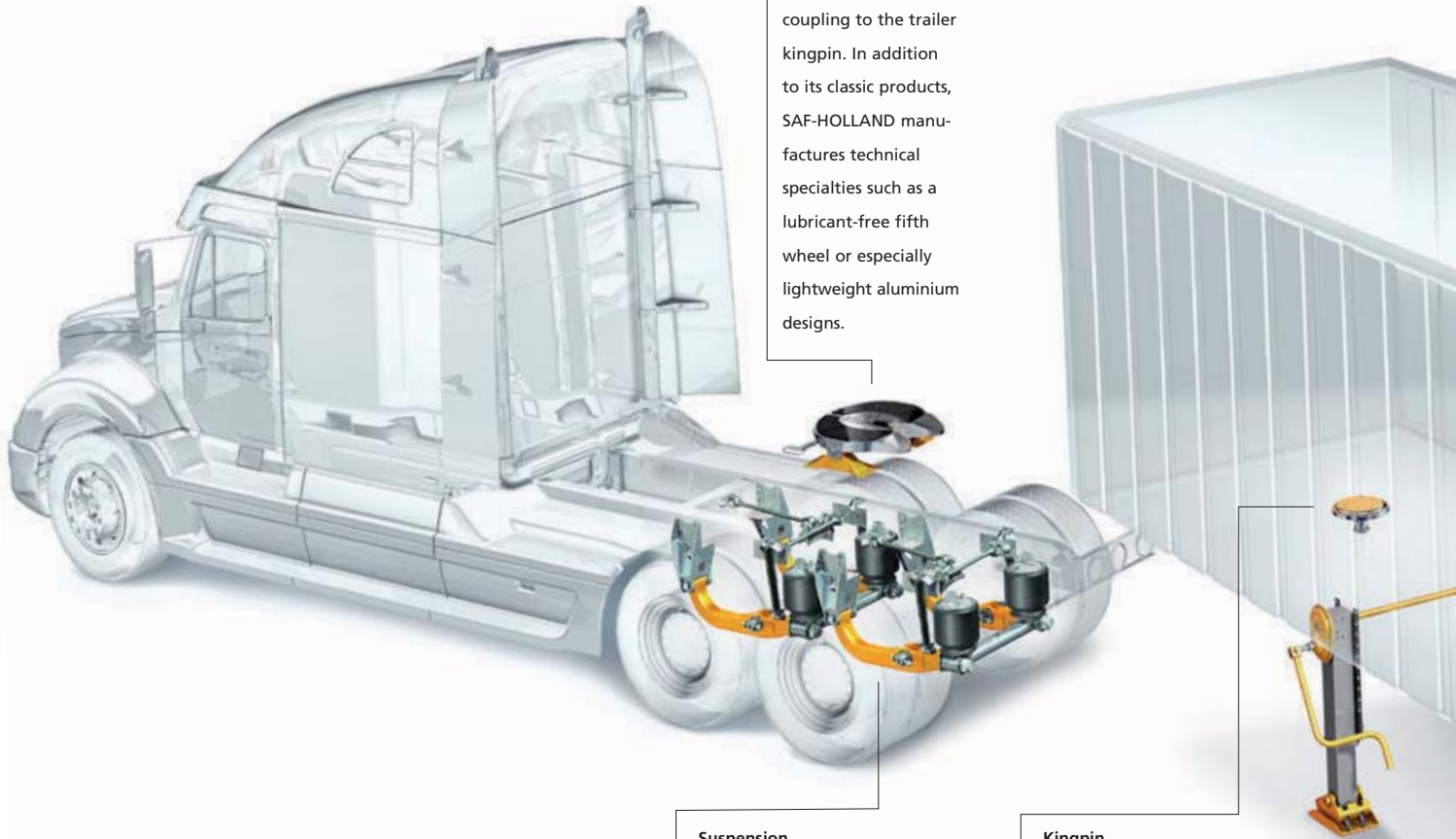
An interface between the axle and the vehicle to accommodate road variations and maneuvers. A modular suspension system by SAF-HOLLAND for up to three interlinked, powered axles. Each axle is individually suspended. For gross vehicle weights of between 10 and 40 tons.

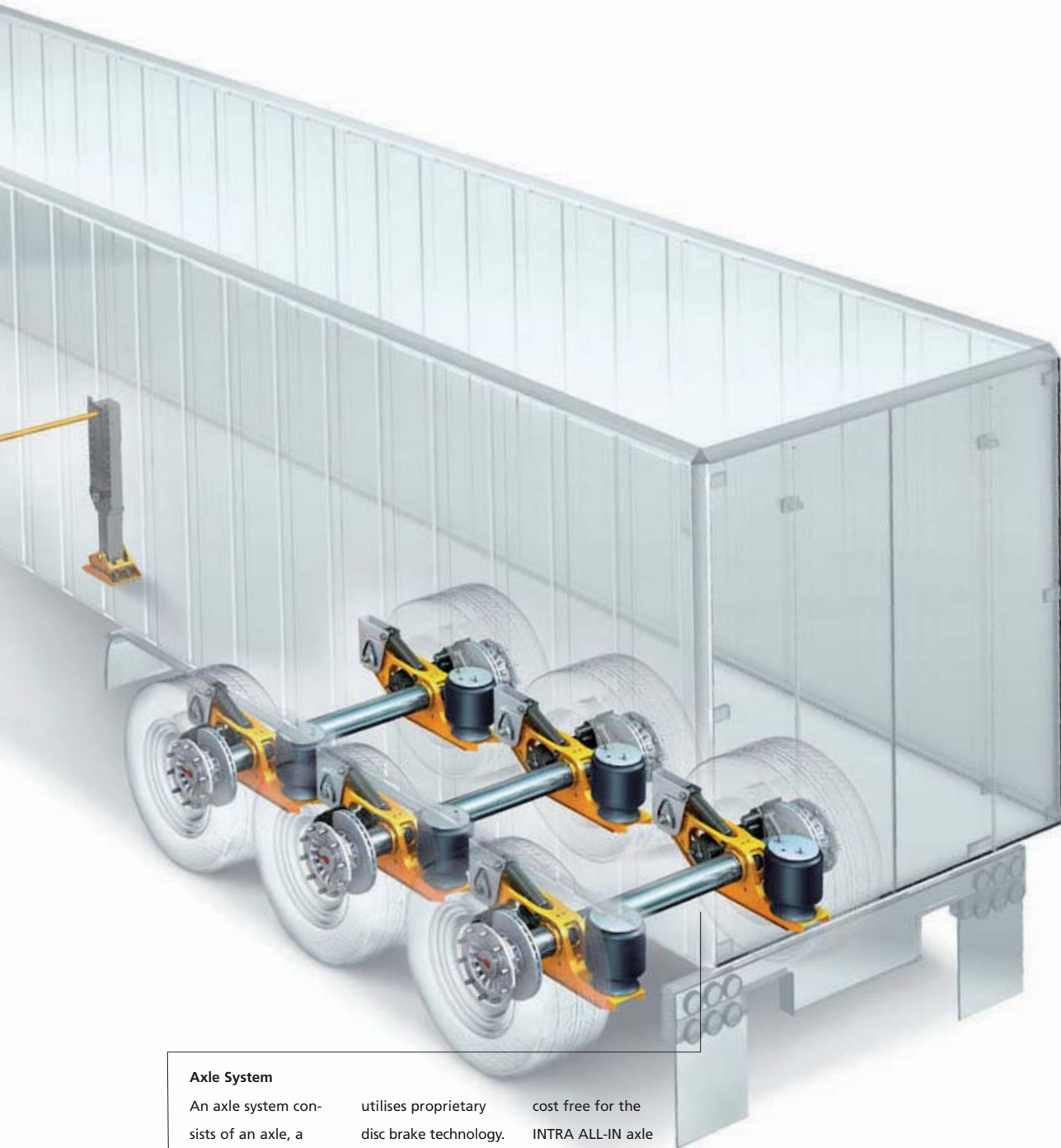
Kingpin

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

Landing Legs

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



**Axle System**

An axle system consists of an axle, a suspension system, and a brake system. SAF-HOLLAND offers unique axle systems such as INTRADISC plus INTEGRAL which

utilises proprietary disc brake technology. Subject to certain conditions and bearing in mind the existing warranties, SAF-HOLLAND provides maintenance

cost free for the INTRA ALL-IN axle system for a period of up to 72 months or one million kilometers.

Financial Calendar and Contact

Financial Calendar

April 24, 2008	Annual General Meeting
May 14, 2008	Report on Q1 2008 Results
August 29, 2008	Report on Half-Year 2008 Results
November 28, 2008	Report on Q3 2008 Results

Contact

SAF-HOLLAND GmbH
Hauptstraße 26
D-63856 Bessenbach
Germany

Tel. +49 (0) 6095 301 865

Fax +49 (0) 6095 301 200

Web: www.safholland.com

Email: ir@safholland.com

Imprint

Responsible:

SAF-HOLLAND S.A.

68-70, Boulevard de la Pétrusse

2320 Luxembourg

Luxemburg

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Legal Disclaimer

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