NORTH AMERICA

EUROPE

GLOBAL TRANSPORT

ANNUAL REPORT 2012

AUSTRALIA

KAZAKHSTAN

DUBAI

SAF Holland

The sections of this Annual Report focus on country-specific transport issues.

Similarities at the international level are revealed because trucks and trailers around the world transport all the goods that people need to live – from raw materials and food to construction materials and textiles.

Examples from several continents show what is really important in the transport industry and how SAF-HOLLAND supports its customers and business partners worldwide.

EUROPE

Europe has a tightly integrated road network with a high level of traffic density. Innovative technologies contribute significantly to ensuring that trucks and trailers are safer on the road and that the efficiency of transport increases further.

Page 12

KAZAKHSTAN

Kazakhstan is in Central Asia and is by far the largest of the young "stan" countries. Right across the country a transit corridor is currently being developed which will be the shortest and fastest road connection between Europe and China.

Page 36

NORTH AMERICA

In North America, a significant majority of all goods are transported on the road. For that transport to take place as safely as possible, legislators have tightened the legal regulations and demanded shorter braking distances for trucks.

Page 50

DUBAI

Dubai, the impressive desert city in the Emirate of the same name is characterized by growth. In recent years it has developed into a modern city whose focus has now moved from oil production to the expansion of its position as a logistics hub for global trade.

Page 76

AUSTRALIA

Australia is an impressive continent in many respects: On the one hand there are very vibrant cities that are home to 90% of the population living along the coastline and, on the other hand, the expansive and nearly uninhabited Outback. Road trains are an essential part of the country's logistic supply system.

Page 94

Key Figures

EUR million	2012	2011[1]	2010
Sales	859.6	831.3	631.0
Cost of sales	-703.4	-682.5	-514.0
Gross profit	156.2	148.8	117.0
as a percentage of sales	18.2	17.9	18.5
Adjusted result for the period	28.4	24.2	2.9
as a percentage of sales	3.3	2.9	0.5
Adjusted EPS in EUR[2]	0.68	0.66	0.14
Adjusted EBITDA	72.7	72.0	52.7
as a percentage of sales	8.5	8.7	8.4
Adjusted EBIT	58.2	58.0	37.1
as a percentage of sales	6.8	7.0	5.9
Operating cash flow[3]	59.5	46.5	46.0

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

2) Adjusted net result / weighted average number of ordinary shares outstanding as of the reporting day.

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

Sales by Region

EUR million	2012	2011	2010
Europe	434.9	456.6	311.3
North America	367.1	331.9	279.2
Other	57.6	42.8	40.5
Total	**859.6**	**831.3**	**631.0**

Sales by Business Unit

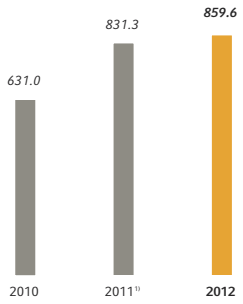
EUR million	2012	2011	2010
Trailer Systems	473.5	472.8	322.8
Powered Vehicle Systems	157.6	154.0	127.5
Aftermarket	228.5	204.5	180.7
Total	**859.6**	**831.3**	**631.0**

Other Financial Information

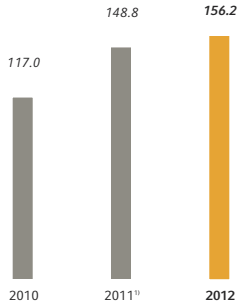
	12/31/2012	12/31/2011[1]	12/31/2010
Total assets (EUR million)	536.7	541.3	484.7
Equity ratio (%)	36.9	32.4	5.1

	2012	2011	2010
Employees (average)	3,118	3,107	2,619
Sales per employee (kEUR)	275.7	267.6	241.0

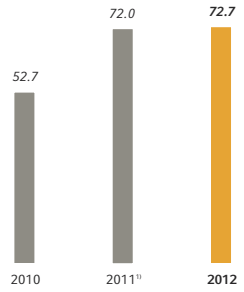
Sales EUR million

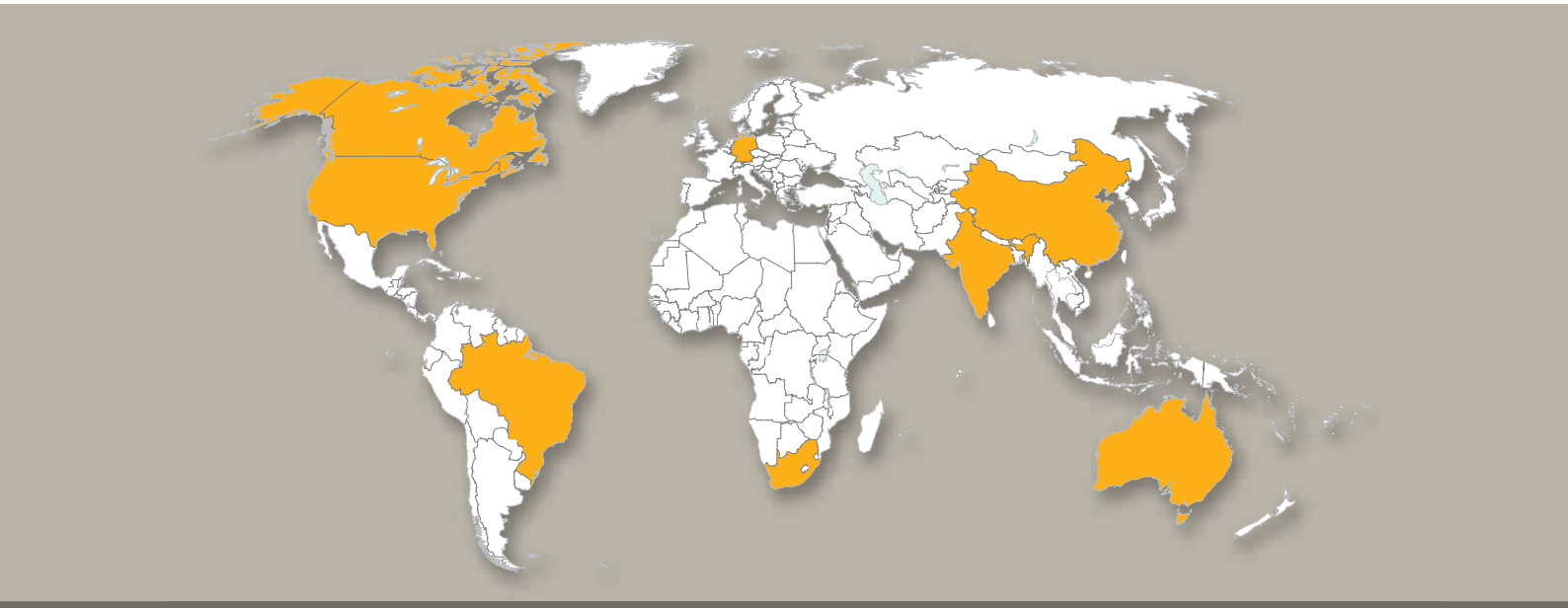


Gross Profit EUR million



Adjusted EBITDA EUR million





SAF-HOLLAND with 17 production locations around the world

Canada
Woodstock
Norwich

USA
Holland
Muskegon
Warrenton North
Warrenton South
Wylie
Dumas

Brazil
Jaguariúna

Germany
Keilberg
Wörth am Main
Frauengrund
Singen

South Africa
Johannesburg

India
(Joint Venture)
Madurai

China
Xiamen

Australia
Melton

GLOBAL TRANSPORT

ANNUAL REPORT 2012

Table of Contents

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

Foreword from the Management Board

Ladies and Gentlemen,
Dear Shareholders,

Financial year 2012 was a very successful year for us – one in which, in many ways, we laid the foundations for the continued positive development of the company. Worth noting in this regard are, among other things, the very successful optimization of our financing structure, the expansion of our operating business as well as the opening up of new markets.

We even slightly exceeded the group sales target of EUR 850 million we set for financial year 2012, reaching EUR 859.6 million. Beyond that, with EUR 58.2 million, we managed to keep adjusted EBIT stable as compared to the previous year. All business units contributed to the pleasing development.

With the early refinancing in October 2012, we took the decisive step toward the realignment of our financing structure. The extended terms of our credit lines as well as the improved financing and framework conditions have a very positive impact for us as compared to the old financing. It was also possible to reduce the number of banks in the consortium.

In October 2012 we took the second step toward financial restructuring with the very successful placement of our bond. With this bond, which was several times oversubscribed within just a few hours, we managed to further diversify the financing structure of SAF-HOLLAND and to gain greater access to the private investor segment. We are especially proud of the fact that we are the second company, after Deutsche Börse AG, to be listed in the Prime Standard Corporate Bonds of the Deutsche Börse. The first day of trading was November 1, 2012.

We rounded out the realignment of our financing structure with the capital increase of 10% of the share capital carried out at the end of November 2012. The new shares were placed on the capital market within a very short period of time. For this transaction as well, demand was several times greater than supply. We are very pleased with the confidence our shareholders have shown.

All of the financing components mentioned above form the basis for the further successful growth of SAF-HOLLAND and give us a greater degree of flexibility in our operating business. Net proceeds from the capital increase and bond serve to realize potential smaller acquisitions and for the financing of further growth.

Our growth strategy puts the opening of new markets and countries in the foreground. In the context of the strategy, we make use of the global increase in transport volumes as a driver of growth and boost new sales potential through technology transfer. Additionally, we are intensifying our activities in the aftermarket business and strengthening our commitment in the emerging countries of Brazil, Russia, India and China.

Detlef Borghardt,
Chief Executive Officer (CEO)

We remain very well-positioned for the further expansion of SAF-HOLLAND's good market position for several reasons:

- a strong position in the core markets in Europe and North America as well as the growing presence in the BRIC countries,
- the continued substantial pent-up demand for investments in trucks and trailers, especially in North America and Europe,
- the successful establishment and expansion of our Trailer Systems Business Unit in North America as a consequence of the technology transfer of our core competence in axle systems from Europe to North America,
- the unique worldwide network of parts and service stations for customer support and a secure supply of spare parts,
- established, customer relationships to fleet operators and freight forwarders at a global level, some of which have been growing for decades, as well as many years of close cooperation with several hundred trailer producers and nearly every truck manufacturer in the world,
- recognized strong brands and a benchmark within the industry in quality, technology and value,
- innovative products which address global demand trends, especially in regard to weight reduction, fuel efficiency and optimized total cost of ownership.

In financial year 2012 we further increased the global presence of SAF-HOLLAND. We achieved our objective of expanding our market share in North America. We also prepared two parts distribution centers which, beginning in 2013, will strengthen the sales and service network of the Aftermarket Business Unit in Central and South America as well as in Asia.

Beyond that, we are expanding our production capacities as planned. Our focus here was on preparation for the doubling of production at our plant in Warrenton/USA, which is planned for 2013.

In summary, it can be said that we are on the right path with our stable positioning as a global player on all continents. This is also visible in this Annual Report, for which we have chosen "Global Transport" as a theme. The articles in this Annual Report put country-specific transport issues in the spotlight. Many international commonalities thus become apparent. SAF-HOLLAND, as a strong partner to its customers, is at home on all continents and delivers first-class products and solutions throughout the world. Our long-standing, trustful relationships to fleet operators and freight forwarders on all continents are an important key to our success.

We want to continue the positive development also in financial year 2013 and have set a goal of sales between EUR 875 million and EUR 900 million. In addition, we expect an adjusted EBIT of more than EUR 60 million which would result in a stable or even increasing adjusted EBIT margin. Furthermore, we do not anticipate any major one time negative impacts on earnings in fiscal year 2013. So we also expect a significant improvement in the actual result for 2013. The precondition for this is the further recovery of the European economy as well as a timely and orderly solution to the European debt crisis. A solution to the US debt crisis is also necessary. Under the premise that the global economy gains in terms of stability, we continue to adhere to our medium-term goal for 2015 of about EUR 1 billion sales and an adjusted EBIT margin of 10%.

On behalf of my colleagues on the Management Board and the Board of Directors, I thank our customers, suppliers, business partners, employee representatives and employees for their good and successful cooperation in 2012. At the same time, I would like to express my thanks to our shareholders and investors for their commitment to our company. We appreciate your trust and will continue to dedicate ourselves to SAF-HOLLAND with all our strength.

Sincerely,

Detlef Borghardt
Chief Executive Officer (CEO)

Management Board

Detlef Borghardt

Chief Executive Officer (CEO)

Detlef Borghardt has been CEO of SAF-HOLLAND since July 1, 2011. He was previously responsible for the Trailer Systems Business Unit from June 20, 2007 and additionally assumed the role of Deputy CEO in January 2011. Borghardt joined the former SAF in 2000 as Head of Sales, Service and Marketing and assumed overall responsibility for the Trailer Systems segment in the middle of 2007 as a member of the Management Board. Before joining SAF, Detlef Borghardt held a number of management positions at Alusuisse-Lonza in Singen, Germany. These included Head of Marketing, Sales and Engineering as well as Sales Manager for Aluminum Extrusions. Mr. Borghardt holds an engineering degree in vehicle design from the University of Applied Sciences in Hamburg.

Wilfried Trepels

Chief Financial Officer (CFO)

Wilfried Trepels has been Chief Financial Officer (CFO) of SAF-HOLLAND since June 20, 2007. He joined the former SAF Group as Chief Financial Officer in 2005. Previously, from 2001 to 2005, Mr. Trepels was Managing Director of Dürr Systems GmbH, a subsidiary of Dürr AG, and from 1998 to 2001 he was Managing Director of Schenck Process GmbH, also a subsidiary of Dürr AG. Prior to that he worked for Dürkopp Adler AG in Bielefeld, Germany, as Director of Finance and Accounting. Mr. Trepels holds a degree in business administration from the University of Aachen.

Jack Gisinger

President Powered Vehicle Systems Business Unit & Group Technical Services

Jack Gisinger has been responsible for the Powered Vehicle Systems Business Unit and Group Engineering since June 20, 2007. Jack Gisinger began his professional career in the Company in 1980 and held a number of leading positions in engineering and management, including General Manager of Holland's European operations. Gisinger holds a B.S. in aeronautical engineering and an M.S. in mechanical engineering.

Steffen Schewerda

President Trailer Systems Business Unit & Group Operations

Steffen Schewerda has been the member of the Management Board responsible for Group Operations at SAF-HOLLAND since June 20, 2007. On July 1, 2011 he took on additional responsibility for the Trailer Systems Business Unit. Steffen Schewerda has been with the Company since 1997, serving as Head of Material Management and Logistics. He later took on responsibility as Head of Production at the German locations and Head of Industrial Engineering. Steffen Schewerda studied engineering at the University of Aachen and holds an MBA from the University of Augsburg and Pittsburgh.

Alexander Geis

President Aftermarket Business Unit

The Board of Directors appointed Alexander Geis, in his function as Head of the Aftermarket Business Unit, to the Management Board on July 1, 2011 after he had assumed overall responsibility for the segment on October 1, 2009. As Head of this Business Unit, he is responsible for the strategic and operative alignment of the global spare parts business. His professional career at SAF-HOLLAND began in 1995 in the sales area. In the following years Alexander Geis took on various tasks and responsibilities with a continuous growth in responsibility in the Company. These included Sales Director Foreign Markets and Director Spare Parts as well as Vice President and, most recently, President of the Aftermarket Business Unit. Alexander Geis holds an MBA from the University of Maryland, USA.

Report from the Board of Directors

Dear Shareholders,
Ladies and Gentlemen,

2012 was characterized by political and financial uncertainty. Against this background, SAF-HOLLAND not only maintained but also expanded its position in the global market in 2012. With the successfully concluded refinancing, the financial conditions for further growth and stability have been created.

In financial year 2012, the Board of Directors exercised its assigned functions in accordance with the law and the Articles of Association. We regularly and comprehensively kept ourselves informed regarding the economic situation and development of the company. Important decisions were discussed in detail with the management and decided upon together where required by Articles of Association. The focus was on questions of strategy and corporate planning, the current business development, financing, risk management and a new long-term remuneration structure for the management.

Cooperation of the boards

The Board of Directors and the Management Board work closely together in the interest of sustainable value enhancement. In the reporting year, the Management Board was consulted by the Board of Directors on the management of the company and the General Management was supervised. The Management Board informed us regularly and in a timely manner on all relevant occurrences, both orally and in writing. The focus was on orders, sales and earnings development, product and market developments as well as on financing activities. We promptly reviewed any business transactions requiring approval from the Board of Directors and decided upon approval.

Focus of consultations

An important topic of consultation in the Board of Directors was the optimization of corporate financing including the capital increase associated with this. Thus, among other things, we dealt intensively with the preparations for the early refinancing in October 2012. The new syndicated loan provides significantly more favorable financing conditions, three more years of financial security until 2017 and a greater scope of action.

There was detailed consultation in the Board of Directors regarding the placement of an SAF-HOLLAND corporate bond in October 2012. With this financing alternative, independent of banks, we opened up a new, additional source for our supply of capital. The proceeds from the bond issue with a total nominal value of EUR 75.0 million were used for the repayment of existing bank loans and will be used to finance further growth of SAF-HOLLAND.

Bernhard Schneider,
Chairman of the Board of Directors

In the Board of Directors we discussed in detail the capital increase from the capital already approved by the shareholders. With the execution, SAF-HOLLAND S.A. increased its share capital by approximately 10 percent in November 2012. Demand for new shares was considerably higher than the offering, providing impressive evidence of the confidence the capital market has in SAF-HOLLAND. We want to use the net proceeds from the capital increase for further growth.

Meetings of the Board of Directors

The Board of Directors met regularly in financial year 2012. At least one meeting took place per quarter. None of the Directors took part in fewer than half of the six meetings. Members of the Management Board were also guests at a number of meetings. In addition, a resolution was passed using the written circulation procedure.

In the Board of Directors meeting convened on March 13, 2012 we discussed in detail the annual financial statements for the financial year 2011 in the presence of the external auditor. On the recommendation of the Audit Committee and following our own review the statement was unanimously approved. We subsequently discussed fundamental issues related to the reorganization of the corporate financing and made decisions in this regard. Other issues were the medium-term corporate planning until 2016 and the agendas for the Annual and Extraordinary General Meeting that took place on April 26, 2012.

On the day of the two General Meetings on April 26, 2012, we met for the second meeting of the Board of Directors. The quorum requirement was not met at the Extraordinary General Meeting. We therefore decided to convene a second Extraordinary General Meeting for June 4, 2012 with an identical agenda including the proposal for increasing the authorized capital.

The focus of the meeting on May 22, 2012 was on questions about the expansion of our company. Other items on the agenda dealt with restructuring and internationalization of our SAP system and initial thoughts on a new long-term remuneration system for the Top Management of SAF-HOLLAND.

In the strategy meeting on August 14, 2012 we also discussed in detail the status of optimizing our corporate financing. In addition, the plans for restructuring and integrating SAF-HOLLAND Verkehrstechnik GmbH, located in Singen, Germany, into SAF-HOLLAND GmbH were discussed.

The focus of the meeting on November 6, 2012 was the implementation of the capital increase of 10% of the authorized share capital, approved on June 4, 2012 by the Extraordinary General Meeting. In addition, in continuation of our previously initiated discussion, an external expert commissioned by us presented recommendations and a benchmark study on executive compensation. A team with members of the Board of Directors was named that in cooperation with the external consultants and internal specialists was given the task of developing a decision proposal for management remuneration at SAF-HOLLAND.

During the meeting on December 13, 2012 we discussed in detail and passed the budgets for the Business Units and the Group for the financial year 2013. In addition, information on and the approval of the medium-term planning for 2014 to 2017 was on the agenda.

Work in the committee

The Board of Directors is supported in its activities by the Audit Committee. The members of the Audit Committee met four times in the past financial year and dealt primarily with the quarterly figures as well as the annual financial statements. The Chairman of the Committee reported on a regular basis to the full Board on the results of the Committee meetings.

Corporate Governance

In February the Board of Directors and the Management Board submitted the 2012 Declaration of Compliance with the German Corporate Governance Code. Over the remainder of the financial year, the Board of Directors dealt in detail with the issue of corporate governance several more times. The current Declaration of Compliance can be found in the Management Report on page 30.

Audit of the consolidated financial statements and balance sheet meeting

On April 26, 2012, the Annual General Meeting elected Ernst & Young S.A., Luxembourg as auditors for financial year 2012. The Board of Directors subsequently issued the order.

Ernst & Young audited the consolidated financial statements as prepared by SAF-HOLLAND S.A. as of December 31, 2012 and came to the conclusion that it gives a true and fair view of the financial position and financial performance of SAF-HOLLAND S.A. The auditors confirm that the Management Report is consistent with the consolidated financial statements.

The consolidated financial statements and report of the auditors were submitted to the Board of Directors in a timely manner. Following the relevant preparatory work of the Audit Committee, the Board of Directors discussed the results of the audit at its balance sheet meeting on March 12, 2013. The auditor participated in the meeting, reported on the significant results of his audit and was available to respond to detailed questions.

Membership Changes in the Board of Directors

The Annual General Meeting on April 26, 2012 confirmed the mandate of Mr. Detlef Borghardt in the Board of Directors and extended it to the 2014 Annual Meeting. Ms. Anja Kleyboldt was elected as a new and first female member of the Board of Directors. She will be a major asset for the Board with her considerable knowledge of the industry and specialist expertise. Ms. Kleyboldt replaces Mr. Gerhard Rieck who left the Board on April 28, 2011 after reaching retirement age.

The Board of Directors would like to thank the management, the worker representatives and all employees for the work they have done in 2012 and the ongoing commitment for the benefit of the company.

Luxembourg, March 2013

Bernhard Schneider
Chairman of the Board of Directors

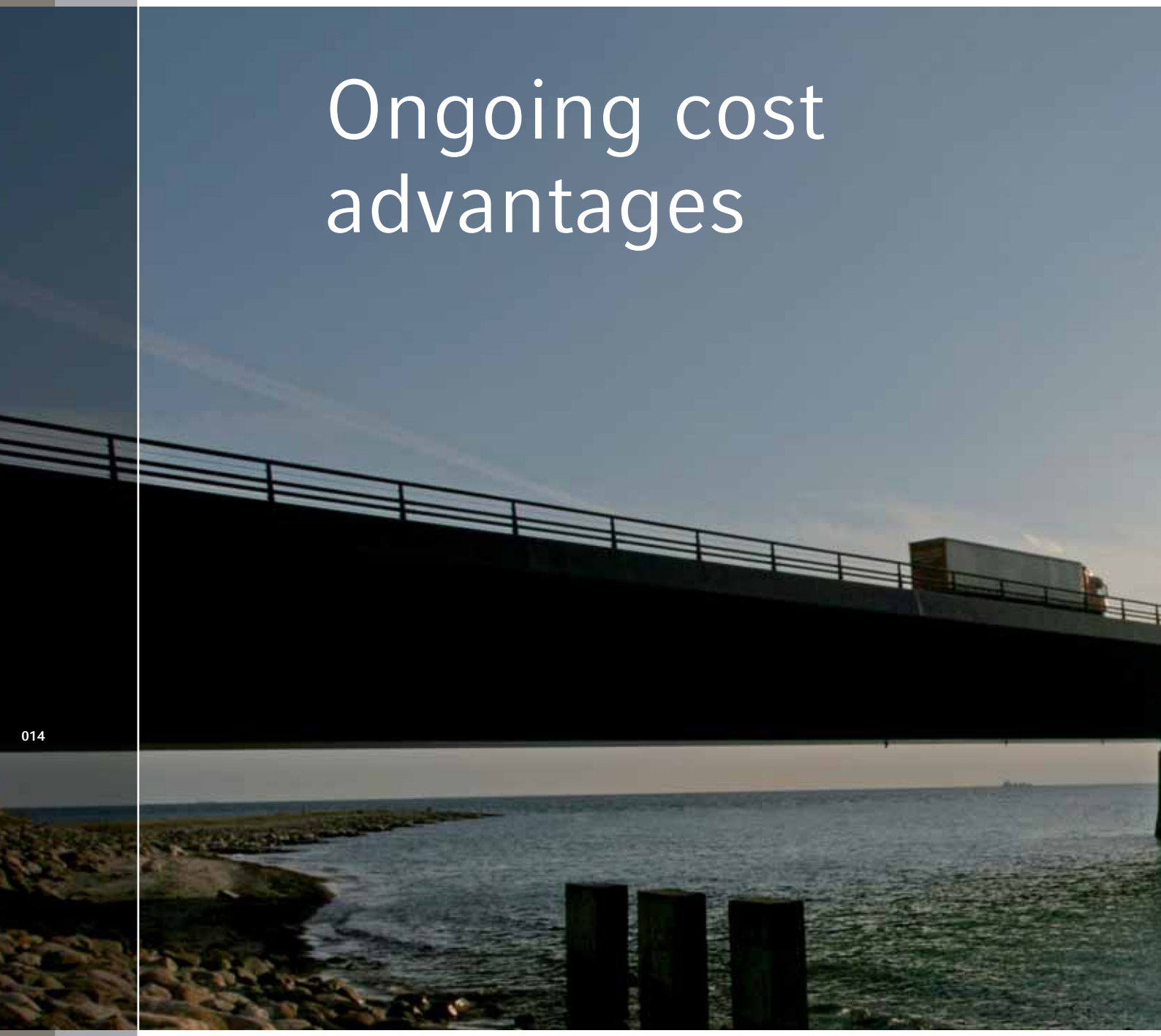
Europe » Innovative technology solutions from SAF-HOLLAND boost the strong market position in the European area and are a significant asset of the growth strategy.

TRANSPORT EFFICIENCY

Europe has a tightly integrated road network with a high level of traffic density. Innovative technologies contribute significantly to ensuring that trucks and trailers are safer on the road and that the efficiency of transport increases further. For example, with weight-saving products SAF-HOLLAND supports the vehicle manufacturers and fleet operators in optimizing day-to-day operating costs. Particular benefits that can be achieved include reduced fuel consumption, higher load capacities, reduced tire wear and greater ease of maintenance.

Transport efficiency >> *012–019*

Ongoing cost advantages







When companies invest in the purchase of trucks and trailers the total costs resulting from long-term use are already determined: Total Cost of Ownership, also known as operating costs, shape the competitiveness of fleets and also the cost of the goods transported. With highly efficient vehicle components and systems SAF-HOLLAND provides end customers with complete confidence in cost calculations through constant operational efficiency.

Costs are incurred kilometer after kilometer – but that amount is already decided by the investment in truck and trailer. For example with fuel consumption: Saving just one liter of diesel fuel per 100 kilometers traveled extended over an annual usage of 150,000 kilometers results in more than EUR 2,000 in cost savings.

Transport efficiency » Fleet operators benefit because the cost of transporting goods on the road can be significantly reduced through the utilization of advanced technologies.

Major trend in fuel efficiency

The total operating costs for a fleet operator comprise those costs that are incurred in the purchase and operation of a truck or trailer. The acquisition costs are only a part of the whole: If the vehicle has a useful life of four years to the operator then the purchase price is just 10 percent of the total operating costs. How much a commercial vehicle actually costs its owner is also decided by the post-transaction costs – the fuel efficiency as well as the costs incurred by unplanned breakdowns and for routine maintenance and repairs. The consequence: Total operating costs are a very important criteria for freight forwarders and trucking companies when purchasing trucks and trailers.

The minimization of the total cost of ownership is a central competitive factor for trucking companies and ensures the affordability of commodity flows. In the context of increasing energy prices and in view of climate protection, fuel efficiency in particular has become a major trend in the industry. Today there are a diverse range of measures that contribute to a favorable balance sheet. Together with improvements in aerodynamics, drive technology and rolling resistance of the tires, intelligent lightweight construction solutions in particular contribute to reduced fuel consumption.

Lightweight

SAF-HOLLAND provides chassis components for use by fleet operators that contribute to their profit and loss statement and also to the environment and the economy. When buying a trailer with a triaxle if the end customer combines the SAF-HOLLAND disc brake with the newest generation of compact wheel end system together with aluminum wheel rims they can achieve a weight advantage of 183 kilograms. As a result of the substantial weight reduction, and using 50,000 vehicles as a basis, 6.5 million liters of diesel fuel can be saved annually and CO_2 emissions can be reduced by 16.9 million kilograms.

In the development of chassis components, SAF-HOLLAND began to perfect weight

» As a specialist in truck rental we know what is important in the logistics industry. Our customers benefit from state-of-the-art trucks and trailers, from the decisive extra in terms of service and from our proven expertise and service partnership with SAF-HOLLAND. «

***Klaus Mezger** • Managing Director, Mezger Rent & Service*

Long Road » Before pure copper can be obtained through smelting and refining, ore-bearing rocks must first be mined. Several thousand kilometers are often covered in the process of changing rocks to pure cooper cathodes to copperplate and finally the electronic component. Efficient transport flows on the roads contribute to ensuring that the end product is available as affordably and efficiently as possible.

reduction at an early stage. For the fleet operators this has two advantages: The decision to use products from SAF-HOLLAND is not only based on increased fuel efficiency but also on higher resale values. This is because vehicles with durable, premium components that have already ensured favorable operating costs and little downtime are sought after.

Reliable calculation

In order for end customers to keep the maintenance costs of the vehicles as low as possible every SAF-HOLLAND product comprises a wide range of clever component solutions. In combination with the company's traditional integrated approach to quality assurance this results in ideal conditions for minimal maintenance and repair costs.

Freight forwarders are also aware that high-quality technology pays for itself: According to studies the prioritization of maintenance costs has been increasingly influencing purchasing decisions for years. Lower acquisition costs can simply not outweigh what can be achieved through an impressive combination of lower fuel consumption, favorable maintenance costs, less downtime and a comprehensive service network.

Klaus Mezger » is the Managing Director of Mezger Rent & Service in Möckmühl in Southern Germany. The company has a rental fleet with a total of 500 trucks and trailers. In addition Klaus Mezger and his employees provide a Europe-wide comprehensive service through the company Fahrzeug Technik Möckmühl (FTM).

Supply security

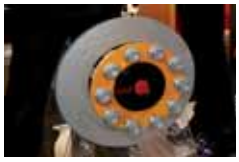
In Western Europe freight traffic on the roads has always been number one – with a share of the flow of goods approximately four times higher than rail transport. It's not just the finished goods that are brought to their destination by trucks but also their intermediate products and the raw materials from which they are made. Copper for example shows the importance of trucks and trailers for functioning logistics and a sound value chain. The metal predominantly mined in South America comes to Europe by ship but here it goes through various production processes. The inland shipments required are brought by truck and trailer thereby helping to secure not just the production of the goods but also the jobs associated with it.

TECHNOLOGICAL LEADERSHIP

Innovation in the limelight

Clear statement » Within the context of the characteristic SAF-HOLLAND environment, customers and interested parties are persuaded by the company's outstanding expertise.





The presence of SAF-HOLLAND at approximately 30 trade fairs around the world every year provides customers and interested parties with a good opportunity to hold personal discussions with company representatives. At the same time visitors see market-specific innovations they can touch: As the company adapts its leadership in technology and innovation to regional needs.

During the 2012 IAA Commercial Vehicles trade fair in Hanover, what awaited visitors on the newly designed SAF-HOLLAND stand could be guessed from a distance: The high-quality aesthetics of the stand construction exuded dynamism and innovation – and corresponded perfectly to the products displayed. SAF-HOLLAND presents itself in a similar way on four continents and creates centers of competence for the exchange of expertise with thousands of visitors.

Platform for innovation

Whether in Louisville, Brisbane, Moscow or Sao Paulo: In the limelight of the exhibition stands together with proven products are those innovations which the technological leadership of SAF-HOLLAND brings to the needs of the regional market. There are often impressive premiers. Such as the first fully integrated suspension system with mechanical suspension for the South American market that was presented at the last FENATRAN in Sao Paulo. At the 2012 season opener at the MATS in Louisville, SAF-HOLLAND presented a new line of suspension systems for North America.

Close to the customer

In 2013, the company will also be present at international trade fairs and regional exhibitions around the globe. The visitors expect new pioneering solutions for more economical and ecological efficiency: SAF-HOLLAND disc brakes combine impressive performance with tangible weight savings. The new wheel end system SAF 80 ONE combines maximum reliability with further weight advantages.

The traditional distinctive marks – the red dot and the blue Holland oval – ensure that even on the road innovations continue to be recognizable at first glance.

TRADE FAIR CALENDAR 2013

Globally networked, regionally present: SAF-HOLLAND will also be internationally represented at trade fairs and exhibitions in 2013. Here are the most important dates:

March 21 – 23 • Mid America Trucking Show (MATS), Louisville
For SAF-HOLLAND the trade fair season begins at home: At the MATS the company reinforces its traditionally strong expertise in North America.

May 16 – 19 • Brisbane Truck Show, Brisbane
Since 1968 the Brisbane Truck Show has established itself as the leading trade fair in Australia. Last year 35,000 visitors passed through the exhibition halls.

June 4 – 7 • transport logistic, Munich
The transport logistic provides approximately 50,000 visitors with a comprehensive view into the industries of the future; logistics, mobility and supply chain management.

June 11 – 13 • automechanika middle east, Dubai
At what is now the biggest Aftermarket exhibition in the Middle East SAF-HOLLAND will present its comprehensive range of high-quality truck and trailer components.

June 13 – 15 • Malaysia International Bus, Truck & Components Expo (MIBTC), Kuala Lumpur
SAF-HOLLAND is participating in this important trade fair in the Malaysian capital for the first time thereby underlining its presence in the South Asian region.

September 10 – 14 • COMTRANS, Moscow
SAF-HOLLAND uses Russia's most important commercial vehicle trade fair to further convince the country's emerging logistics industry of the quality of its products.

October 28 – November 1 • FENATRAN, Sao Paulo
The South American industry trade fair opens its doors with the motto "Transport on the sustainability route". SAF-HOLLAND contributes efficient solutions to the main theme.

Group Management Report

CORPORATE STRUCTURE

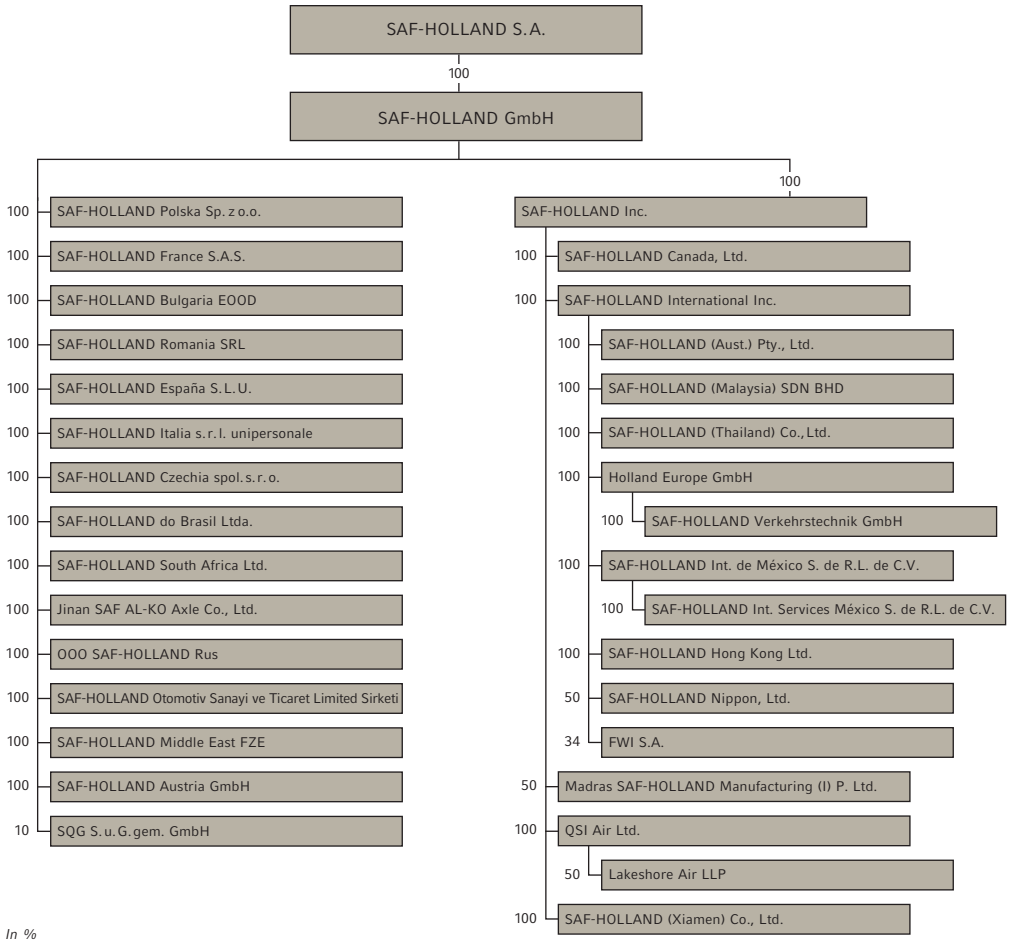
ORGANIZATION AND COMPANY STRUCTURE

SAF-HOLLAND is one of the world's leading manufacturers and providers of premium systems and components for commercial vehicles. With axle and suspension systems, coupling devices, fifth wheels, kingpins, and landing legs, the company offers one of the most comprehensive product portfolios for truck and trailer in the industry. Together with the original equipment business, the Group born out of the merger of the German SAF and the American Holland is also active in the replacement parts business. Our global activities comprise development, production, sales and service.

Legal structure of the Group

SAF-HOLLAND S.A. is a company in accordance with Luxembourg corporate law whose shares are listed exclusively in Germany. As the parent company of the Group it holds all shares in SAF-HOLLAND GmbH which in turn are associated with many national companies.

Group structure



In %

Organizational structure with three Business Units

To ensure targeted market development and intensive customer focus, the operational business is assigned to three specialized business units: The Trailer Systems segment manufactures system solutions and components for the manufacturers of trailers and semi-trailers. The Powered Vehicle Systems Business Unit produces systems and products for heavy trucks and buses. Through the Aftermarket business segment, SAF-HOLLAND sells parts to fleet operators and service centers and ensures the constant supply of spare parts for the transport industry.

The Business Units take full responsibility for results and are equipped with all the necessary resources. Cross-departmental functions and key tasks are performed centrally in accordance with the matrix organization.

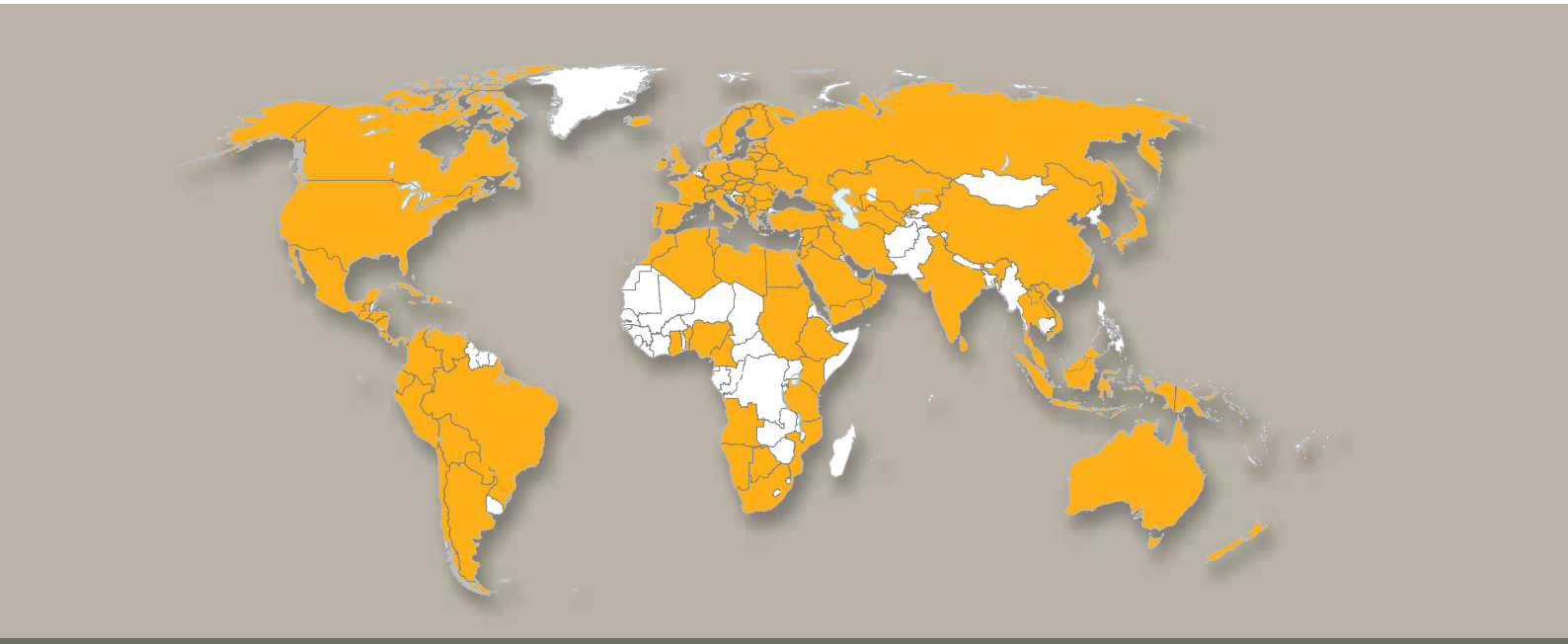
Segment and client base of the business units

Business Unit	Segment	Client base
Trailer Systems	Development, production and distribution of: • Axle systems • Suspension systems • Landing gears • Kingpins	Trailer manufacturers (OEM)
Powered Vehicle Systems	Development, production and distribution of: • Fifth wheels • Suspension systems	Truck and bus manufacturers (OEM)
Aftermarket	Distribution of: • Systems and components as spare parts to the transport industry	Spare parts dealers Workshops Fleet operators (end customers)

Locations on five continents

SAF-HOLLAND is well-positioned internationally. We produce parts for the global truck and trailer market at a total of 17 production locations in Europe, North and South America, Asia, Australia and South Africa. With this vast production network we are among the suppliers with the greatest geographical diversification in our market.

Our parts and service network is also considerably more comprehensive than that of most competitors. We have nationwide coverage in the core markets of Europe and North America. In addition, we are continually expanding our presence in the Middle East, Central America and Asia. SAF-HOLLAND has around 9,000 parts and service stations worldwide.



Parts and service stations around the world

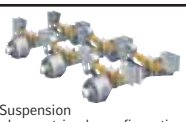
Important products and services

SAF-HOLLAND's product portfolio is considerably more comprehensive than those of most competitors. It primarily includes axle and suspension systems, coupling devices, kingpins and fifth wheels. These are the key components for the global truck and trailer market. For example, products from the Trailer Systems Business Unit account for up to 40% of the value of a European standard trailer.

Through the global network of parts and service stations we ensure the constant supply of spare parts for the transport industry. For fleet operators this is an important advantage which leads them to specifically request products from SAF-HOLLAND for the configuration of their trucks and trailers.

Our components, particularly the axle and suspension systems, have a modular design. This allows us to respond flexibly to customer requirements and provide products designed specifically for individual regions. In the individual country markets we do not necessarily supply vehicle manufacturers and their customers with the entire product range. The focus is more on components which meet the individual needs and tap promising sales potential for SAF-HOLLAND.

Regional markets of products with product examples

Region	Trailer Systems Business Unit	Powered Vehicle Systems Business Unit
Europe	 Air Suspension System with Disc Brake	 Fifth Wheel with grease-free NoLube Technology
	 Landing Gear	–
North America	 Air Suspension System/Slider with Disc Brake	 Air suspension for heavy duty drive axles
	 Landing Gear	 Fifth Wheel – forged Aluminum
	 Kingpins	 Rigid mount Pintle Hook
Brazil	 Mechanical Suspension with Drum Brake	 Fifth Wheel, lightweight cast made of spheroidal iron
	 Rigid Axle with Drum Brake	–
Russia	 Leaf Spring Suspension in single, tandem or tri-axle configurations	 Fifth Wheel for heavy duty transportation
India	–	 Bus air suspension
China	 Rigid Axle with Drum Brake	–
	 Landing Gear	–

Well positioned – in established and emerging markets

We occupy an important position in our core markets of Europe and North America. In Europe, SAF-HOLLAND is one of the top two leading suppliers of axles and axle systems for trailers as well as for fifth wheels for trucks. In the North American market we are the market leader for fifth wheels, kingpins and landing legs. In terms of axles and suspension systems for trailers we are the third-largest supplier.

Beyond the established markets we are increasingly active in emerging market countries with high economic growth rates. Our focus is on the BRIC countries, particularly Brazil, Russia and China, the world's largest commercial vehicles market. SAF-HOLLAND is represented in India through a joint venture.

Together with this international presence, our positions as a leader in technology and quality in the original equipment business and the Aftermarket are of importance. This strengthens SAF-HOLLAND's market position while creating cost and competitive advantages for customers.

Economic and legal influences

Increasing globalization and the economic upswing in the emerging economies are resulting in a global increase in transport volumes. This is an important economic factor for SAF-HOLLAND as trucks and trailers are an important element of virtually any logistics chain. In the developed economies, around 80% of the national freight transport is carried by road while in the emerging economies the figure is 60 to 75%.

On the legal side, regulatory requirements for commercial vehicles can serve as a growth driver. For example, the shorter braking distances mandated in the USA from August 2013 are promoting interest in disc brake technology and can thereby have a positive effect on our business. In Europe we are benefiting from the new EURO 6 emission standards: The emission-reducing parts result in additional weight that the manufacturers now want to save on other components. We can benefit from this as our products are among the lightest on the market.

OBJECTIVES AND STRATEGY

SAF-HOLLAND targets profitable growth and wants to make the best possible use of global market opportunities. At the same time we are striving to position ourselves in a way that ensures the Group can largely soften the impact of weaker growth in individual national markets or general economic volatility.

Increased security through diversified business model

Our business model is characterized by a high level of internationalization. The broad geographic positioning allows us to compensate for possible unfavorable developments in individual markets through other regions. In addition, our global activities make targeted technology transfer possible, which is the transfer of established regional products and innovations to other geographical sales markets.

A significant success factor is also the combination of the original equipment and spare parts businesses as the business development in the Aftermarket is less impacted by economic fluctuations. An additional factor is that the two fields of activity mutually benefit each other. As the installed base of our products grows so does the demand for components with which the existing parts can be replaced or upgraded. Conversely the broad parts and service network ensures that end customers specifically request our products when placing orders with truck and trailer manufacturers. In times of a weaker commercial vehicles industry, the spare parts business proved itself to be a stabilizing factor since the longer fleet operators delay new purchases the higher their need for replacement parts.

Strategic positioning in the regions

We want to further expand our good market position internationally and to this end, we want to increase our market share in both established markets and in emerging markets. In North America we aim to achieve this by expanding our production capacities and through the use of the technology transfer. For example, with the disc brake technology that is more usual in Europe but less common in the USA, SAF-HOLLAND provides an answer to the new legal regulations coming into force in the USA in 2013 on the reduction of braking distances for heavy commercial vehicles.

In Europe, growth opportunities will be realized through a regional technology transfer. In addition, we rely here – as in North America – on parts for weight reduction, increased modularization and increasing integration of electrical components. We tap additional potential through the strengthening of our local development and manufacturing capacities as well as through an extended range of specialized products for niche markets.

In the growth markets of the emerging economies we are initially providing products adapted for the region and to current requirements. As these markets continue to develop in terms of quality, we can then gradually make the transition to more advanced products.

Strategic alignment of the Business Units

SAF-HOLLAND wants to expand its market share globally in all business sectors. Accordingly, the product portfolio and the manufacturing capacities of the Trailer Systems and Powered Vehicle Systems business units active in the original equipment business are being systematically expanded. At the same time we are intensifying the strategic partnerships with international truck and trailer manufacturers. Generally, SAF-HOLLAND seeks to gear its production to demand, combined with strict receivables and supplier management, controlled days of inventory and turnaround times, as well as efficient production.

In the Aftermarket Business Unit we are expanding the global network of parts and service stations. In addition, our range of spare parts is also being completed. Together with premium components we also offer standard brands. They are targeted toward markets which are characterized by a large proportion of trucks and trailers that are in the later stage of their product lifecycle.

Focus of growth strategy

In the medium-term we are focused on three central growth areas in which we see good market opportunities.

Expanding the position in the North American trailer market

Our market share in North America will increase to 30% in the medium term, accelerated by the local trailer business. In this region SAF-HOLLAND already has the most comprehensive product portfolio for the trailer industry. The full range of integrated axle systems offered, the increased capacities of our on-site axle production and the expanded range of modern suspension systems are now important success factors. Stimulating effects from the change in technology from drum brakes to disk brakes brought about by the stricter US safety requirements can also be included.

Global expansion of the Aftermarket business

The Aftermarket Business Unit is a reliable source of sales and earnings for SAF-HOLLAND. Through the expansion of the strategically important replacement parts business to one third of Group sales in the medium term, we are increasing our independence from possible demand swings in the original equipment business. With the regional expansion of the sales channels for all SAF-HOLLAND business units we are strengthening the successful expansion of our Aftermarket business. In this way we are increasing the demand for our products as fleet operators prefer to equip their trucks and trailers with components for which there is a comprehensive local service network. The close-meshed network consisting of parts and service stations, dealers and workshops is therefore an appealing competitive advantage of SAF-HOLLAND.

Using the potential in the BRIC countries

Market experts expect that freight traffic in the BRIC countries will more than double within a few years. Considerable investment in the expansion of the road networks ensures that the majority of the transport will be done by truck. Through further penetration into the BRIC markets we can increasingly benefit from this development. Together with the directly achievable volume potential, the commitment in emerging economies also gives us more long-term promising opportunities: Over the long-term the fleets in the growth regions will match the higher level of the established markets. This gives SAF-HOLLAND the opportunity to develop its local business upward in terms of quality and increasingly offer premium products.

Strategic investments

SAF-HOLLAND has held roughly one third of the shares in FWI S.A. of France since 2006. The other shares in the joint venture are held by the Safe Group which is manufacturer of heavy cast steel and plastic.

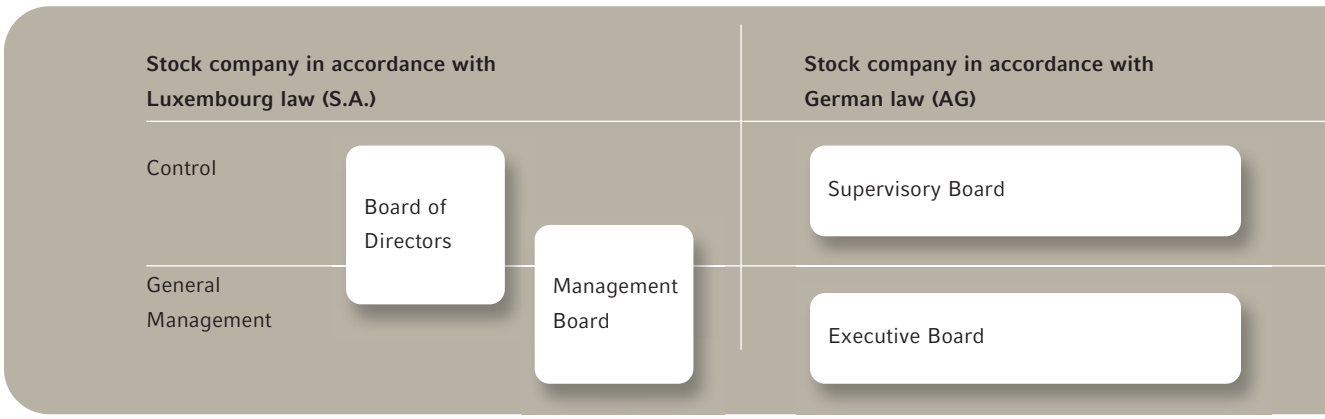
Strategic financing secures the growth path

SAF-HOLLAND's financing strategy is set up in such a way that it allows for flexible action in the interest of our growth strategy. A low debt ratio, the long-term securing of the required funding and adequate financing conditions provide an important basis. In financial year 2012, significant steps have been taken in this regard and the financing of the Group is now secured until 2017. More information on this can be found in the Financing chapter on page 68.

MANAGEMENT AND CONTROL

SAF-HOLLAND is incorporated as a Société Anonyme (S.A.) in accordance with the laws of Luxembourg. Management and control are thereby organized differently to other German stock corporations: In Germany corporate law calls for a two-tier model with an Executive Board and Supervisory Board; the management structure of a S.A. is oriented toward the single-tier principle of the Anglo-American board system.

Management and control under Luxembourg and German corporate law



Board of Directors

A key characteristic of the single-level system is the Board of Directors. Its most important task is to ensure that the company management acts in the interest of the shareholders. With this intention, the competences of the Board of Directors include both supervisory functions as well as management duties.

Similarly to a German Supervisory Board, the Board of Directors elects a Chairman from among its members and establishes various committees. Generally, the Board includes both external members, the Non-Executive Directors, and operationally active members of the relevant company, the Executive Directors. The members of the Board of Directors are elected by the Annual General Meeting.

At SAF-HOLLAND, the Board of Directors currently consists of a total of six members. Five of these elected representatives, including the Chairman Bernhard Schneider, are Non-Executive Directors. The sixth seat in the body is held by the Chief Executive Officer (CEO) of SAF-HOLLAND. This means that only one member of the Board is directly involved in the daily business of the Company. The Board of Directors makes decisions on the basis of a simple majority, in accordance with the Articles of Incorporation. For the exercising of its duties, the Board of Directors has formed one committee: the Audit Committee, whose tasks are comparable to the audit committee in a Supervisory Board.

More detailed information on the activities of the committee can be found in the Report from the Board of Directors on page 8. An overview of the mandates of Board members is provided on page 172.

Changes in personnel

At the Annual General Meeting on April 26, 2012, the shareholders approved and renewed the Board of Directors mandate of Detlef Borghardt until the Annual General Meeting 2014. In addition, the shareholders elected Anja Kleyboldt, Director of Supply-Chain Strategies & WFG Opel/Vauxhall at Adam Opel AG in Rüsselsheim, Germany as member of the committee. She succeeds Gerhard Rieck, who retired from the board as planned in 2011.

Board of Directors as of December 31, 2012

Bernhard Schneider	Chairman
Ulrich Otto Sauer	Deputy Chairman
Detlef Borghardt	Member
Anja Kleyboldt	Member
Sam Martin	Member
Richard Muzzy	Member

Management Board

The Board of Directors at SAF-HOLLAND has appointed a Management Board. This body is responsible for and steers the operational management of the company. The members of the Management Board are appointed by the Board of Directors. For the purposes of sustainable value creation, the Board of Directors and the Management Board work closely together.

The Management Board at SAF-HOLLAND currently consists of a total of five members, including Detlef Borghardt who as Chief Executive Officer (CEO) is also part of the Board of Directors and Wilfried Trepels as Chief Financial Officer (CFO). The Business Unit Presidents – Alexander Geis, Jack Gisinger und Steffen Schewerda – are directly involved in the Management Board. This ensures the constant flow of information and guarantees short reaction times.

More detailed information on the Management Board can be found on page 6.

Management Board as of December 31, 2012

Detlef Borghardt	Chief Executive Officer (CEO)
Wilfried Trepels	Chief Financial Officer (CFO)
Alexander Geis	President Aftermarket Business Unit
Jack Gisinger	President Powered Vehicle Systems Business Unit
Steffen Schewerda	President Trailer Systems Business Unit

Annual General Meeting

The shareholders of SAF-HOLLAND exercise their voting rights at the Annual General Meeting. Each share is granted one vote. The Annual General Meeting takes place each year on the fourth Thursday in April and, thus, within the first six months of the financial year. In the invitation for the Annual General Meeting the process of registration and excercise of voting rights is described in detail. This invitation will be published 30 days before the Annual General Meeting is held on both the SAF-HOLLAND home page and in the stock market notices. For those wishing to participate in the Annual General Meeting and the exercising of voting rights it is indispensable to register using the form accompanying the invitation. The Board of Directors presents the annual and consolidated financial statements to the shareholders. The Annual General Meeting decides on the annual financial statements of the SAF-HOLLAND S.A., the appropriation of profits and on ratifying the actions of the members of the Board of Directors as well as those of the external auditor, whom they also appoint. They resolve on changes to the Articles of Incorporation and significant entrepreneurial measures. These include, among other things, the election of the members of the Board of Directors and extension of mandates.

The convening of the Annual General Meeting along with the agenda and relevant documentation is published on the company's website. The significant date for the legitimization of the shareholders is the beginning of the fifteenth day before the Annual General Meeting (record date). Shareholders can exercise their voting rights through an authorized representative of their own choice, a voting rights representative of the company bound by instructions or in writing.

In addition to the Annual General Meeting and the Extraordinary General Meeting in April 2012, a further Extraordinary General Meeting took place on June 4, 2012. The shareholders approved an increase in authorized capital and simplifications to the Articles of Incorporation, as well as the framework conditions for company share buybacks in the amount of 10% of the share capital of SAF-HOLLAND over a period of five years from the convening of the Annual General Meeting.

Directors' dealings

In accordance with Section 15a of the German Securities Trading Act (WpHG), managers of the company are obligated to disclose their own transactions with the company's shares or derivative financial instruments when the value of the purchase or sale meets or exceeds a total of EUR 5,000 within a calendar year. This obligation also applies to persons who are closely related to the managers. In the reporting year 2012 there were three Directors' Dealings reports that are published on our website under financial news at http://corporate.safholland.com/investor.html.

Main features of the remuneration system

For their service in the Board of Directors, the members of the Board receive remuneration. They also receive additional fees for special functions such as chairing the Audit Committee or the Remuneration Committee. The CEO of the Management Board receives no remuneration for his work on the Board of Directors.

The performance-related remuneration system for the Management Board is underpinned by detailed performance agreements. In addition, a share-based remuneration component for members of the Management Board was created that is geared towards the medium to long-term success of the company.

Disclosures pursuant to Article 11 (3) of the Luxembourg Law on Takeovers of May 19, 2006

a) Information regarding paragraph a) of the law (structure of capital) can be found on page 45 of this Annual Report.

b) There are no restrictions on the transfer of shares.

c) In connection with the requirements of Article 11 (1) c) there is currently no shareholder who holds 5% or more of the total shares.

d) There are no shares 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) As at December 31, 2012, there are no agreements with shareholders which are known to the Company that could result in restrictions on the transfer of shares or voting rights within the meaning of Directive 2004/109/EG (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) in accordance with article 18.12 of the Articles of Incorporation as well as article 67 (2) of the Luxembourg law of August 10, 1915 on commercial enterprises, as amended. There is no quorum requirement. Any vote of the Annual General Meeting 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 two thirds of the votes rights represented or present at the meeting.

i) The Board of Directors is equipped with wide-ranging powers for the execution of all administrative tasks in the interests of the Company. Information regarding the powers of the Board of Directors to issue and buy back shares can be found in the financial statements in the "Equity" chapter.

j) There are no important agreements to which the company is a party and which take effect, alter or terminate upon a change of control in the company following a takeover bid.

k) There are no agreements between the Company and members of the Board of Directors providing for compensation to employees in the case of a takeover bid if the employment relationship is terminated without valid reason.

Corporate governance and declaration of conformity

As a company in accordance with Luxembourg corporate law whose shares are listed exclusively in Germany, SAF-HOLLAND is subject to neither the German nor the Luxembourg requirements regarding corporate governance. Responsible and transparent corporate governance are however seen by both the Board of Directors and the Management Board as an important basis for the success of the company. We therefore voluntarily comply with the recommendations and suggestions of the German Corporate Governance Code. We do, however, face limits when this is not compatible with Luxembourg corporate law or our single-tier management structure. The resulting limitations are reflected in the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act, which we submit voluntarily.

In March 2013, the Board of Directors submitted the following Declaration of Compliance which is permanently available on our website at
http://corporate.safholland.com/en/investoren/corporate-governance.html.

Declaration of Compliance with the recommendations of the German Corporate Governance Code
The Board of Directors of SAF-HOLLAND S.A. declares that SAF-HOLLAND has complied, since the Declaration of Compliance was issued in February 2011, and will comply with the recommendations of the Government Commission's German Corporate Governance Code in its version of May 26, 2010 as published by the Federal Ministry of Justice on July 2, 2010 in the German Federal Gazette, taking into account the above-mentioned particularities of its legal structure, with the following exceptions:

- Clause 3.8 of the Code: The liability insurance policies taken out for the Board of Directors do not provide for a deductible. A deductible does not appear necessary to ensure that members of the Board of Directors act responsibly and solely in the interest of the Company.

- Clauses 3.10, 4.2.5, 5.4.6, 6.6 and 7.1.3 of the Code: The Company's annual report does not contain a separate corporate governance report (no. 3.10). As a result there is no section containing disclosures regarding the remuneration of members of the Board of Directors (no. 4.2.5 and 5.4.6) nor are stock option programs and similar securities-based incentive systems of the Company listed (no. 7.1.3). Consequently, no disclosure will continue to be made of the ownership of shares in our Company or related financial instruments by the members of the Board of Directors if these directly or indirectly exceed 1% of the shares issued by our Company; correspondingly, separate disclosure broken down by members of the Board of Directors will not be made if the entire holdings of all members of the Board of Directors exceeds 1% of the shares issued by our Company (no. 6.6). The expenses associated with creating a separate corporate governance report seem unreasonable. Shareholders' need for information is ensured by full compliance with disclosures required by law. Considerations as to why the Company does not comply with individual recommendations of the Code also stem from the reasons for the individual deviations already listed.

- Clause 4.2.3 (2 and 3) as well as clause 5.4.6 of the Code: With the exception of one member, the members of the Board of Directors do not receive performance-related compensation in addition to fixed compensation. The monetary components of remuneration of individual members of the Board of Directors therefore do not include, other than the aforementioned exception, variable components in addition to the fixed components (no. 4.2.3 (2 and 3)).

- Clause 4.2.3 (4) of the Code: Contracts for members of the Board of Directors have a term of two to four years, and as such, payments in the case of service in the boards ending prematurely will not exceed four years' compensation. As a result, the payments may exceed the severance cap of two years' compensation. This is primarily because existing contracts do not yet contain delimitation clauses. However, payments always relate to the remaining term of the employment contract.

- Clause 4.2.4 (5) of the Code: In the case of service in the Board of Directors ending prematurely as a result of a change in control, the contractual obligation of the Company may surpass 150% of the severance cap of two years' compensation. As in section 4, this is due to existing contracts which do not yet contain delimitation clauses.

- Clause 4.2.4 (6) of the Code: The Chairman of the Board of Directors will not inform the Annual General Meeting about the main features of the remuneration system and any changes to it.

- Clause 5.3.3 of the Code: The Nomination Committee of the Board of Directors was dissolved. Establishing a Nomination Committee no longer seems appropriate with the reduction of the Board of Directors from eight to five members.

- Clauses 5.1.2 and 5.4.1 of the Code: The age limit for members of the Board of Directors may not exceed 68 years at the time of the election. The Company reserves the right to make exceptions. A strict age limit appears unreasonable as it does not allow a sufficient conclusion based on the competence and performance of the member.

- Clause 5.4.1 of the Code: The Board of Directors' mid-term plans include the appropriate participation of women; it does not, however, consider concrete goals for its composition appropriate for the purpose of balancing various selection criteria.

- Clause 7.1.2 of the Code: Our Company's interim reports will, for the time being, not be made publicly accessible within 45 days of the end of the reporting period. It seems sufficient for these financial statements to be made available pursuant to the provisions of the Exchange Rules of the Frankfurt Stock Exchange, as amended (quarterly reports within two months of the end of the reporting period), and the provisions of the German Securities Trading Act (Wertpapierhandelsgesetz), as applicable.

CORPORATE CONTROLLING

We analyze business development and goal conformity of the operating business as relates to orders received, production, quality, delivery reliability, volume, personnel and investments. The decisive criterion is the profitability of the three Business Units.

SAF-HOLLAND's corporate strategy targets profitable growth and a sustained increase in the enterprise value. Strategic and operative requirements are used for the corresponding control of the Group whereby the objectives fulfilled are controlled based on financial key figures. In the meetings of the Management Board and Board of Directors the scheduled progress is regularly reviewed against the achievement of strategic objectives. The target/actual comparison of the financial key performance indicators is also included.

Parameters for Group-wide control

The most important performance indicator for SAF-HOLLAND is the adjusted EBIT – earnings before interest and taxes adjusted for non-operational one-time effects. EBIT is adjusted for the following special effects: depreciation and amortization of property, plant, and equipment arising from purchase price allocation, reversals of impairment of intangible assets as well as restructuring and integration costs. It is thereby a significant indicator for the performance and profitability of the Group.

In addition to the adjusted EBIT we also use other performance indicators, including, in particular, the net working capital as the difference between current assets less cash and cash equivalents, current liabilities and other provisions. Using this value we control the funds tied up in the operating business and thereby also the available liquidity potential.

SAF-HOLLAND primarily uses key figures from the areas of customer structure and satisfaction as well as the development of market share as operational indicators. The parameters gathered are recorded

separately for different regions and product groups. Developments are thereby not only recognized at an early stage but can also be addressed very specifically.

RESEARCH AND DEVELOPMENT

The growth of SAF-HOLLAND is technology-driven. The Research and Development department is therefore of great importance. The focus of our activities are innovations that address global demand trends as well as alterations to adjust existing technologies for regional requirements. Both objectives increase the client benefits and thereby also the market strength of our products.

Geared towards global and local customer requirements

A significant focus of our research and development is on innovations for increasing transportation efficiency. We focus on new features that create weight advantages and meet our high quality requirements. This corresponds largely with the requests of the fleet operators who can optimize their total cost of ownership through higher cargo loads, reduced fuel consumption and extended maintenance intervals.

We also develop solutions that support our OEM and end customers in best meeting new regulatory requirements. The focus is primarily on technological solutions to increased requirements in the fields of safety, climate protection and conserving resources. In addition we are expanding our product portfolio on a daily basis through adaptations for local markets which are specially geared towards local circumstances.

Internationalism and innovation belong together

SAF-HOLLAND has a global R&D network that combines central and decentralized units. In the Advanced Development Department we deal extensively with innovative technologies and materials. The findings are used by New Product Development and immediately implemented in product innovations. Our objective is to build on standard modular components to tap economies of scale where possible. The development of new products is organized into product groups with each responsible for the implementation of new product ideas.

The adjustment of the products and product systems to country-specific circumstances is carried out by Application Engineering. In the trailer sector these activities are always located locally. Adaptive developments for trucks are developed in both regional and international initiatives. In total, six of our production locations around the world are equipped with development and/or testing departments. Thanks to the decentralized organization we are in the position to implement knowledge of local and regional markets directly in product variations. This guarantees results that are adapted to the customer requirements in the best possible way.

Together with research and development activities that are exclusively self-financed, SAF-HOLLAND is funded by the public sector in the context of innovative R&D projects. In the reporting year we worked on, among other things, a project to reduce the weight of vehicle chassis that is supported by the Bavarian Ministry of Economics. In view of the successes achieved here, a second project of this type was conceived in 2012 and a preliminary funding commitment was reached.

R&D expenditures increased as planned

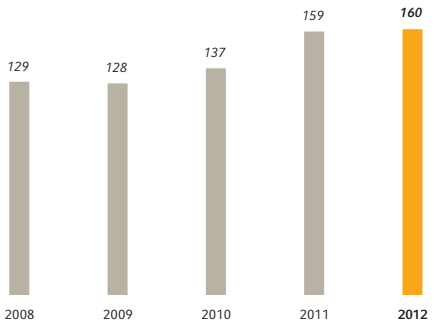
To accelerate the growth path on the technological side, SAF-HOLLAND further expanded its research and development activities in 2012. Our expenses for the strategically important department were increased as planned and reached EUR 18.0 million (previous year: EUR 14.9 million). The R&D ratio was thereby 2.3% compared with 1.9% in the previous year. Of the total expenditure for research and development, development costs of EUR 1.4 million (previous year: EUR 1.2 million) were capitalized.

Period overview research and development

	2012	2011	2010	2009	2008
R&D expenses including capitalized development costs (EUR million)	**19.4**	16.1	14.3	12.0	13.5
R&D ratio (expenses as a percentage of sales)	**2.3**	1.9	2.3	2.9	1.7

The number of employees in development, application engineering and testing increased slightly to 160 in the reporting year. The high innovative strength of SAF-HOLLAND is demonstrated by the newly registered innovations, among other things. In 2012, we were able to add 20 new registrations to our portfolio of internationally transacted priority applications. A priority application is always just the first filing of a patent family. The aforementioned increase was accordingly accompanied by numerous related part or supplementary applications.

Employees in development, application engineering and testing worldwide



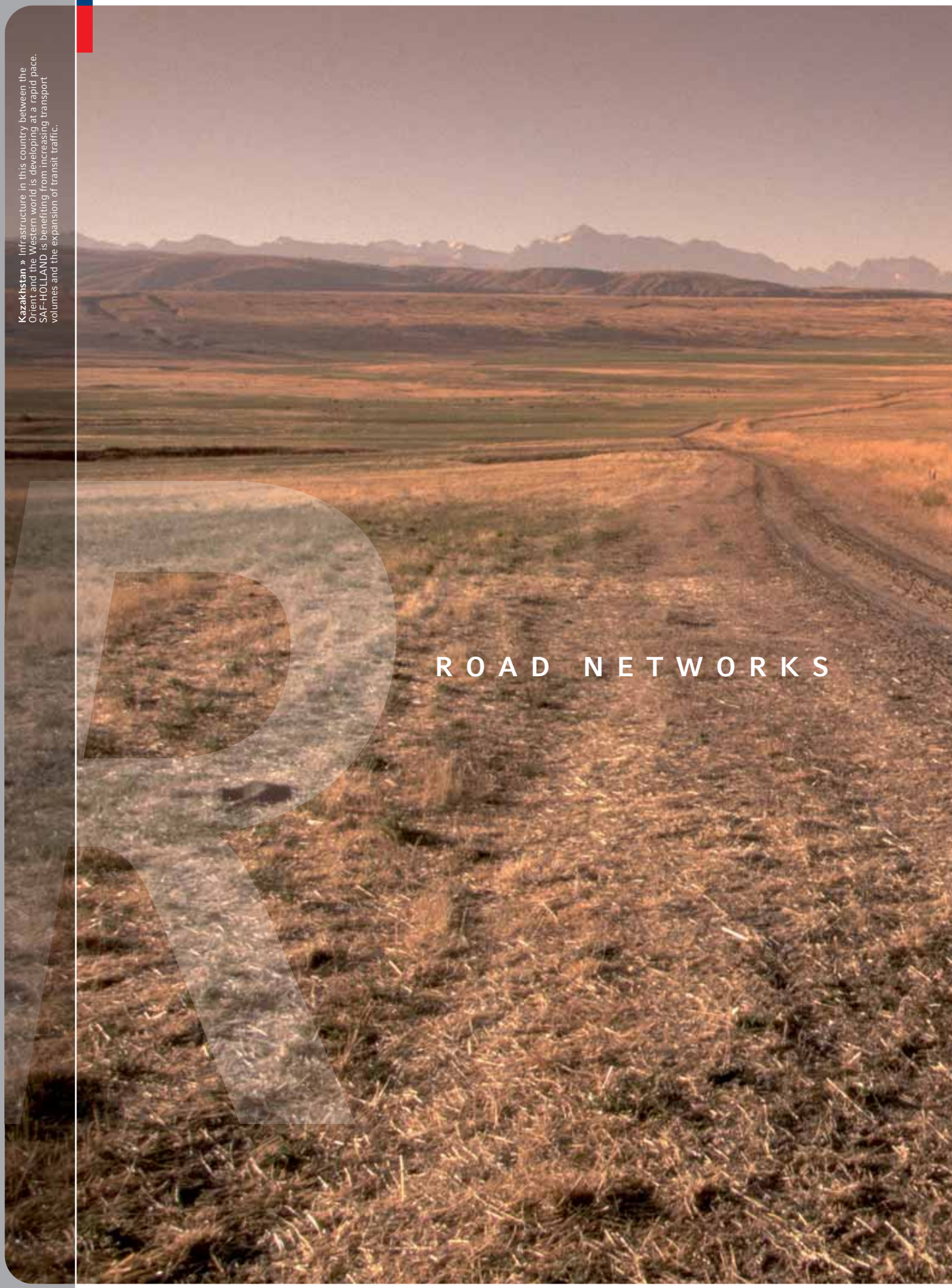
Significant new developments for Truck and Trailer

SAF-HOLLAND is continually working to further enlarge its technical edge and expand its position as one of the industry leaders. In relation to the volume market, the focus in 2012 was again on the further development of our suspension systems. In the Trailer Systems Business Unit, we further advanced the systems that are primarily offered in North America. They are an important success factor in the expansion of our position as a system provider and, together with the axle systems, a core element of our local growth strategy. In the Powered Vehicle Systems Business Unit, we dealt intensively with the new suspension systems for special vehicles for heavy-duty applications which went on sale at the end of 2012.

We added to our specialist applications with, among other things, a hydraulically-driven swing axle for trailers that is initially aimed at the European market. The globally unique axle has two uses: On inclines and in demanding terrain, it is switched on by the truck and immediately provides additional traction. When maneuvering, it can maneuver the trailer in self-drive mode, meaning that a tractor unit does not need to be used. Both offer the customer more efficiency in transport and in fleet management.

Cooperation and test series for quality assurance

Our development activities are closely linked with measures to secure and optimize product quality. Together with information technology stimulation programs for the evaluation of load cases, the implementation of trials at internal and external testing facilities as well as road tests on test tracks, we also use a wide variety of field tests. The continuous exchange of experiences and information with customers, supplier and service areas as well as close cooperation with technical testing institutions and universities provide additional data.



Kazakhstan » Infrastructure in this country between the Orient and the Western world is developing at a rapid pace. SAF-HOLLAND is benefiting from increasing transport volumes and the expansion of transit traffic.

ROAD NETWORKS

Kazakhstan is in Central Asia and is by far the largest of the young "stan" countries. Right across the country, a transit corridor is currently being developed which will be the shortest and fastest road connection between Europe and China. The new route will significantly increase the amount of freight transported by commercial vehicles. With the expansion of roads and vehicle fleets, further market opportunities are opening up for SAF-HOLLAND that the company wants to develop quickly – in the "stan" countries as in the emerging BRIC countries.

Road networks >> *036–043*



21st century Silk Road

The completion of one of the longest highways in the world is a step closer: From 2015, 8,445 kilometers of highway will connect Europe with China. Approximately one third of the route goes through Kazakhstan. The country in Central Asia recognizes the opportunities of growing transport volumes and wants to use the transit corridor for a strong economic recovery.

The new highway will in future become the most direct route between Saint Petersburg on the Baltic Sea and the port city of Lianyoungang on the East China Sea with access to the Pacific Ocean. A route that can be covered by trucks in just ten days – which when compared to today's standard transport amounts to significant savings, since the train requires more than two weeks and ocean freight takes one and a half months to cover the same distance.

Long stretches of the corridor follow one of the world's oldest trade routes: the Silk Road. Since ancient times, countless caravans have traveled the road network with the finest fabrics, fragrant spices or other goods such as glass, jewelery and porcelain.

Region on the move

The new transit corridor, the Silk Road of the 21st century, will not just serve as a bridge between the central markets of Europe and China. It also benefits the economic upswing in Kazakhstan and neighboring countries such as Uzbekistan and Kirghistan. The new road connection offers the resource-rich nations both better framework conditions for the supply in the county and also greater prosperity thanks to exports. Both are associated with an expansion of the commercial vehicle market. They are mastering the dynamic transport industry in the emerging region and, at the same time, are involved in the transit traffic accelerated by the Silk Road, which will significantly increase the transport volumes between Europe and China.

Transit privilege instead of landlocked handicap

Kazakhstan recognized the potential of the intercontinental highway, which President Nursultan Nazarbayev refers to as the "construction project of the century" at an early stage. The world's largest landlocked country is now turning the supposed disadvantage of having no access to the world's oceans into an advantage – and is contributing every effort to

the success of this major project. Up to 50,000 people in Kazakhstan are working on the construction project at the same time. The project is being financed from both state and private sources: The World Bank additionally provided a loan of 3.47 billion US dollars.

Challenge and opportunity

Sections of the intercontinental arterial road are still being worked on in the country – but the prospect of a new highway is already giving the region a further boost. In order to be able to benefit sustainably, several logistics centers are planned along the transit route. Kazakhstan is rich in raw materials – together with crude oil and natural gas reserves, natural resources include coal, iron ore, copper and uranium. By making ever better use of its export opportunities the country in Central Asia is making great leaps forward in driving the economic upswing.

Along important economic centers

The prospects of a sustained momentum for domestic industry are favorable: In the southern part of the country after Qysylorda, the capital of the province, two of Kasakhstan's economic centers Shymkent and Almaty lie on the route from west to east. While in Shymkent it is mainly the crude oil and chemical industries that flourish, Almaty has established itself as a trade fair city with a highly diversified industrial landscape. In this region the export quotas are already high today as the Chinese border is just a manageable 400 kilometers away. The transit corridor will have four lanes in this section as the largest volume of traffic is expected between the two Asian countries.

Doubling the volume of freight

The completion of the Kazakhstan section of the transnational highway is planned for 2015. It is the lighthouse project of a huge investment program in the transport infrastructure: Between 2012 and 2014 alone Kazakhstan invested EUR 13.6 billion in the expansion of the transport routes. And the prospects are good. This is because with an expected annual increase in the gross domestic product of around 6% by 2014 and uninterrupted demand for export products the signs continue to point to growth. It is expected that the freight transport in Kazakhstan will have doubled by 2020 – made possible by a well developed national road network.

Groundbreaking » The transit corridor between Europe and China leads to Central Asia with its countries rich in raw materials. The region is experiencing a rapid economic upswing.

Vast reserves of coal

With reserves of approximately 34 billion tons, Kazakhstan is one of the world's 10 most important producers of coal. A significant amount of the raw material lies in the north of the country where the city of Ekibastus was founded near one of the world's largest coal reserves. The economic importance of the coal remains high: 70% of Kazakhstan's increasing energy needs will be covered by coal-based power generation in the medium term. In addition the country is among the world's top ten coal exporters.

KAZAKHSTAN LOOKS TO THE FUTURE

In the middle of December 2012 on the 21st anniversary of Kazakhstan's independence, the country's President, Nursultan Nazarbayev talked about his "Kazakhstan 2050" strategy. The key components of the plan include the development of infrastructure and transit potential.

Nursultan Nazarbayev » The President of the Republic of Kazakhstan is accelerating the expansion of transport infrastructure in his country and of transport routes in Central Asia.

Nursultan Nazarbayev · *President of the Republic of Kazakhstan*

» The Kazakh section of the international transport corridor Western Europe – Western China is truly a project for the ages. «

The primary objective of the "Kazakhstan 2050" strategy is the creation of an affluent society on the basis of a strong state, highly-developed economy and general employment for the population. By the year 2050, the emerging country wants to be among the 30 most developed nations in the world. The republic's tremendous transport potential will be key to achieving these objectives. President Nazarbayev: "A number of major national infrastructure projects are currently being carried out which, put together will double freight transport through Kazakhstan by the year 2020. By 2050, freight transport will have increased ten-fold."

Path to prosperity

One example of an outstanding project is the modern silk road connection between Europe and China. Not only does it strengthen Kazakhstan's international position as a transit nation, it is also of enormous importance for the local economy. This is because the route for the motorway leads through a total of five large regions of the country, in which nearly half of the entire population lives. The new transport route is laying the groundwork for Kazakhstan's economic upswing. In the course of ongoing infrastructure development, more and more companies from a range of industries are setting up shop. International companies are showing increasing interest and investing in the emerging economy.

Infrastructure projects create jobs

In recent years, transport infrastructure and facilities have provided an important boost to progress in the republic, which is rich in natural resources. President Nazarbayev: "A large number of major strategic objects for industrial, transport and everyday infrastructure have been initiated. These projects have provided work for many Kazakhs and have given us access to regional and global economic relationships." This is no doubt one of the reasons Kazakhstan is now one of the top five countries in the world in terms of dynamic development.

PRESENCE IN EMERGING MARKETS

MORE ROUTES TOWARDS GROWTH

Whether in Asia, Eastern Europe or South America – the road networks in emerging countries are being expanded at impressive speed in order to transport increasing amounts of goods by truck or trailer. For SAF-HOLLAND, there are additional market opportunities to be tapped.

Transport infrastructure generates wealth. That's why it is being expanded. Like for example in the BRIC countries. Brazil has already undertaken a challenging agenda for the next few years. With the Football World Cup in 2014 and the Olympics in 2016, but also in the growth of commercial vehicle traffic, the country on the Amazon has invested heavily in the expansion and modernization of the road network. In the next 25 years alone, an additional 7,500 kilometers of road will be constructed. Brazil is not an isolated case. In Russia, too, the road network is experiencing a significant boost in terms of quality and coverage: The government's development strategy includes the construction of 20,000 kilometers of highways by 2030.

Greater pent-up demand

As part of a wide-ranging public-private partnership program, India wants to construct approximately 7,000 kilometers of new highways annually. In China, Beijing is reacting to the slightly lower recent economic growth with increased investment in road construction. They will further reduce the pent-up demand for infrastructure development – after the highway network had already grown in recent years by 5,000 kilometers annually.

New connections
If the amount of goods and commodities to be transported grows, it requires well-developed transport links. On several continents, there is modern infrastructure with significantly expanded road networks. Therefore, the vehicle fleets are also growing. In the emerging market countries, SAF-HOLLAND is securing early local positioning, presence close to customers and comprehensive service.

Road networks >> 036–043



The expanded and newly created roads around the world create the conditions for increased and better transport. A development from which SAF-HOLLAND is increasingly benefiting. In the near future, the company sees sales potential of EUR 100 million to be tapped in the BRIC countries alone. In addition, SAF-HOLLAND is also intensifying its commitment in other emerging countries such as the "stan" countries. Particular assets for achieving the objectives in rapidly growing markets are the market-focused activities and products adapted specifically to the market.

Presence in China is growing

In China, SAF-HOLLAND has combined the production of axle systems and landing legs at the location in Xiamen. Sales and marketing are positioned in close proximity to customers in Shanghai in order to advance the market presence with more consistency. SAF-HOLLAND is responding to the dominance of mechanical suspension with a robust square axle. Air suspension axle systems are added to the extent in which the market develops technically. In the mid term a complete product program will be offered in the country.

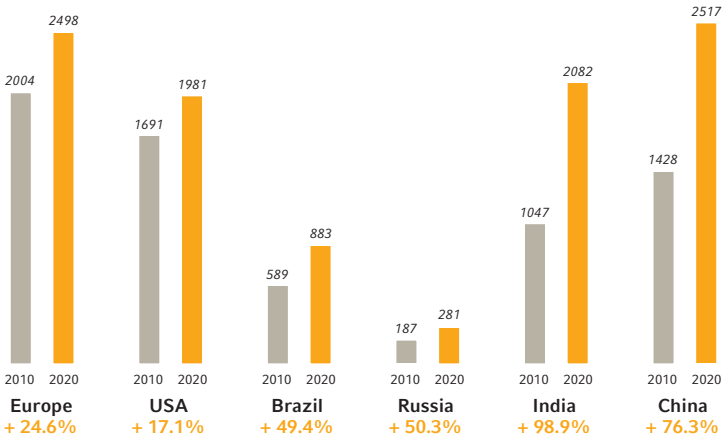
Market-specific offers

As in China, products that are focused precisely on the regional requirements are part of SAF-HOLLAND's concept for success in Brazil. An integrated axle system with mechanical suspension produced at the location in Jaguariúna will fully meet the conditions of Brazilian road transportation.

SAF-HOLLAND's early positioning in the emerging market countries often takes place through local production facilities, but also through the Aftermarket business. For example, since the beginning of 2013, a new logistics center for replacement parts in Mexico has accelerated the service quality in Central America. An additional logistics center in Asia is planned for this year.

The continued expansion of the network with service points and original parts dealers as well as an extended portfolio of A2 brands contributes to taking the Aftermarket business further forward. In the Aftermarket, SAF-HOLLAND has the objective of tapping an additional sales potential in the amount of EUR 100 million in the medium term.

Prognosis on global freight transportation on the roads by 2020 (in billion tonne-kilometers)



Source: Statista

GROWTH DRIVING FORCES

The increase in freight transport on European and North American roads promotes SAF-HOLLAND's continued strong position in the core markets. The rapidly increasing transport volumes in the BRIC countries are providing additional excellent opportunities for expansion.

Road networks >> 036–043

SAF-HOLLAND ON THE CAPITAL MARKET

SHARE PRICE DEVELOPMENT

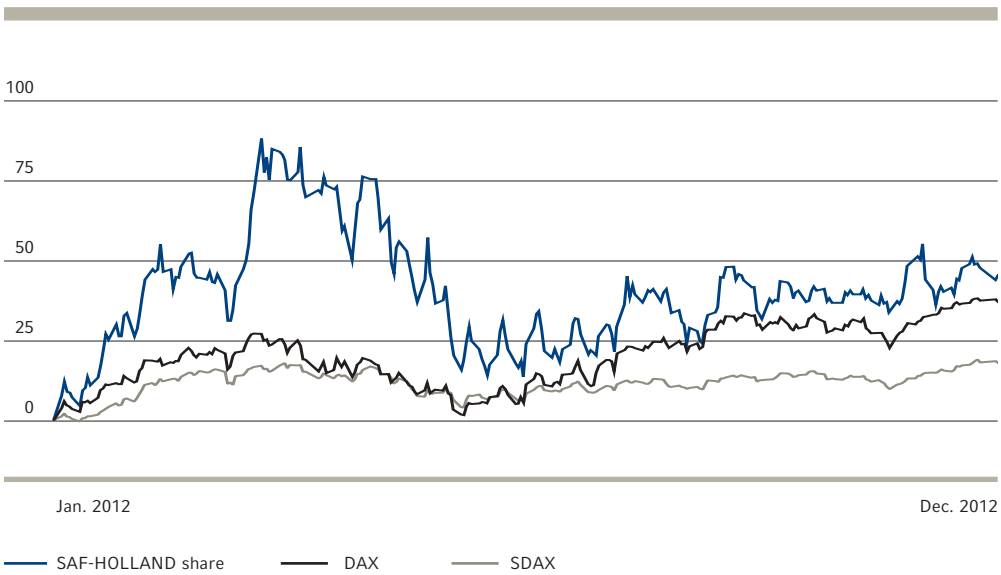
In 2012, German shares were more in demand than they have been for a long time. In view of lower interest rates and slightly unstable government bonds, the dividend stocks appeared to be just as promising as a safe haven. The leading German index DAX recorded an increase of nearly 30% from an annual perspective. It was thus much stronger than the major stock market barometers of other industrialized countries. In the past year, the American Dow Jones Industrial rose by approximately 7%. The EUROSTOXX 50 gained 16%.

SAF-HOLLAND share price rises 47.2%

The MDAX and SDAX indices also benefited from strong investor interest in German stocks. The latter, whose results include our share, recorded an increase of 18.7% to 5,249.35 points. The SAF-HOLLAND share experienced even stronger growth. It ended the year with a closing price of EUR 5.24 and thereby achieved an increase of 47.2% over the entire year. On the basis of the year-end price, the market capitalization reached EUR 237.7 million (previous year: EUR 146.8 million). Through the significant share price rise and the increased number of shares as a result of the capital increase, the value of our company increased by 61.9% as compared to the previous year.

In the spring, following a favorable start to the year, the SAF-HOLLAND share set itself apart from the development of the benchmark index. Buoyed by the positive response of the capital market participants to the results from the previous year published in the middle of March, the share price achieved a high for the year of EUR 6.82 on March 19, 2012. The uncertain financial environment and changing assessments for solving the European debt crisis were reflected in the following months in the stock market sentiment and thereby also in the price of the SAF-HOLLAND share. The situation has calmed down since August, meaning that our stock again increased significantly parallel to the SDAX.

Development of the SAF-HOLLAND share price vs. DAX and SDAX (in %)

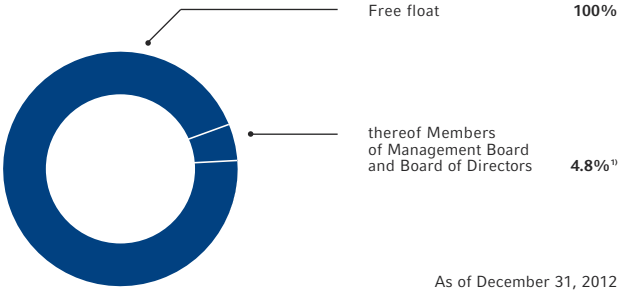


Heterogeneous shareholder structure

Our share is listed on the regulated market of the Frankfurt Stock Exchange. It meets the strict transparency criteria of the Prime Standard of the German Stock Exchange and has been a component of the SDAX index since 2010. The average trading volume in the reporting year amounted to 421,673 shares per trading day (previous year: 257,992 shares).

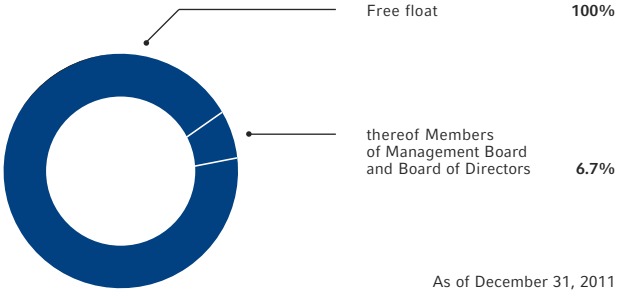
100% of SAF-HOLLAND's shares are in free float. Larger shareholdings are held by institutional investors including, among others, investment companies from the USA, The United Kingdom and Germany. Approximately 4.8% (previous year: 6.7%) of the shares were held by members of our Management Board and Board of Directors at the end of the reporting period. The slightly lower proportion in comparison to the previous year is primarily attributable to the increased number of shares as a result of the capital increase.

Shareholder structure 2012 in %



1) As of March 13, 2013: 4.6%.

Shareholder structure 2011 in %



Capital increase several times oversubscribed

In November 2012, SAF-HOLLAND S.A. increased its share capital by 10% from EUR 412,373.75 to EUR 453,611.12. The capital increase against cash contribution took place through the use of the authorized capital, which was increased from EUR 0.00 to EUR 206,187.00 at the Extraordinary General Meeting in June 2012. Following the capital increase, the remaining approved capital amounts to EUR 164,949.63. The company issued 4,123,737 new ordinary bearer shares in the form of a private placement and under exclusion of subscription rights. The share price was EUR 5.25. The new shares were primarily subscribed by institutional investors, mainly from Europe. The demand therefore greatly exceeded the supply – impressive evidence of the capital market's confidence in our company.

On December 3, 2012, the new shares were admitted to trading as part of SAF-HOLLAND's existing listing. They bear dividend entitlement from January 1, 2012. The gross proceeds of EUR 21.6 million achieved through the capital increase after deduction of costs in the amount of approximately EUR 2.0 million are being used to finance further growth. Further information on the capital increase can be found on page 62 and 70.

Coverage with positive estimates

SAF-HOLLAND is supported by various banks, brokers and analysts. In the reporting year, a total of eight research institutes published studies about our company. The coverage was again increased which placed the shares more strongly in the focus of private and institutional investors. The current estimates of the analysts are positive throughout.

Current analysts estimates

February 12, 2013	**Commerzbank AG**	**buy**
February 7, 2013	**Deutsche Bank AG**	**hold**
December 3, 2012	**Kepler Capital Markets**	**hold**
November 30, 2012	**Equinet Bank AG**	**buy**
November 8, 2012	**Steubing AG**	**buy**
August 16, 2012	**Cheuvreux S.A.**	**outperform**
August 16, 2012	**Montega AG**	**buy**
May 24, 2012	**Viscardi AG**	**buy**

Solid equity ratio brings dividends closer

SAF-HOLLAND is committed to allowing our shareholders to participate in the success of the company by paying out 40–50% of available net earnings as a dividend. The condition for the dividend payment is an equity ratio of about 40% reported in the annual financial statements. Due to the capital increase in November 2012, we were able to show an equity ratio of 36.9% (previous year: 32.4%) in the financial year. The equity ratios for 2012 and 2011, respectively, are calculated under consideration of the application of IAS 19R (for more details, see the Consolidated Financial Statements, p. 125). This means that we have not yet met the target value of 40%.

Key share figures

WKN / ISIN	**A0MU70 / LU0307018795**
Stock exchange code	**SFQ**
Number of shares until November 30, 2012	**41,237,375 shares**
Number of shares from November 30, 2012	**45,361,112 shares**
Designated sponsors	**Commerzbank AG, Cheuvreux S.A.**
Highest/lowest price for the year[1)]	**EUR 6.82 / EUR 3.71**
Closing price at end of year[1)]	**EUR 5.24**
Market capitalization[2)]	**EUR 237.7 million**
Adjusted earnings per share[3)]	**EUR 0.68**

1) XETRA-closing price in euro.

2) On the basis of 45,361,112 shares.

3) Based on the weighted average number of shares outstanding in the period under review.

GOOD START FOR CORPORATE BOND

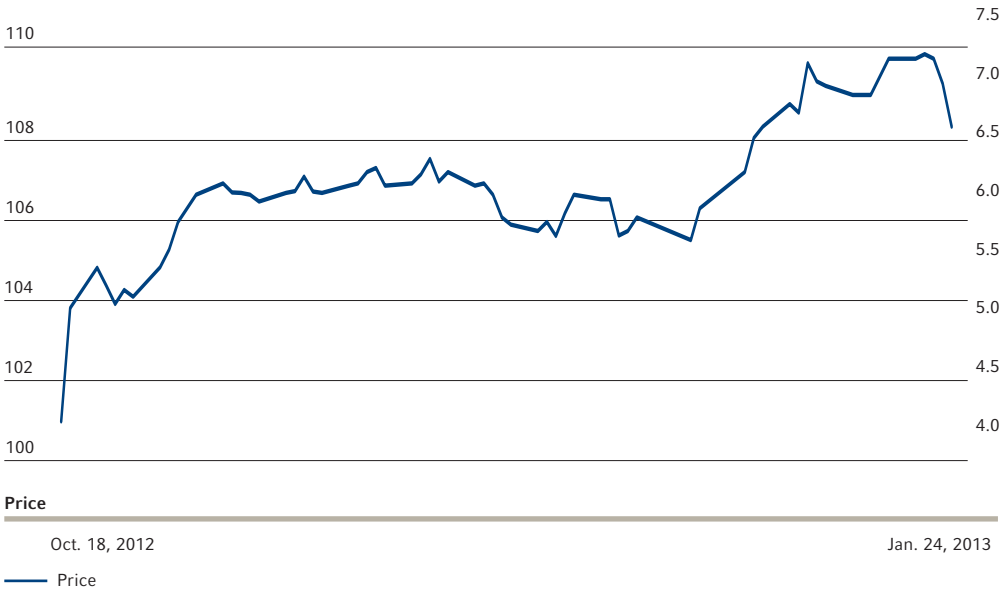
SAF-HOLLAND has also been represented on the bond market since the successful placement of our corporate bond in autumn 2012. The bond issued in October with a total nominal value of EUR 75.0 million was subscribed by both institutional and private investors. It has an attractive interest coupon of 7.00% and a term of 5.5 years. With the placement of the bond, we have achieved our target of diversifying our financing structure and accessing a new supply of capital. At the same time, we had reduced our dependence on the banking syndicate and increased our flexibility. In addition to institutional investors, it was also possible to expand the investor group to private investors.

Premium segment for corporate bonds

Our corporate bond offers a private investor-friendly denomination of EUR 1,000 and therefore allows for a broad investor base. It is one of the values of the Prime Standard. This premium segment launched by the Deutsche Boerse at the beginning of October is aimed specially at larger, internationally active companies. It guarantees the highest transparency requirements and ensures good tradability for the bond.

There was great interest in our bond from investors from the start. The entire volume was placed within a few hours and the subscription was closed ahead of schedule. The bond included in the regulated market since November 1, 2012 was also requested in later trading: it consistently traded above 104% and at the end of the year emerged from the market with a XETRA price of 104.50%. Together with the interest already accrued, investors in the first hour also posted a yield to maturity of 5.95%.

Development of the corporate bond price (in %)



Source: Industriekreditbank AG, Düsseldorf

We used the proceeds from the bond issue to repay existing bank loans. Another portion serves as a financial reserve for the realization of potential strategic options. Information on the bond and its placement can also be found in the management report on page 69 as well as on our Investor Relations website under "Bond".

Investment grade rating

In advance of the bond placement, Euler Hermes analyzed the liquidity and future prospects of SAF-HOLLAND S.A. Following comprehensive testing under operational and economic criteria, the rating agency gave the company a BBB- rating with a stable outlook, within the investment grade range. Euler Hermes anticipates a stable development of the rating evaluation for the period to September 2013.

Key figures for the corporate bond

WKN	**A1HA97**
ISIN	**DE000A1HA979**
Volume	**EUR 75.0 million**
Denomination	**EUR 1,000**
Coupon	**7.00% p.a.**
Interest date	**April 26**
Term	**5.5 years**
Maturity	**April 26, 2018**
Bond segment	**Prime Standard**
Exchange	**Frankfurt**
Status	**Not subordinate**
Company rating	**BBB-, outlook stable (Euler Hermes)**
Closing price at end of year[1)]	**104.50%**

1) XETRA-closing price

INVESTOR AND CAPITAL MARKET RELATIONSHIPS

SAF-HOLLAND places a high value on timely and open dialogue with all capital market participants. With the target of creating a transparent exchange of information, we continually explain the growth strategy and business development.

Financial communication in Germany and abroad

Our investor relations activities include regular company presentations from management at roadshows and capital market conferences. In the reporting year, discussion rounds were held in Belgium, Germany, the United Kingdom, The Netherlands, Austria, Scandinavia, Switzerland and the USA, among others.

We also used the IAA International Motorshow in Hanover for a presentation and held an Analysts and Investors´ Day. In addition, numerous analysts and investors got to know the company better at our head office in Bessenbach. Telephone conferences and individual discussions as well as comprehensive press and media activities rounded out the spectrum.

The Internet is also an integral part of our financial communication: on the company website http://corporate.safholland.com/en/investor.html we make a wealth of information available, including reports and presentations which are available for download.

PIONEER IN THE PREMIUM SEGMENT

Our corporate bond that was issued in 2012 is one of the first entries in the newly created Prime Standard for corporate bonds – the premium segment that was initiated by Deutsche Börse just a few days earlier.

Unmistakable » Start of trading.

Above par » Our bond is in high demand.

The beginning » SAF-HOLLAND as a player in the bond market.

Congratulations » For a successful beginning.

November 1, 2012 » Managers from SAF-HOLLAND and IKB Deutsche Industriebank AG who supported the transaction in front of the Frankfurt Stock Exchange.

The Prime Standard for bonds has the highest transparency standards in Europe. At the same time, the Frankfurt Stock Exchange's XETRA platform provides for good tradability and continuous pricing. Within a very short time, SAF-HOLLAND's corporate bond was fully placed – clear evidence of investors' confidence in our company.

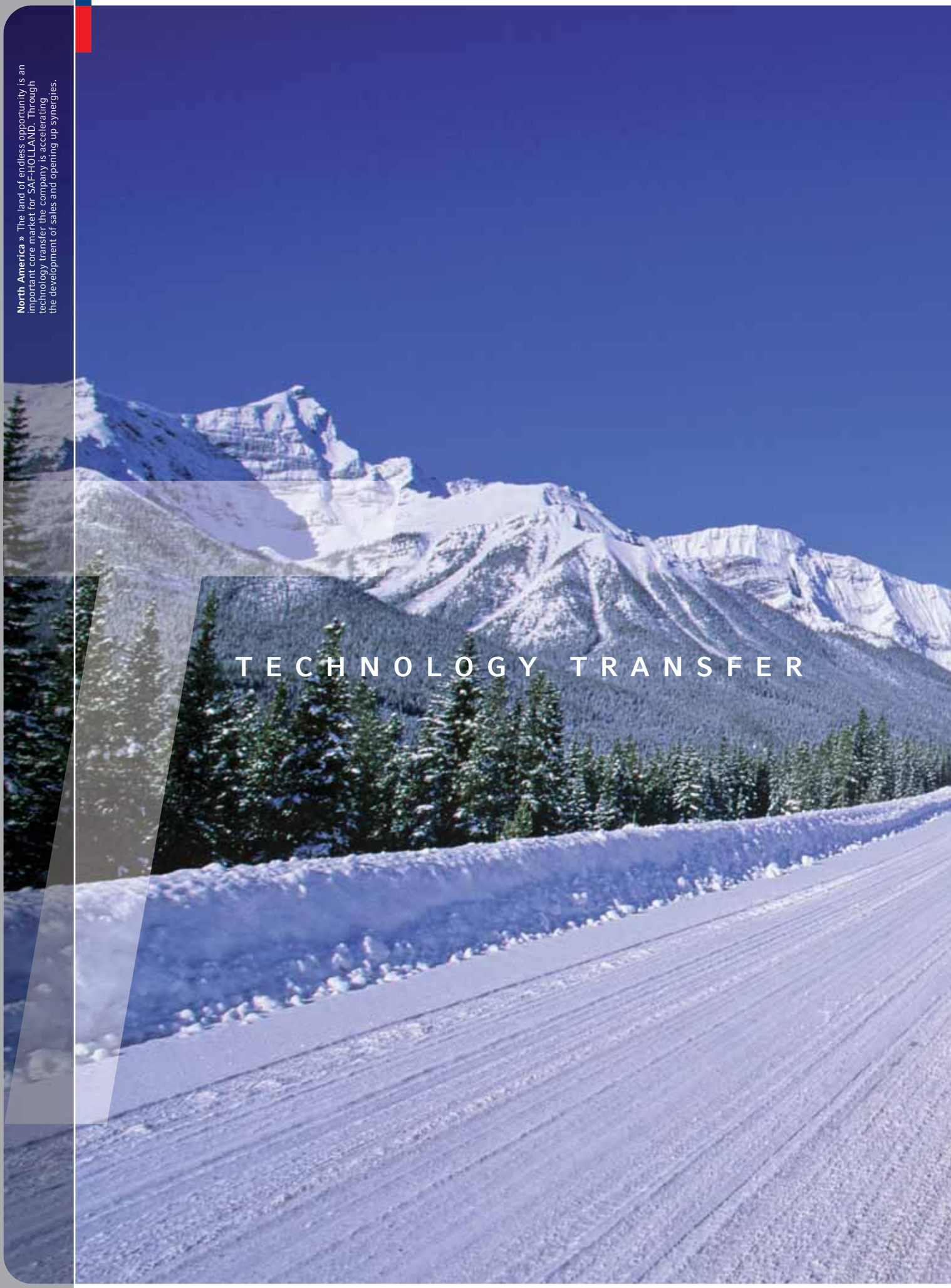
Start of trading » Inclusion in the regulated market.

Attractive » The bond targets private and institutional investors.

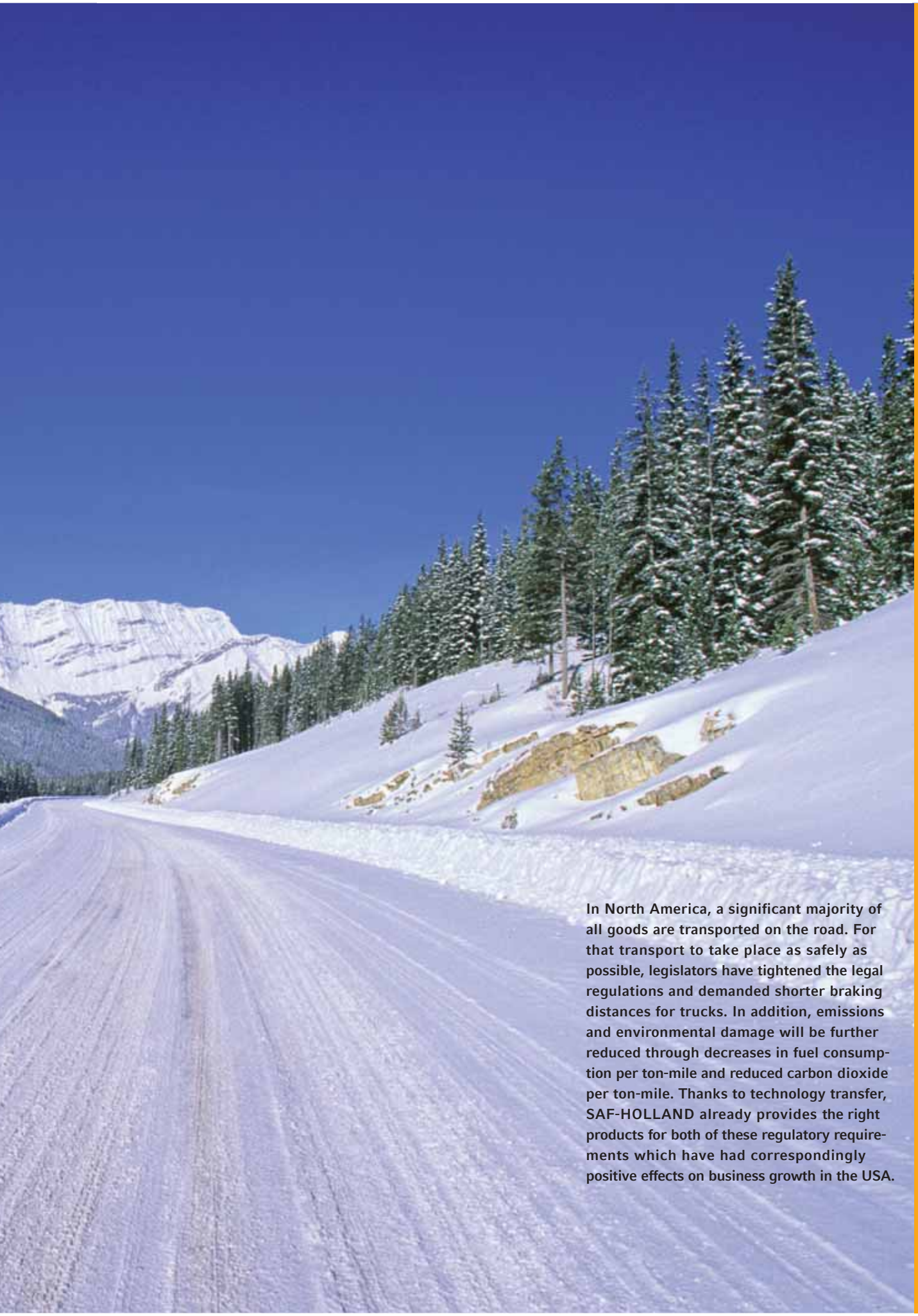
Goal reached » Shared joy about the success.

Optimized financing » Wilfried Trepels, CFO of SAF-HOLLAND S.A.

North America » The land of endless opportunity is an important core market for SAF-HOLLAND. Through technology transfer the company is accelerating the development of sales and opening up synergies.



TECHNOLOGY TRANSFER



In North America, a significant majority of all goods are transported on the road. For that transport to take place as safely as possible, legislators have tightened the legal regulations and demanded shorter braking distances for trucks. In addition, emissions and environmental damage will be further reduced through decreases in fuel consumption per ton-mile and reduced carbon dioxide per ton-mile. Thanks to technology transfer, SAF-HOLLAND already provides the right products for both of these regulatory requirements which have had correspondingly positive effects on business growth in the USA.

Technology transfer >> *050–057*

Right across the country

In America it is also true that a night out at the cinema without popcorn is only half as fun. When, for example, the movie-goer in Los Angeles has his bag of popcorn in his hands, the basic ingredient corn already has had a long journey behind it. This is because over 3,500 kilometers lie between between the corn fields in the Midwest of the USA and the film capital on the West Coast.

Everything begins in the corn belt: The states Iowa, Indiana, Illinois and Ohio make up the largest corn growing area in America. More than 50% of the total harvest comes from here. The corn makes several stops on its way to the cinema – at the processing facility as well as at logistical hubs along the route. There are sometimes complex supply chains in which numerous companies are involved.

Focus on Quality

As with all foods, it is also important to ensure that the highest quality standards are maintained for corn – throughout all stages of the transportation process. Increasingly intelligent logistics concepts are used for this which allow the yellow grain's journey to be monitored seamlessly from the field to the consumer. The movie-goer has little idea of the logistical feats which bring the corn to the cinema. He just enjoys the movie experience and is pleased with his popcorn.

Established » The geographical focus of the transport industry is on the states in the south and west of the USA. Therefore, there are more than 100,000 trucks registered in Alabama and California and more than 200,000 in Florida and Texas.

Masterful » Food transportation is the ultimate challenge in logistics. For good reason: Fruit and vegetables as well as fish, meat and much more must be delivered to the consumer on time and in top condition.

Logistical » The crops that are planted and harvested on a grand scale across the broad agricultural expanses of North America are primarily sent to their destinations by truck and trailer – a convincing solution, both economically and ecologically.

Responsible » Some foodstuffs are transported right across the USA. This involves passing through different climate zones. Temperature controlled transporters ensure that the sensitive freight remains fresh even over long distances.

Dale Jones •
Timpte, USA

» Innovation, quality, on-time delivery and after-sales support are the strenghts of SAF-HOLLAND. The company also distinguishes itself through close, team-oriented cooperation, excellent communication and consistent adherence to our objectives «

SAFETY TAKES THE LEAD

In North America, trucks and trailers ensure the reliable supply of foodstuffs. A discussion with Dale Jones, President and CEO of Timpte Inc., one of the USA's market leaders in the manufacture of trailers that are specially designed to transport grain.

Mr Jones, what proportion of freight operations in the USA does food transportation account for? And how important are trucks in the process?

» Foodstuffs make up a very large proportion of the total transport volume. I estimate that somewhere between 25 to 35% of all trade flows in the country are carrying food. Approximately 65 to 70% of the foodstuffs transported reach their destination via truck. Therefore, trucks play a decisive role in the logistics of our supply chain. «

Why is foodstuff logistics an extremely demanding discipline?

» It is extremely important that the goods are delivered on time and in excellent condition. In addition, seasonal fluctuations must also be taken into consideration in our business. There are also unpredictable events that can occur in agriculture such as shifts in the time of harvest. «

On whose behalf are the vehicles generally on the road: for farmers or the food industry?

» Approximately 70% of corn transportation is commissioned by the farmers. The remaining 30% is transported for the food industry. «




For corn and soy products, the logistics industry operates as a link between the farm and the consumer. Which specific challenges does this pose to freight forwarders?

» In this industry in the USA in particular, there are often very long distances to be covered. Modern technology and intelligent distribution concepts are therefore essential. The transport chain is divided into stages. The foodstuffs pass through numerous stations on their routes. They are stored, processed, approved and packaged. «

In your opinion, which vehicle characteristics are particularly important for trucking companies that are involved in the transportation of foodstuffs?

» The top priority is safety. It is of fundamental importance that we continue to maintain high standards in the production of trucks and trailers. Also important is having low-weight trucks and trailers in order to be able to transport large loads on individual journeys. In addition, quality and reliability are important since the vehicles have to keep running. Only in this way is it possible to ensure cost efficiency and with it a profitable freight forwarding business. «

What for you are the most important criteria with regard to safety and reliability of your trailers?

» On the one hand, quality suppliers that understand our industry are important. On the other hand, qualified and experienced employees for the entire business process are essential – from the development and production to aftermarket support. «

Which administrative regulations must be met?

» Firstly, as in all other transport fields, the regulations of the National Highway Transportation Administration Department (NHTSA) must be observed. In addition, there are increasing numbers of government regulations for vehicles that travel on federal highways. «

Can it be said that the safety regulations for trailers are generally increasing?

» Certainly. New safety regulations are routinely defined and prescribed by the NHTSA. The department could, for example, play a role in how the disc brake technology catches on in future. «

On what do fleet operators place particular value?

» From the perspective of freight forwarders, it is important to meet continually increasing efficiency requirements. For this we need product developments that contribute to better meeting these important criteria year upon year. Here is where our suppliers come into play. The stronger their performance, the better we can guarantee a high level. «

On which products from SAF-HOLLAND do you mainly focus and what do you appreciate about the cooperation?

» We use suspension systems, axles and landing legs from SAF-HOLLAND. The company does a very good job especially in relation to our high standards in terms of innovation, quality, on-time delivery and after sales support. Furthermore, SAF-HOLLAND stands out due to the close cooperation in the team, honest communication and a consistent focus on our goals. These are strengths that I greatly appreciate «



Company profile »
Timpte Inc. has its headquarters and central production facilities in David City, Nebraska, in close proximity to the corn and soy growing area, the corn belt of the Midwest. The company founded in 1884 is the market leading manufacturer of trailers with aluminum bulk container for the transport of cereals in the USA.

Success factor » The transfer of successful products and innovations to other geographical sales markets opens up strategic competitive advantages for SAF-HOLLAND.

TECHNOLOGY TRANSFER

INCREASING REQUIREMENTS

The tightening of safety regulations and emissions requirements is proceeding throughout the world – also in North America. As a leader in technology in the development of high-quality component and system solutions for trucks and trailers, SAF-HOLLAND is thoroughly prepared for the increasing safety and environmental compatibility requirements.

In the USA, the regulations on braking distances were tightened: For semi trucks produced on or after August 1, 2011 with a Gross Vehicle Weight Rating (GVWR) of up to 27 tonnes when loaded, the following regulations apply: They must come to a complete stop within 76 meters instead of the previous 108 meters. If the brakes are applied at a speed of 60 miles per hour, the difference amounts to the length of two semi trucks. On August 1, 2013 a new regulation comes into force for all heavy vehicle-trailer combinations over 27 tons. A reduction in the breaking distance of approximately 30% when compared to the current status is stipulated.




Increased demand for disc brakes

The majority of American fleet operators currently still prefer the cheaper drum brake option, however, increasing numbers of freight forwarders are changing and opting for disc brakes which have been the standard in Europe for several years. As a pioneer in this braking technology, SAF-HOLLAND is well-equipped for this market development and can benefit greatly from the change from one system to the other. The company has already established itself in the European market as the leading supplier of axle systems with integrated disk brakes for trailers and is also finding increasing numbers of parties in the USA interested in these products. With growing market potential, production of these systems which are so successful in Europe could soon also be located in the North American market.

Efficiency made easy

However, SAF-HOLLAND doesn't just offer advantages in terms of safety. The products also make a significant contribution to weight efficiency and therefore support the efforts to transport goods in a fuel-saving and environmentally-friendly way. Advantages that clearly score points in the USA, as national emission and fuel efficiency standards are driving far-reaching changes. In 2014, a regulation will come into force that includes a reduction in fuel consumption of 20% for trucks. Further tightening of the regulations will follow in 2018. Together with more efficient engines and low rolling resistance tires, this also brings the weight reduction of the components for trucks and trailers produced by SAF-HOLLAND into sharper focus. Thanks to the lightweight construction solutions for fifth wheels and suspension systems already established, the company has extensive experience and profound expertise in this area. Whether for weight reduction or improved safety – using the global market presence for model technology transfers is a particular strength of SAF-HOLLAND's.

FINANCIAL POSITION AND FINANCIAL PERFORMANCE

GENERAL FRAMEWORK CONDITIONS

Overall Economic Development

The global economy slowed in 2012. Due to the weaker economic growth in advanced economies, emerging economies also recorded reduced growth rates. According to the Kiel Institute for the World Economy (IfW), global production presumably increased in the reporting period by 3.2% compared with an increase of 3.8% in the previous year. The general economic situation also hampered world trade which, according to the IfW, presumably only increased by 1% compared to the previous year.

Europe: Debt crisis leaves its mark

In the European Union, the economic development was again influenced by the sovereign debt crisis and the uncertainty associated with it. The eurozone was particularly hard hit where the gross domestic product (GDP) fell by 0.5%. The countries directly affected by the crisis suffered significant reductions. Germany is still among the countries whose economic output proved to be relatively stable. According to initial estimates, economic production increased moderately by 0.7%.

North America: Economic growth accelerated slightly

The United States was burdened by the still unresolved budget problems, where it is important to strike a balance between deficit reduction and economic recovery. Added to this are private household debt and the continuing tense situation on the real estate market. Nevertheless, economic growth developed positively in 2012. Together with the consensus to raise the debt ceiling for the government budget, support measures from the US Federal Reserve contributed to a GDP increase of 2.2%. With low interest rates they promoted the option of taking out loans and subsequent investments.

BRIC countries: Still of great importance to the world economy

The subdued growth dynamic of the advanced economies was also transmitted to the emerging economies: A lack of demand from abroad had to be replaced by higher domestic demand. Despite the lower growth rates associated with this, the economic importance of the significant BRIC countries to SAF-HOLLAND increased further. According to calculations by the IfW, this group of countries recently contributed more than 50% of growth rates in world production.

Economic growth 2012 in important markets

	2012	2011
European Union	-0.3%	1.5% [1]
Eurozone	-0.5%	1.4%
Germany	0.7%	3.0% [1]
United States	2.2%	1.8%
Brazil	1.0%	7.6%
Russia	4.5%	4.3%
India	3.8%	7.9%
China	7.8%	9.2%

1) Joint Economic Forecast Project Group (October 2012)

Source: Institute for the World Economy IfW (December 2012)

Industry-specific development

The global market for trucks grew again in 2012. It could not, however, maintain the high growth rates of the previous two years. For the segment of trucks over 6 tons, the Verband der Automobilindustrie (German Automotive Industry Association) expects growth of 5% to 3.27 million units. The industry's economic situation developed very differently in the different regions around the world. The sales figures in Europe declined significantly, while the North American market continued to be characterized by stronger demand.

Europe: Uncertainty dampens willingness to invest

In view of the sovereign debt crisis in 2012, European fleet operators and trucking companies, as in previous years, only made cautious investments in the modernization of their fleets. According to calculations by the German Automotive Industry Association, the West European market for trucks over 6 tons reached 250,000 units, which corresponds to a decrease of approximately 5% compared to the previous year. The West European trailer markets developed on similar lines, where production in 2012 was also approximately 5% lower than the figure from the previous year.

With respect to Europe as a whole, the industry association ACEA calculates a decrease of 8.7% in the number of medium and heavy trucks to 295,610 vehicles. According to ACEA, the segment of heavy trucks with a gross vehicle weight of over 16 tons suffered a decline of 9%. In the previous year, however, this class of vehicles grew by 22%. Taking into account this strong growth from the previous year, the values continue to maintain a good level.

North America: Reduction in pent-up demand achieves a further increase

In contrast to Europe, the reduction of the investment bottleneck as a result of the past financial and economic crisis has already begun in North America. Accordingly, the North American market again in 2012 displayed strong growth in the reporting year. According to projections of market researcher ACT Research, the production of class 8 heavy trucks increased by 9% in the USA and by 11.2% in Canada. The trailer segment also grew significantly with an increase in deliveries of 9%. Compared with the previous year, the North American market expanded at a more subdued pace in 2012. This can primarily be assessed as temporary consolidation at a high level. In addition, the discussions about the national budget in the USA had a dampening effect in the second half of the year.

BRIC countries: Consolidation of the Brazilian market

Of the BRIC countries, the Russian market grew most significantly. Here, for vehicles over 6 tons, the German Automotive Industry Association predicts market growth of around 25% to more than 160,000 vehicles. For the entire truck market, the Russian industry association ASM Holding calculated an increase in sales of 9.5%. In Brazil, initial effects were felt of tightened emissions legislation, which had led to preemptive purchases of commercial vehicles in 2011. Over the rest of the year, however, there were signs of recovery in the market that still exhibits further potential in the medium term. For China, the national industry association CAAM calculated a decline in market volume of approximately 6%. After this decrease, the interim low of the world's largest commercial vehicles market has now probably been overcome.

OVERVIEW OF BUSINESS DEVELOPMENT

SAF-HOLLAND continued its profitable growth path in 2012. Driven by increased sales in every business sector, Group sales increased by around EUR 28 million to approximately EUR 860 million. In particular, the Aftermarket Business Unit contributed to the global expansion in business volume, increasing its sales by 11.7%. This profitable business sector with a good gross margin once again proved to be an important source of sales and earnings.

In relation to the geographical sales regions, SAF-HOLLAND managed to react well to the challenging European market environment. While sales in this region were weaker than in the previous year, they nonetheless demonstrated that they were more stable than the overall European market. In the Group, SAF-HOLLAND more than offset declining sales in Europe thanks to high growth rates in the other regions. Sales in North America increased by 10.6% and in countries outside the core markets by 34.6%. Our geographic diversification and the continuous expansion of the Aftermarket Business Unit has thereby once again proven to be an advantageous strategy.

Objectives fulfilled 2012

With Group sales of EUR 859.6 million, our ambitious sales target for 2012 of EUR 850 million was exceeded. In addition, with an adjusted EBIT of EUR 58.2 million (previous year: EUR 58.0 million), we achieved our goal of a stable earnings development. At the same time, we implemented the strategic measures announced at the beginning of the year. In particular:

- SAF-HOLLAND's market share in North America was expanded,
- two parts distribution centers were prepared, which from 2013 will strengthen the sales and service network of the Aftermarket Business Unit in Central and South America as well as in Asia,
- our corporate financing was diversified and established on a new stable basis which also allows for small acquisitions, and
- the equity base of SAF-HOLLAND was improved.

Key figures impacted by IAS 19R

In financial year 2012, SAF-HOLLAND voluntarily and ahead of schedule adopted IAS 19R, the amended version of IAS 19 "Employee Benefits". This had a significant effect on the consolidated financial statements, as IAS 19R eliminates the corridor method for recognizing actuarial gains and losses.

The effects of the changed accounting principles can be seen, in particular in the Group's consolidated statement of comprehensive income, the balance sheet and the statement of changes in equity. Corresponding to the IFRS and to allow a better comparison, SAF-HOLLAND has retroactively applied IAS 19R for financial year 2011.

On December 31, 2012 the retirement benefit obligations increased by EUR 25.3 million due to the adoption of IAS 19R. At the same time, equity fell by EUR 20.7 million, while the other non-current assets and the deferred tax assets combined increased by EUR 4.5 million.

The impact on the earnings situation amounted to just EUR 0.2 million.

kEUR	12/31/2012 IAS 19R	12/31/2012 IAS 19	Change
Other non-current assets	859	6,304	-5,445
Deferred tax assets	35,647	25,687	9,960
Retirement benefit obligations	39,251	13,991	25,260
Equity	197,863	218,608	-20,745
Operating result	45,547	43,920	1,627
Finance result	-29,572	-28,271	-1,301
Income taxes	-8,557	-8,457	-100
Result for the period	7,418	7,192	226

Further details on the implementation of IAS 19R and overviews of the adjustments made can be found in the Notes to the Consolidated Financial Statements on page 125.

Significant events in the 2012 financial year

Production capacities again expanded

The international production opportunities of SAF-HOLLAND have been purposefully optimized and expanded in the reporting year. We placed particular emphasis on expanding the capacity for axle production. Therefore, a new friction welding system was installed in Bessenbach, Germany, which went into operation at the start of 2013. It is taking over technical back-up functions and gives us flexibility on the capacity side in order to be able to benefit rapidly and to the greatest possible extent from reduction in the pent-up demand built up over the years, once the European market recovers.

In North America, we worked on expanding the production capacities for axles in Warrenton, Missouri, to 80,000 axles per year. As a result, the percentage of trailer suspension systems equipped with our own axles will rise from 80% to almost 100%. Supplying the North American customers with axle and suspension systems is a significant element of our growth strategy.

In the middle of the year, an assembly line for axle systems was opened in Johannesburg in South Africa. In addition, we continued planning for the possible production of trailer axles with air suspension systems in Turkey. The country on the Bosporus is among the five largest commercial vehicle-using nations in the world. With a local axle production, SAF-HOLLAND could serve the strong domestic market more quickly and at the same time undertake the first steps towards the high-growth countries such as Kazakhstan, Uzbekistan and Turkmenistan. The neighboring Middle East countries could also be supplied from Turkey in the medium term.

Further strengthening of our international presence

To accelerate our activities in Brazil, a cooperation agreement has been concluded with the Austrian company SAG Motion Group. It stipulates that both parties jointly promote their sales and marketing activities in the South American country. In addition, administrative facilities are used jointly. The cooperation with the supplier of aluminum components provides SAF-HOLLAND with both cost advantages and better market and sales opportunities for both companies. We have been active in Brazil since 2007 and are represented near São Paulo with a production site in Jaguariúna.

In the Aftermarket Business Unit, we are working on realizing more Parts Distribution Centers (PDC). To strengthen the sale of replacement parts in Central and South America, a PDC in Mexico began operations at the start of 2013. A further PDC will be set up in Asia over the course of the year.

Pioneering role with innovative products and services

The product development put forward in 2012 was again aimed at improving the total cost of ownership in fleet operation. The focus was therefore on innovations that contribute to weight reduction, fuel efficiency, durability and reliability. A customer-oriented IT solution has also been prepared including a QR-code on axles, chassis and fifth wheels. Scanning the code provides information on spare parts lists and repair instructions over the Internet. SAF-HOLLAND was the first manufacturer in the industry to use this digital service and is introducing it in Europe in the current year.

We presented our trend-setting innovations for trucks and trailers at numerous trade fairs including the world's largest commercial vehicle trade fair, the IAA in Hanover in Germany, the Mid-America Trucking Show (MATS) in Louisville, Kentucky and COMTRANS in Moscow. Further information on trade fair participation can be found on page 19.

Structural changes to improve the company's competitive position

We are continuing the initiatives to simplify the company's organizational structures and the sustainable optimization of business processes. The focus is on the Powered Vehicle Systems Business Unit. In August, SAF-HOLLAND GmbH announced the integration of SAF-HOLLAND Verkehrstechnik GmbH, which is based in Singen. The assets and the employment contracts there will be acquired. Subsequently, SAF-HOLLAND Verkehrstechnik GmbH will be merged into the parent company Holland Europe GmbH. In this way, we achieve further centralization of functional areas. In addition, synergies are being tapped that benefit the company's competitive position. The integration process associated with the structural changes should be completed by the middle of 2013.

Early refinancing and corporate bond

Following the operational turnaround, SAF also successfully concluded the financial restructuring of the group in 2012. We realized a new financing structure which is based on three pillars: the syndicated loan, the corporate bond and non-recourse factoring basket. More detailed information on this can be found in the Financing chapter on page 69 and – for the corporate bond – on page 46.

Capital increase for further growth

By issuing 4,123,737 new bearer shares, SAF-HOLLAND increased its share capital by approximately 10% in November 2012. With the capital increase against cash contribution, the share capital increased to EUR 453,611.12 (previously: 412,373.75). The number of shares outstanding increased to 45,361,112 shares (previously: 41,237,375). On December 3, 2012 the new shares were admitted to the existing listing. They bear dividend entitlement from January 1, 2012. The gross proceeds from the capital increase amount to EUR 21.6 million and are to be used to finance further company growth. Further details on the capital increase can be found on page 45.

EARNINGS SITUATION

Group sales increase to approximately EUR 860 million

One objective of the strategy of SAF-HOLLAND is to lessen the impact of economic volatility to the greatest extent possible. This proved a significant advantage to the company in 2012. The weaker European business was more than offset by the growing share of business in North America and the emerging world economies. Our sophisticated positioning with the three Business Units Trailer Systems, Powered Vehicle Systems and Aftermarket ensures additional stability. Against this backdrop, it was possible to increase sales in the Group by EUR 28.3 million to EUR 859.6 million (previous year: EUR 831.3 million).

North America: Continuing on a path to success

With a sales increase of approximately 11%, the North American region once again proved itself to be an important business location for SAF-HOLLAND. In contrast to Europe, the fleet operators in this market have already begun to reduce the investment bottleneck that has built up over the years. We can benefit considerably from this development. Our strong market position and the comprehensive product portfolio – particularly in the truck business – are proving to be particular assets. In total, we generated sales of EUR 367.1 million (previous year: EUR 331.9 million) in North America in 2012, which corresponds to 42.7% (previous year: 39.9%) of Group sales. The continued positive order situation demonstrates the growing interest in our products and at the same time confirms that the pent-up demand for investments in trucks and trailers in this core market is far from being met.

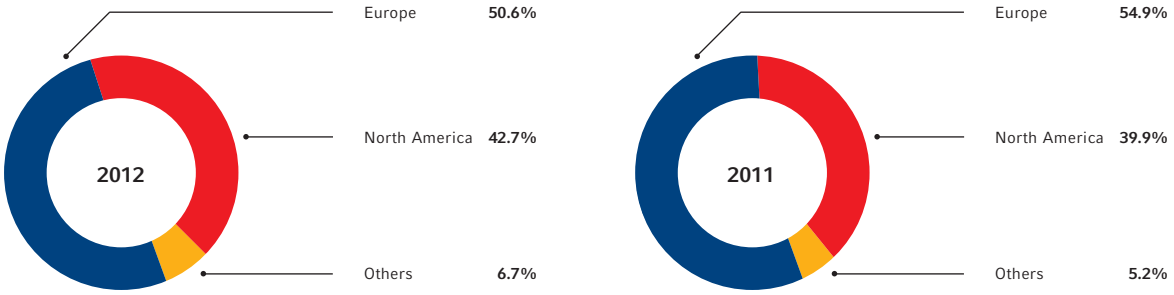
Europe: Good performance in a difficult environment

SAF-HOLLAND also showed its strength in the weaker European market. The company could not, however, completely avoid the dampening influences. There has only been a very cautious modernization of fleets which is mainly due to the uncertainties stemming from the euro crisis. Since the crisis in 2008/2009, SAF-HOLLAND has only generated a small proportion of European sales in the Southern European states. Therefore it is an advantage, that the company is not impacted intensifely by the economic weakness of these countries in the reporting year. In addition, the fact that in Europe we are primarily active in the Aftermarket and trailer sector also had a favorable impact as we were affected less by the significant decrease in the truck business. For the full year, sales in Europe reached EUR 434.9 million (previous year: EUR 456.6 million). The European region continues to be the main source of sales for SAF-HOLLAND with a 50.6% share in Group sales (previous year: 54.9%).

Overproportional growth in emerging markets

The economic upswing in the emerging economies is resulting in an increase in local transport volumes. This is opening up promising sales opportunities for SAF-HOLLAND. In the countries outside of our core markets of North America and Europe, we increased sales by more than a third in the reporting year to EUR 57.6 million (previous year: EUR 42.8 million). Our activities in Russia developed particularly well where sales increased significantly. In Brazil, on the other hand, the business development was characterized by pullforward effects. Due to stricter emissions regulations in 2012, fleet operators brought their investment forward in 2011, which resulted in an accordingly weak demand in the first half of 2012. Over the rest of the year, the order situation improved slowly.

Share in Group Sales by Region



Increase in gross margin to 18.2%

On the earnings side, SAF-HOLLAND recorded positive development in financial year 2012. The Group's gross profit increased to EUR 156.2 million (previous year: EUR 148.8 million). It thereby rose much more strongly than sales, whereby the gross margin improved to 18.2% (previous year: 17.9%).

With regard to costs, the forward-looking expenditure for the further expansion of business volume increased in particular. Our expenditures for research and development increased as planned by approximately one fifth to EUR 18.0 million (previous year: EUR 14.9 million), which in relation to sales corresponds to an R&D ratio of 2.1% (previous year: 1.8%). For distribution, we invested EUR 53.5 million worldwide (previous year: EUR 48.7 million), which corresponds to 6.2% (previous year: 5.9%) of total sales. The general administrative costs increased by 5.1% to EUR 39.3 million (previous year: EUR 37.4 million). Adjusted for special effects such as refinancing, the administrative costs remain at almost exactly the same level as the previous year.

Income statement

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

EUR million	2012		2011[1]	
Sales	859.6	100,0%	831.3	100.0%
Cost of sales	-703.4	-81.8%	-682.5	-82.1%
Gross profit	**156.2**	**18.2%**	**148.8**	**17.9%**
Other income	1.5	0.2%	1.4	0.2%
Selling expenses	-53.5	-6.2%	-48.7	-5.9%
Administrative expenses	-39.3	-4.6%	-37.4	-4.5%
Research and development costs	-18.0	-2.1%	-14.9	-1.8%
Impairment of intangible assets	-3.2	-0.4%	–	–
Reversal of intangible assets	1.8	0.2%	1.5	0.2%
Operating result	**45.5**	**5.3%**	**50.7**	**6.1%**
Finance result	-30.8	-3.6%	-24.7	-3.0%
Share of net profit of investments accounted for using the equity method	1.3	0.2%	0.6	0.1%
Result before tax	**16.0**	**1.9%**	**26.6**	**3.2%**
Income tax	-8.6	-1.0%	–	–
Result for the period	**7.4**	**0.9%**	**26.6**	**3.2%**
Number of shares[2]	41,546,655		36,502,894	
Earnings per share in EUR[2]	**0.18**		**0.73**	

2) Weighted average number of shares outstanding in the period under review. (see p. 165)

Earnings before tax reached EUR 16.0 million (previous year: 26.6 million) in the reporting year. It is primarily characterized by the high negative finance result of EUR -30.8 million (previous year: EUR -24.7 million). Here, while SAF-HOLLAND benefited from significantly lower interest expenses, there were at the same time one-time special effects associated with the refinancing in the amount of EUR 9.3 million and expenses related to the redemption of interest-rate hedges in the amount of EUR 3.0 million to bear. The switch to the regulations of IAS 19R also had an effect on the financial result in the amount of EUR -1.3 million. Furthermore, unrealized exchange rate losses from inter-company loans in the amount of EUR -1.2 million were accrued. Further information on early refinancing and the advantages obtained can be found on page 69.

The result for the period was EUR 7.4 million (previous year: EUR 26.6 million). A big part of the difference to the previous year figure results from significantly higher income taxes in 2012 of EUR 8.6 million. They reflect, among other things, a normalization of the tax burden, as in financial year 2011 SAF-HOLLAND had recognized deferred tax assets on nonrecognized interest carry-forwards in the amount of EUR 9.4 million from the previous year. The tax effect associated with this reduced the tax expense at this time to almost zero. In 2012, however, the tax rate weighed heavily on the result of the last tax audit in Germany with EUR 2.3 million. Additionally, due to insufficient future taxable income, deferred tax assets in the amount of EUR 3.7 million have not been recorded on tax loss and interests carry-forwards. The first-time capitalization of deferred tax assets had an offsetting impact on tax loss and interest carry-forwards from the prior year in the amount of EUR 2.3 million. Adjusted for these effects, the Group's income tax rate would have been almost 30.8%.

Reconciliation of adjusted earnings figures

EUR million	2012	2011[1]
Result for the period	**7.4**	26.6
Income tax	8.6	–
Finance result	30.8[2]	24.7[3]
Depreciation and amortization from PPA[4]	6.4	6.4
Impairment of intangible assets	3.2	–
Reversal of intangible assets	-1.8	-1.5
Restructuring and integration costs	3.6	1.8
Adjusted EBIT	**58.2**	**58.0**
as a percentage of sales	6.8	7.0
Depreciation and amortization	14.5	14.0
Adjusted EBITDA	**72.7**	**72.0**
as a percentage of sales	8.5	8.7
Depreciation and amortization	-14.5	-14.0
Finance result	-30.8[2]	-24.7[3]
Restructuring and integration costs	13.6[5]	1.6[6]
Adjusted result before taxes	**41.0**	**34.9**
Income tax	-12.6[7]	-10.7[8]
Adjusted result for the period	**28.4**	**24.2**
as a percentage of sales	3.3	2.9
Number of shares[9]	41,546,655	36,502,894
Adjusted earnings per share in EUR	**0.68**	**0.66**

1) Adjusted for effects of IAS 19 R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

2) The financial result includes unrealized foreign exchange losses on foreign currency loans in the amount of EUR 1.2 million.

3) The financial result includes unrealized foreign exchange gains on foreign currency loans in the amount of EUR 4.2 million.

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

5) Mainly one-time effects from the early redemption of bank loans of EUR 9.3 million and swaps of EUR 3.1 as well as unrealized foreign exchange losses on foreign currency loans in an amount of EUR 1.2 million.

6) Mainly one-time effects from the early redemption of bank loans of EUR 4.4 million and swaps of EUR 0.7 million as well as an initated bond issue of EUR 0.7 million as well as unrealized foreign exchange gains on foreign currency loans in an amount of EUR 4.2 million.

7) In the calculation of the adjuted result for the period, a uniform tax rate of 30.80% was assumed.

8) In the calculation of the adjusted result for the period, a uniform tax rate of 30.80% was assumed. One time effects from the creation of the deffered tax assets on previous unrecognized interest carry-forwards in the amount of EUR 9.4 million are not considered.

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

Stable earnings development: Adjusted EBIT of EUR 58.2 million

Adjusted EBIT increased slightly in the reporting year to EUR 58.2 million (previous year: EUR 58.0 million). In relation to the higher Group sales, this resulted in an adjusted EBIT margin of 6.8% (previous year: 7.0%). At this point it must be considered that comparable figures from financial year 2011 included earnings contributions from a project, a major part of which expired as planned in the third quarter of 2011. If these earnings contributions are not considered, this results in an improvement in adjusted EBIT margin for 2012 of approximately 0.6 percentage points compared to the previous year.

Adjusted earnings per share amounted to EUR 0.68 (previous year: EUR 0.66) in the reporting year. The underlying weighted average number of shares outstanding was, with 41.5 million shares (previous year: 36.5 million), significantly higher than in the previous year.

Multi-year overview of earnings situation

EUR million	2012	2011[1]	2010	2009	2008
Sales	859.6	831.3	631.0	419.6	798.8
Adjusted EBIT	58.2	58.0	37.1	1.5	41.2
as a percentage of sales	6.8	7.0	5.9	0.4	5.2
Adjusted EBITDA	72.7	72.0	52.7	16.7	54.7
as a percentage of sales	8.5	8.7	8.4	4.0	6.8
Adjusted earnings before taxes	41.0	34.9	4.1	-21.8	18.8
as a percentage of sales	4.8	4.2	0.6	n.d.	2.4
Adjusted result for the period	28.4	24.2	2.9	-15.6	13.4
as a percentage of sales	3.3	2.9	0.5	n.d.	1.7
Adjusted earnings per share in EUR	0.68[2]	0.66[3]	0.14[4]	-0.75[4]	0.69[5]

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

2) On the basis of 41,546,655 shares.

3) On the basis of 36,502,894 shares.

4) On the basis of 20,702,275 shares.

5) On the basis of 19,438,287 shares.

Performance of the Business Units

Overview of the Business Units

	Trailer Systems Business Unit		Powered Vehicle Systems Business Unit		Aftermarket Business Unit		Adjust-ments/ Elimi-nations		Total	
EUR million	2012	2011	2012	2011	2012	2011	2012	2011[1]	2012	2011[1]
Sales	473.5	472.8	157.6	154.0	228.5	204.5	–	–	859.6	831.3
Cost of sales	-429.3	-430.0	-131.2	-128.4	-142.7	-123.5	-0.2	-0.6	-703.4	-682.5
Gross profit	**44.2**	**42.8**	**26.4**	**25.6**	**85.8**	**81.0**	**-0.2**	**-0.6**	**156.2**	**148.8**
as a percentage of sales	9.3	9.1	16.8	16.6	37.5	39.6	–	–	18.2	17.9
Other income and expense	-29.9	-28.0	-10.8	-11.4	-52.7	-48.9	-4.6	-2.5	-98.0	-90.8
Adjusted EBIT	**14.3**	**14.8**	**15.6**	**14.2**	**33.1**	**32.1**	**-4.8**	**-3.1**	**58.2**	**58.0**
as a percentage of sales	3.0	3.1	9.9	9.2	14.5	15.7	–	–	6.8	7.0

Trailer Systems with stable business development

More than half of Group sales continued to be generated in the Trailer Systems Business Unit which increased its business volume slightly to EUR 473.5 million (previous year: EUR 472.8 million). The sales volume that in the previous year increased by more than 46% remained at a high level and stabilized further. In North America, the segment tapped demand driven by the pent-up need for investment of freight forwarders and fleet operators and thereby benefited primarily from an increasing level of interest in our axle and suspension systems. This compensates for the market-related decline in sales in Europe. The Business Unit's gross profit increased to EUR 44.2 million (previous year: EUR 42.8 million). With EUR 14.3 million (previous year: 14.8 million), the adjusted EBIT corresponds to an adjusted EBIT margin of 3.0% (previous year: 3.1%). The slightly lower values reflect increased investments in research and development and selling to facilitate future growth.

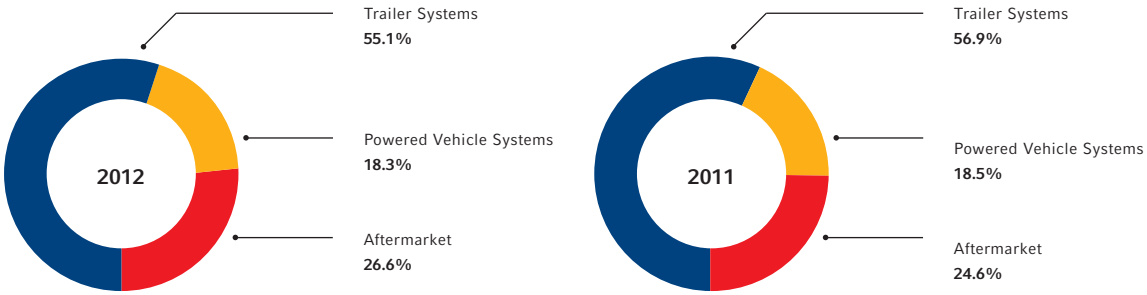
Powered Vehicle Systems shows profitability

The Powered Vehicle Systems Business Unit increased its sales to EUR 157.6 million (previous year: EUR 154.0 million) in 2012 and thereby, as in the previous year, contributed over 18% of Group sales. This Business Unit also expanded its business, primarily in North America. The adjusted EBIT increased significantly more than sales: It increased by just under 10% to EUR 15.6 million (previous year: EUR 14.2 million). The gross profit of EUR 26.4 million (previous year: EUR 25.6 million) corresponds to a gross margin of 16.8% (previous year: 16.6%) in relation to sales. The business development of the business unit is particularly pleasing as in 2012 a comprehensive project, a major part of which expired as planned in the third quarter of 2011, had to be compensated for. On both the sales side and the earnings side, this succeeded thanks to an improved customer and product mix.

Aftermarket on dynamic growth path

Growth rates were once again seen in the Aftermarket Business Unit. The segment, which is largely independent of the economic cycle, increased its sales by almost 12% to EUR 228.5 million (previous year: EUR 204.5 million). Due to the marked growth, the segment increased its share of Group sales to 26.6% (previous year: 24.6%). Our objective of increasing the segment's contribution to the Group sales of SAF-HOLLAND by one third in the medium term thereby moved one step closer. With gross profit of EUR 85.8 million (previous year: EUR 81.0 million), the Aftermarket business again achieved a good gross margin. Adjusted EBIT improved to EUR 33.1 million (previous year: EUR 32.1 million). The international subsidiary in Dubai founded in 2011 was also a positive source of sales and earnings. The subsidiary supports the Middle East as well as North and Central Africa. Our new spare parts program "Sauer Quality Parts" also opened up new sales potential. As a standard brand, it opens up the spare parts market for used vehicles to SAF-HOLLAND.

Share in Group sales by Business Unit



FINANCIAL POSITION

Principles and objectives of financial management

SAF-HOLLAND has clear assumptions in financial management. The financing of the Group should be on a broad basis. Additionally, it should provide a high degree of flexibility while being secured long-term with adequate financing conditions. With this focus, we gradually achieved our targets in 2012.

Financing restructured in view of the future

In the reporting year, we were able to successfully complete the comprehensive optimization of our corporate financing. Through a multi-step series of measures, we established a completely new basis for the financing of the company which is now supported by several pillars. The continued growth path of SAF-HOLLAND is thereby now sustainably secured thanks to a balanced mix of external financing. In addition, the company was able, together with other advantages such as greater financial flexibility and better financing conditions, to improve equity with a 10% capital increase.

Early bank refinancing

At the beginning of October 2012, a new syndicated loan with a total volume of EUR 260 million was concluded. It replaced the credit line that had been in place since 2008 and was set to expire on September 30, 2014. The early refinancing involving several banks guarantees financial security until 2017, three years longer than the previous agreement. The financing conditions are significantly more favorable than before. The framework conditions were also improved as the new smaller banking circle, reduced from 14 to eight banks, decided, for example, against the pledging of assets.

Structure of the new syndicated loan

	Currency	Volume before bond placement	Volume after bond placement
Term loan	EUR	120 million	70 million
Term loan	EUR	20 million	20 million
Revolving credit line	EUR	80 million	80 million
Revolving credit line	US-Dollar	50 million	50 million

Beyond the long-term financial security, the early refinancing opened up two further advantages. Firstly, the early repayment reduced the success fee to be payed to the replacement banks. It fell to EUR 10.5 million resulting in savings of EUR 2.4 million for SAF-HOLLAND. Secondly, interest rate swaps from 2008 with a negative market value of EUR 7.0 million were replaced, which additionally reduces future financing costs. Following the successful placement of the bond during the rest of October, the credit line was reduced from EUR 260 million to approximately EUR 210 million.

Corporate bond placed

SAF-HOLLAND placed a corporate bond in the amount of EUR 75.0 million at the end of October 2012 in the newly created market in the Prime Standard of the Frankfurt Stock Exchange as a financing alternative independent of banks. It carries a total term of 5.5 years and has an interest coupon of 7.00%. Before the emission, SAF-HOLLAND received a BBB-, outlook stable rating by Euler Hermes. The rating therefore is in the investment grade range.

We used the proceeds of the bond issue mainly for the repayment of the credit lines, which were reduced by approximately EUR 50 million to approximately EUR 210 million. A further EUR 25 million is being used for the further growth of the company. To this end, the financial means from the capital increase carried out in November 2012 are available. When it comes to realizing strategic options in the three business segments, SAF-HOLLAND can access a total of approximately EUR 45 million.

In comparison to the newly concluded syndicated loan, the corporate bond has higher interest rates. This will, however, be offset by greater independence and greater scope for action. All in all, the effective interest rate for the entire external financing of SAF-HOLLAND improved by around three percentage points to approximately 5.5%, and that includes all cost elements including the commitment interest for the free credit lines.

Information on the corporate bond and its placement can be found on page 46; information regarding the capital increase on page 45.

Non-recourse-factoring as additional component

We arranged non-recourse factoring in the second quarter of the reporting year, whereby the non-recourse factoring basket amounted to a total of EUR 25.0 million. On the basis of an initial amount of EUR 3.9 million, the volume increased as planned to EUR 7.8 million by the end of 2012. In the short-term, the volume is intended to be in a range of between EUR 10.0 million and EUR 15.0 million.

As part of the factoring, the factoring company assumes prepayment of our customer receivables as well as the corresponding default risk. Accordingly, SAF-HOLLAND additionally gains liquidity, optimizes financing costs with interest rates of approximately 3.5% and at the same time minimizes risks that could arise in connection with payment claims. Beyond non-recourse factoring, to a lesser extent SAF-HOLLAND utilizes off-balance sheet financial instruments of the operating lease, for example when purchasing motor vehicles, computer equipment or production facilities.

Successful capital increase

In November 2012 via a capital increase against cash contribution, we increased our share capital by approximately 10% by issuing 4,123,737 new bearer shares. The new shares were placed as part of a private placement for institutional investors at a price of EUR 5.25 per share. The demand greatly exceeded the supply. The gross proceeds of EUR 21.6 million after deduction of transaction costs are to be used to finance further growth in accordance with the business model of SAF-HOLLAND.

Positive effect from optimized financing structure

The improved financing structure of SAF-HOLLAND will only develop its full effect in the current financial year and the following years. Positive effects partly resulting from the measures of the previous year were, however, already visible in 2012. Therefore as of December 31, 2012, liabilities from interest-bearing collateralized bank loans fell to EUR 160.4 million (December 31, 2011: EUR 175.0 million). Net debt on the same reporting date fell to EUR 141.8 million (December 31, 2011: EUR 159.7 million) and was therefore also significantly reduced.

Through the capital increase, the gradual reduction of net debt and the repayment of the old credit lines as well as the change to the new syndicated loan, we have achieved significantly more favorable interest rate conditions. The interest expenses in connection with interest bearing loans and borrowings amount to EUR 12.7 million in the reporting period (previous year: EUR 19.0 million) and decreased by one third in comparison to the interest expenses of the previous year.

Investments benefit the competitive position

During the reporting year, we invested a total of EUR 22.3 million (previous year: EUR 15.6 million) throughout the Group. The largest part of our investment was used to develop synergies, to expand the product portfolio or to extend manufacturing possibilities. In the core markets of North America and Europe, the focus was primarily on axle production. The harmonization of the SAP systems is another important investment project. The multi-year IT project will be largely completed by the end of 2013 and requires internal and external expenses of approximately EUR 12.0 million in total. Through the optimization of the data systems, we are achieving sustainable process optimization which leads to improved cost structures and also reduces the net working capital.

We generally orient investment decisions based on return on investment (ROI). We intend for investments to pay for themselves within three years. The ROI should be achieved within a maximum twelve months for investments in rationalization.

Overall liquidity almost doubled

Cash available increased to EUR 18.6 million as of December 31, 2012 (previous year: EUR 15.3 million). Including the agreed credit facility, this results in a significantly increased total liquidity. Thus on December 31, 2012, SAF-HOLLAND had more than EUR 140.5 million (previous year: EUR 70.7 million) available – almost double the comparable amount from the previous year.

Table summarizing the determination of overall liquidity

	12/31/2012				
kEUR	Amount drawn valued as of the period-end exchange rate	Amount drawn valued as of the borrowing-date exchange rate	Agreed credit lines valued as of the borrowing-date exchange rate	Cash and cash equivalents	Total liquidity
Facility A1	71,400	71,400	71,400	–	–
Facility A2	–	–	20,000	–	20,000
Facility B1	4,682	4,682	80,000	18,579	93,897
Facility B2	12,107	12,500	39,063	–	26,563
Total	**88,189**	**88,582**	**210,463**	**18,579**	**140,460**

The cash flow from operating activities before income tax payments increased in the reporting year by 28% to EUR 59.5 million (previous year: EUR 46.5 million). Two opposing developments also played a role here. On the one hand, some customers moved their payments to SAF-HOLLAND forward in December 2011, which resulted in a reduced cash inflow of approximately EUR 6.0 million at the beginning of 2012. On the other hand, the aforementioned non-recourse factoring led to a positive effect of EUR 7.8 million by the end of 2012.

Analogous to the increased business volume, the net working capital increased to EUR 82.4 million (previous year: EUR 78.2 million). It thereby amounted to 10.2% of Group sales. Our objective of keeping the need for net working capital at a value of less than 10% of sales was thereby almost achieved.

Cash flow from investing activities amounted to EUR -21.3 million (previous year: EUR -12.1 million) in 2012. This resulted from, among other things, the costs for the SAP project with which we optimized our worldwide IT processes. Cash flow from financing activities of EUR -29.3 million (previous year: EUR -22.3 million) was largely shaped by our activities associated with the realignment of the company financing. On the one hand, the company accrued significant resources through the capital increase,

corporate bond and receiving the new syndicated loan. On the other hand, a significant number of existing loans were also repaid. There were also the one-time payments related to adjustment of the corporate finance including the success fee reduced to EUR 10.5 million due the early repayment, transaction costs of the new syndicated loan and the bond issue in the amount of EUR 3.4 million and EUR 1.8 million, respectively, as well as the costs for the early repayment of interest swaps and swap-related liabilities of EUR 7.0 million.

Five-year overview of financial position

EUR million	2012	2011[1]	2010	2009	2008
Operating cash flow before income tax payments	59.5	46.5	46.0	48.3	41.9
Net cash flow from investing activities	-21.3	-12.1	-7.2	-7.5	-72.1
Net cash flow from financing activities	-29.2	-22.3	-45.3	-28.4	18.4
Investments	22.3	15.6	8.3	8.1	74.2
as a percentage of sales	2.6	1.9	1.3	1.9	9.3

1) Adjusted for effects of IAS 19R and a correction due to IAS 8.42, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

ASSETS

Equity ratio further improved

In the reporting year, the balance sheet structure was once again improved. With EUR 197.9 million (previous year: EUR 175.6 million), equity on December 31, 2012 was significantly higher than the previous year's figure due to the capital increase. The equity ratio also increased further and as of the same reporting date reached 36.9% compared to 32.4% in the previous year.

Asset structure analysis: Liabilities significantly reduced

In 2012, the balance sheet total amounted to EUR 536.7 million (previous year: EUR 541.3 million). With EUR 330.1 million (previous year: EUR 332.6 million), the non-current assets corresponded approximately to the level of the previous year. Current assets reached EUR 206.6 million (previous year: EUR 208.7 million). The lower trade receivables mainly due to the factoring were offset by greater financial assets and increased cash and cash equivalents

The days of inventory outstanding amounted to 48 days as in the previous year and were thereby just over the target figure of 45 days. The days of inventory of trade receivables amounted to 39 days (previous year: 42 days).

Mainly due to the capital increase, the non-current liabilities of SAF-HOLLAND fell to EUR 230.2 million (previous year: EUR 243.6 million). Current liabilities decreased to EUR 108.6 million (previous year: EUR 122.1 million).

Five-year overview of assets

EUR million	2012	2011[1]	2010	2009	2008
Total assets	536.7	541.3	484.7	458.1	537.4
Equity	197.9	175.6	24.9	23.8	72.1
Equity ratio	36.9%	32.4%	5.1%	5.2%	13.4%

Number of employees remained nearly constant

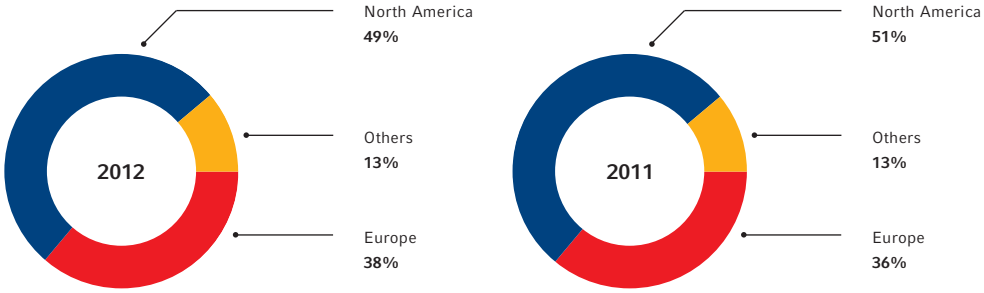
As of December 31, 2012, SAF-HOLLAND employed 3,059 people worldwide (previous year: 3,155) including temporary employees. The annual average number of employees at the company was 3,118 (previous year: 3,107).

Development of employee numbers by region

	2012	2011	2010	2009	2008
Europe	1,159	1,130	990	896	1,011
North America	1,497	1,615	1,387	1,092	1,156
Others	403	410	397	343	293
Total	**3,059**	**3,155**	**2,774**	**2,331**	**2,460**
Annual average	**3,118**	**3,107**	**2,619**	**2,320**	**2,799**

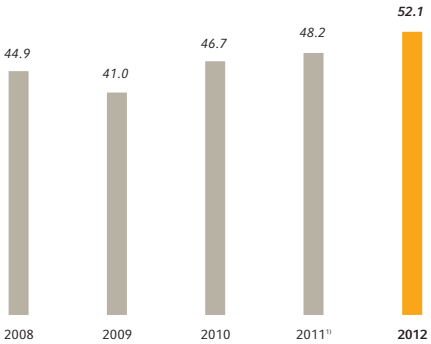
Nearby half of the total workforce is employed at locations in North America. 38% of Group employees were working at our European companies at the end of the year. 13% of the workforce is employed in regions outside our core markets.

Employees by region

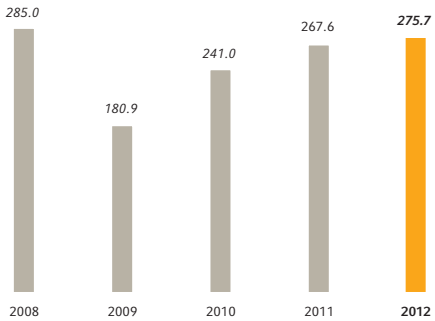


If restructuring and integration costs are not considered, the personnel expenses in the reporting year amounted to EUR 154.4 million (previous year: EUR 141.2 million) in total. In relation to the individual employee – not including temporary employees – this amounts to an average cost of kEUR 52.1 (previous year: kEUR 48.2). Sales per employee reached kEUR 275.7 after kEUR 267.6 in the previous year.

Personnel expenses per employee excluding restructuring and integration costs and temporary workers (kEUR)



Sales per employee with temporary employees (kEUR)



1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

Agreements ensure flexibility in production

To be able to exactly meet demand at all times, SAF-HOLLAND is dependent on market-appropriate and flexible personnel structures. Against this background, we rely on more than just a permanent workforce, we also rely on fixed-term contracts and support from employment agencies. A company agreement was signed in 2012 for the German production facilities which allows an extension of the agreed fixed terms for new employees from 12 to 24 months. In the USA, we came to new agreements with the union bargaining commissions of the United Steelworkers and International Association of Machinists and Aerospace Workers. They run until spring 2017 and relate to our production locations in Dumas, Arkansas, and Warrenton, Missouri.

Initiatives for efficient Group-wide cooperation

SAF-HOLLAND provides a broad range of training and professional development. Both in Europe and North America, the focus in 2012 was on training in the area of methodological and interpersonal skills of management staff. With respect to production, the focus is also on FEM and CAD training sessions. In addition, using multi-level English courses, we promoted communication and the flow of information in the Group. Our personnel development program was also continued and since the start of 2013 has additionally incorporated the locations in the USA.

Attractiveness and challenge

In the reporting year, we conducted employee surveys in both core markets. The results will guide areas for continued and improved employee interaction to further enhance employee satisfaction with our company. In the second quarter of 2012, the special effort of all employees was rewarded with a bonus which gives special acknowledgement to the services performed in the previous year.

Non-financial value-enhancing factors

In the operating business, SAF-HOLLAND can count on a wide range of strengths. Besides the excellent knowledge and the long experience of the vast majority of employees, established relationship with customers and suppliers offer particular advantages.

Solid customer base among OEM and end customers

In the original equipment business, we supply several hundred trailer manufacturers as well as almost all globally active truck manufacturers. The cooperation is based on both multi-year supply contracts and corresponding framework agreements.

Beyond the OEM area, we have established close contact to the fleet operators worldwide. The direct connection with the end customers allows us to optimally adjust our product and service offers to their requirements, which effectively supports SAF-HOLLAND's position as an international market leader.

Procurement via a global network of suppliers

The reliable circle of suppliers comprises approximately 550 partners. In order to reduce or completely avoid dependence on individual suppliers, SAF-HOLLAND pursues a multi-supplier strategy where possible. We conclude multi-year framework agreements with core suppliers in which important conditions are stipulated. Like our production network, the circle of suppliers is also structured internationally. The procurement processes are networked across companies and countries allowing for the use of synergies.

Organization and processing advantages through networking

We support our processes at all locations using high-performance IT architectures. In 2012, as part of the global network project, the local networks were technically brought up to date and combined in a

standardized structure. In future, this will avoid redundancies, increase transparency and improve the performance of the hardware. With the implementation of the project, all the requirements have been met to simplify IT processes globally.

To further advance data networking, the SAP systems used in the core markets of North America and Europe are currently being combined. In the medium term, this project involves the extension of the IT system Advanced Planner & Optimizer (APO) to our organization in North America. In Europe, we have long been using the supply chain management solution, primarily in the fields of procurement and logistics and in the planning of capacities in the plants.

Another IT project in the Product Development area targets the replacement of the Product Data Management (PDM) systems in North America and Europe, which are currently different, with a uniform (PDM) system platform. The new system will be implemented gradually and optimizes cooperation across countries between the product development teams as well as other parts of our organization. The most significant advantage of the integrated solution is a highly efficient flow of information from which the respective responsible employee has quick access to digitally stored data and documents – always up to date and over the entire lifecycle of the product. It is planned that the development and construction centers in North America and Germany will already be using the new PDM system in 2013, with other countries to follow. It is also planned to connect this to our SAP system.

Sustainability as a strategic component

The corporate activities of SAF-HOLLAND are characterized by economic, ecological and social responsibility. In product manufacturing, we are constantly working towards minimizing noise, dust and exhaust emissions produced during manufacturing. The majority of our plants have certified environmental management systems in accordance with the international norm ISO 14001.

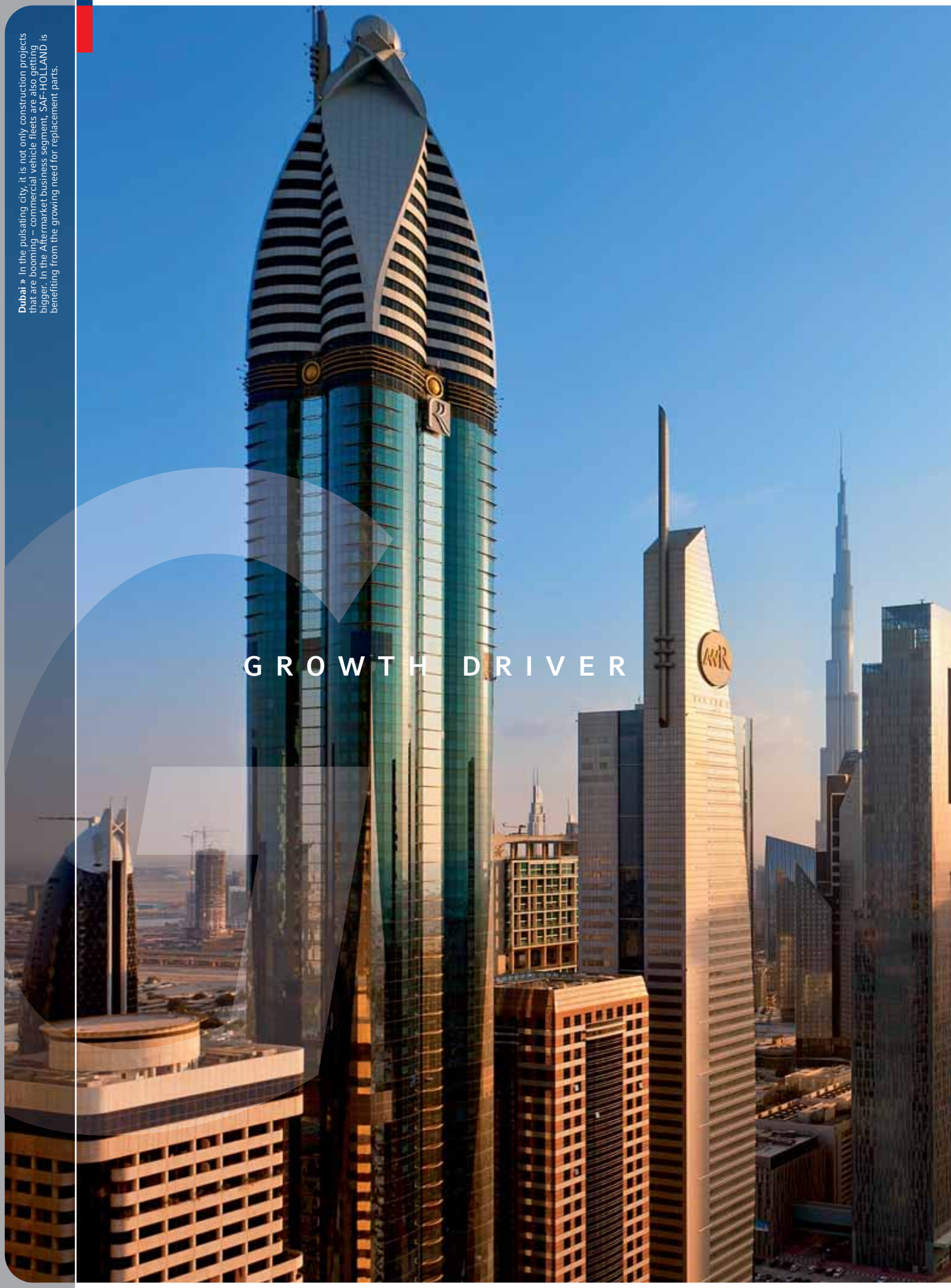
We create jobs in a wide variety of countries with our global activities and support the local situation through contracts with local or regional companies. SAF-HOLLAND thereby focuses its actions on ethical and moral principles on each continent. Sustainability is also part of the core business. The constant weight reduction of our products and components contributes to reducing the fuel consumption of fleets. At the same time, the reduced emissions values contribute to climate protection and the conservation of resources.

GENERAL STATEMENT ON THE ECONOMIC SITUATION IN 2012

The reporting year was consistently successful for SAF-HOLLAND. We continued our expansion strategy and expanded our global market position through profitable growth. Our targets for 2012 were thereby achieved. As expected, we made gains particularly in the core market of North America as well as in the emerging economies. However, SAF-HOLLAND also performed well in the economically challenging European environment.

The positive business development benefited in particular from the expansion of the Aftermarket business segment and the further geographic diversification. This confirms the effectiveness of our strategy of targeting independence from economic and market developments. We made significant progress in relation to corporate financing. It was concluded in 2012 with the diversification of borrowed capital and the successful capital increase. The growth path of SAF-HOLLAND has thereby been secured for the long term and on adequate conditions in terms of financial flexibility.

Dubai » In the pulsating city, it is not only construction projects that are booming – commercial vehicle fleets are also getting bigger. In the Aftermarket business segment, SAF-HOLLAND is benefiting from the growing need for replacement parts.



GROWTH DRIVER

Dubai, the impressive desert city in the Emirate of the same name is characterized by growth. In recent years, it has developed into a modern city whose focus has now moved from oil production to the expansion of its position as a logistics hub for global trade. The resulting growth of the fleet in the commercial vehicle industry has prompted SAF-HOLLAND to work directly on site. A wholly owned subsidiary now delivers to the entire Arabian Peninsular from here and also acts as the bridge towards Africa.

Growth Driver >> *076–083*

SUPERLATIVES ON THE PERSIAN GULF

Symbol of the upswing » The Burj Khalifa rises high into the sky above Dubai. During construction of the world's tallest tower, the transport of materials using trucks was a particular challenge.

Artificial islands, ultramodern neighborhoods, spectacular skyscrapers: With an unprecedented construction and investment boom, Dubai is preparing itself for the future. A landmark for the dynamic development is a first-class skyscraper: Burj Khalifa, the world's tallest building. On 160 floors, the 828 meter-high colossal tower houses apartments and offices as well as hotels, restaurants and shopping centers. The construction material for the architectural masterpiece was delivered by truck-trailer combinations – right across the city of Dubai.

GOODS TRAFFIC HUB

Dubai is gearing up for the time after oil and is focusing particularly on the logistics industry. With success: The Emirate on the Persian Gulf is a location of great interest for transport companies. According to a study carried out by Frost & Sullivan, by 2014 the logistics market in the United Arab Emirates could reach a volume of 9.4 billion US dollars, which is an increase of 34% in comparison to the year 2010.

From a fishing village which was home to pearl divers to a metropolis of the Arabic world – in just a few decades, Dubai has completed an unparalleled transformation. The rapid rise was primarily financed through income from oil exports. However, years before oil had been discovered, there was a development plan for Dubai that also included the road network. The urban motorway Sheikh Zayed Road created a logistic foundation for the expansion of the emerging city.

Truck and trailer supply the city

At the beginning of the 1970s, approximately 60,000 people lived in Dubai. Today it has 1.8 million inhabitants, roughly one third of the total population of the United Arab Emirates. The city on the Gulf is an impressive example of global urbanization, in whose footsteps the commercial vehicle fleets are also growing rapidly. Ultimately, both everyday necessities have to be brought into the cities as well as materials for the construction of apartments, workplaces and much more.

Growth Driver >> 076–083



The more spectacular the construction project, the larger the transport volumes that are connected with it. For the Burj Khalifa alone, 330,000 cubic meters of concrete, 39,000 tons of reinforced steel and 142,000 square meters of glass were used. The majority of all construction materials reached their destination via the roads, as in inner-city transportation, even in Dubai, the truck is the number one mode of transport.

Logistics as a focus industry

Since the recent economic crisis, there has been a reluctance to invest in real estate in the city. However, the upswing is continuing. And again, the commercial vehicle has a particular role to play as the Emirate is now committed to expanding its position as a logistic hub for global trade. Governmental projects will be accompanied by the involvement of private investors based both domestically and abroad that promote Dubai with corresponding economic policies.

Tourism and logistics are already the two industries that contribute the most to the country's gross domestic product, and this looks set to continue as Dubai provides logistics companies with an ideal environment for founding companies and expanding them. Together with the favorable position between Europe, Asia and Africa, the first-class infrastructure acts as the primary growth driver: The Jebel Ali container port and the country's two airports are hubs for international goods traffic. An additional factor is that Dubai has established large free trade areas. For example, the port area is connected to the Al Maktoum International Airport area via a logistics corridor which amounts to a continuous free trade area of approximately 200 square kilometers in total.

Location with potential

The Al Maktoum airport is part of Dubai World Central, a strategically planned trading hub that is continuously being expanded. The Dubai Logistics City is also located here. As the hub for trade flows, it provides land and facilities especially for transport companies. There are already numerous international trucking companies located in the Logistics City, which in future will comprise more than 21 square kilometers. They are taking over transport within the trade area and primarily carry out the distribution of goods on the roads.

That the volume of goods to be transported will increase is beyond doubt, as the markets that can be reached easily from Dubai are rapidly gaining in importance. The North and Central African markets in particular offer great potential as well as Saudi Arabia and Qatar. For the commercial vehicle fleets on the Persian Gulf, the signs continue to point towards growth.

AFTERMARKET

LOCAL AND CUSTOMER-ORIENTED

The region of the Middle East and North and Central Africa is developing into an important growth market for SAF-HOLLAND. As a result, the company is present at the Dubai location with its own international subsidiary. It is expanding the global network of the Aftermarket business segment and guarantees the reliable local supply of spare parts for our customers.

With the expansion of its location in Dubai, SAF-HOLLAND is accelerating its international expansion. The newly founded company is increasing sales of spare parts in the Middle East and additionally serves as a bridge to North and Central Africa. Managing Director Marc Rauchmann summarizes the changes: "Before the foundation of the subsidiary in the United Arab Emirates, we were an internationally operating company that also exported to the Middle East and North Africa among other places. Now we are being seen as a local player that provides customer-oriented complete solutions for the transport industry and with a multi-lingual team that guarantees the highest level of quality, comprehensive service and the rapid availability of replacement parts.

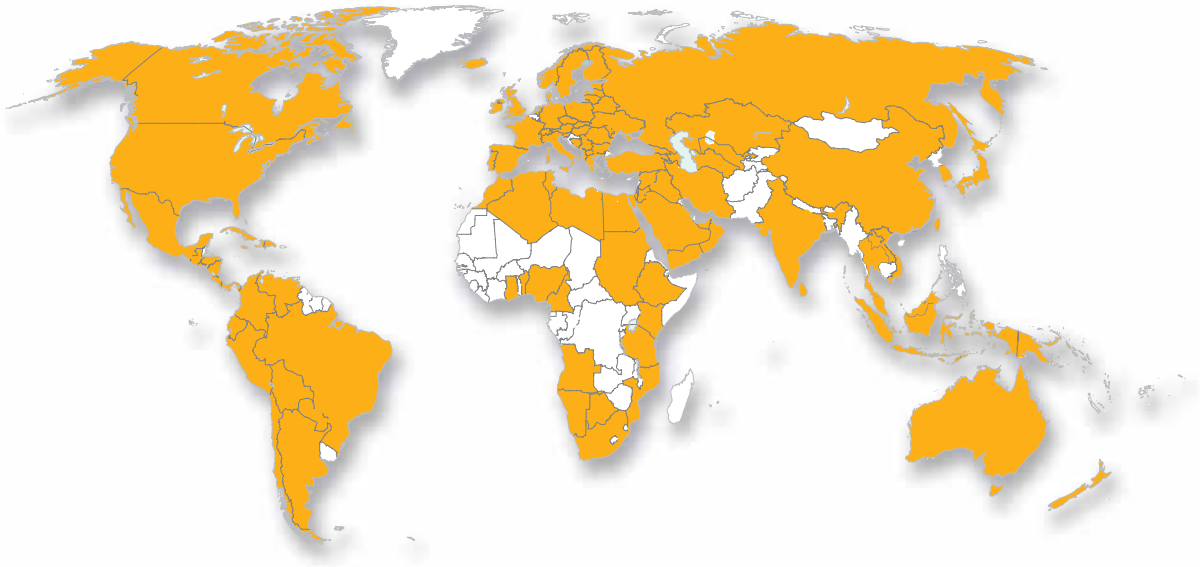
Rigid Axles with Drum Brake

Fifth Wheel - forged Aluminium

Rigid mount Pintle Hook

Growth Driver >> 076–083

Global safety net » With around 9,000 independant parts and service stations in 30 countries, SAF-HOLLAND ensures competent support and quick delivery of necessary spare parts.



Mechanical Suspension with Drum Brake

Rigid Axles with Drum Brake

Fifth Wheel for heavy duty transportation

Air Suspension System with Disc Brake

Strengthened regional position

From the Dubai subsidiary, SAF-HOLLAND offers existing and new customers a broad portfolio of high-quality truck and trailer components that meet the varying requirements of commercial vehicles. In addition, the partners benefit from reduced delivery times and a simplified order process.

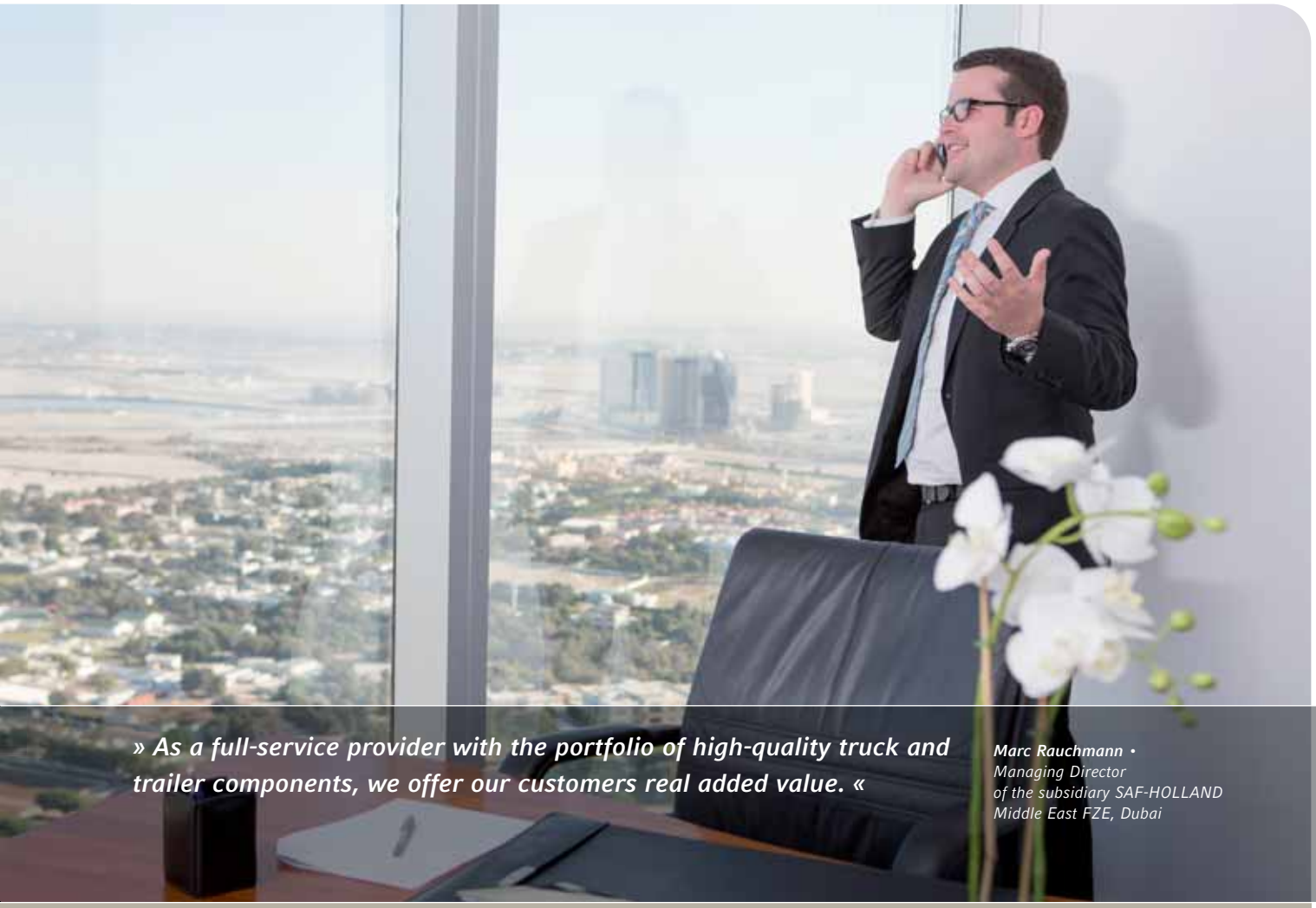
The prospects of SAF-HOLLAND as a full service provider in the dynamic emerging region are good. This is also confirmed by the success of the subsidiary in Dubai: Just a few weeks after being formally founded in August 2011, it delivered its first replacement parts to customers in the Middle East. The good start was followed by a positive business development in that the company has been a source of sales and earnings contributing to the growth of SAF-HOLLAND.

Around 9,000 parts and service stations worldwide

The Aftermarket Business Unit is a strategically important segment for SAF-HOLLAND that is proving itself to be an important source of sales and earnings. Around the globe, the business unit has a network with around 9,000 independent service points, dealers and workshops. We are continuously strengthening our distribution network further and expanding the range of spare parts we offer.

With its service presence, SAF-HOLLAND covers all areas in the core markets of Europe and North America and is represented much more comprehensively than most of its competitors. In the emerging economies such as Brazil, China and Russia, the number of parts and service stations is also continually being expanded.

The broad network of parts and service stations provides fleet operators with the security of comprehensive services and a faster supply of spare parts. For them it is an important reason why they request components by SAF-HOLLAND when placing orders with truck and trailer manufacturers.



» As a full-service provider with the portfolio of high-quality truck and trailer components, we offer our customers real added value. «

***Marc Rauchmann** •*
Managing Director
of the subsidiary SAF-HOLLAND
Middle East FZE, Dubai

STABLE SPARE PARTS BUSINESS

Three questions for Marc Rauchmann who since 2007 has been responsible for the Aftermarket business of SAF-HOLLAND in the region.

SAF-HOLLAND is well positioned internationally with the Aftermarket Business Unit's service and supply activities. What relation is there here to the original equipment business?

» The activities of the Aftermarket and Original Equipment Business Units strengthen each other. The wide-reaching network of parts and service stations contributes to end customers relying on products by SAF-HOLLAND in the configuration of their commercial vehicles, which increases sales in the original equipment business. Conversely, the strong market penetration of the original equipment products boosts the company's growth in the global spare parts business. «

In the mid-term, the Aftermarket Business Unit should achieve a 30% share of Group sales at SAF-HOLLAND. Could you provide some background information on this objective?

» The development in the profitable Aftermarket business is very stable and less impacted by economic fluctuations. The further expansion of these activities thereby makes us less dependent overall with regard to possible fluctuations in individual markets. «

Why in addition to the premium products does SAF-HOLLAND also offer standard brands, so-called A2 brands?

» With such products we can tap additional markets in which, with the increasing age of trucks and trailers, the willingness to purchase non-OEM parts is increasing. But of course standard brands do not come close to the performance of original replacement parts. This remains the top product bar none. «

OPPORTUNITIES AND RISK REPORT

Risk management system

Risk management at SAF-HOLLAND is well-equipped to recognize potential risks at an early stage and to implement appropriate counter-measures. Once risks have been recognized, they are communicated in a timely manner, systematically analyzed and continuously reviewed. The risk management system implemented by the Management Board is valid on a Group-wide basis. It is continually developed and monitored by the Board of Directors.

Risks that have been identified are evaluated in accordance with various measures, parameters for their probability and for the potential damage they may cause. For each risk, control instruments and – insofar as it is possible – counter-measures are defined. We summarize individual risks in a particular risk field, each of which has an established risk policy.

Our risk management system also includes a control system as relates to accounting. In order to evaluate business development, each year we prepare a medium-term planning with a time horizon of five years as well as a budget divided into individual months. On the basis of current business figures, a forecast is drawn up quarterly for the relevant financial year. Sales planning and monitoring for conformity with targets is carried out on the basis of a rolling monthly forecast. SAF-HOLLAND continuously controls compliance with key figures through the reporting system.

Fields in the risk management system

General economic risks / Industry-specific risks / Company-specific risks						
↓	↓	↓	↓	↓	↓	↓
Strategic risks	Human resources risks	Operational risks: • *Production risks* • *Quality risks* • *Procurement risks*	Risks in technical development	Legal and regulatory risks	Information technology risks	Financial risks: • *Default/ credit risks* • *Currency risks* • *Interest rate risks* • *Liquidity risks*

Evaluation of the risk situation

The risks that can be directly influenced by the Group are manageable. For known company-specific risks, sufficient provision has been made in the form of impairments, allowances, and risk provisions. From today's perspective, there are no risks that would jeopardize the continued existence of SAF-HOLLAND. As compared to the previous year, the company's risk profile has improved in a sustainable fashion, with the reduction in borrowed capital, a higher equity capitalization and the optimized liquidity situation all contributing to this development.

OVERVIEW OF RISKS

General economic risks

SAF-HOLLAND's business development is impacted by economic developments as well as corresponding developments in transport volumes. We counter the resulting risks through our commitment to the spare parts business which is less vulnerable to economic fluctuations and which we are further

strengthening through the Aftermarket Business Unit. In addition, the increasing geographic diversification of our business segments is leading to greater independence. Regional economic developments can be more easily compensated for with an international alignment. In individual country markets, political changes can hinder the business development of SAF-HOLLAND. We counter this through intensive observation and analysis of political risks both prior to and following our entry into the market.

Industry-specific risks

The principal risks include dependence on individual customers. At SAF-HOLLAND, sales distribution by customer roughly corresponds to the customers' market share. Ten major customers around the world account for approximately 45% of the OEM business. There are also a large number of small and mid-sized customers who are highly significant in their respective niches or markets. SAF-HOLLAND also increased its presence among this group of customers in particular over the past two years with the development of new applications. With its positioning in Europe and North America, the Group has improved its risk profile significantly and is an international partner of the commercial vehicle industry. The Aftermarket business is a stabilizing factor within the Group with a share of sales that has upward potential. This Business Unit in particular is independent of investment cycles and large customers and improves the risk position of the entire Group significantly.

Company-specific risks

Strategic risks

Strategic risks can arise primarily when market developments are wrongly evaluated. To prevent this from occurring, SAF-HOLLAND maintains close communication with its customers, combined with intensive observation of the market and competitors. The findings that result from these measures foster more accurate assessments and make it possible to avoid undesirable technological developments – the design and production of products that are rejected by the market. All of SAF-HOLLAND's significant strategies are supported by action plans and fall-back positions.

Human resources risks

In the human resources area, risks mainly relate to the loss of managers and individuals with particular expertise in key positions. We counter these dangers with an institutionalized succession planning and Group-wide knowledge management. Also of relevance are risks that arise through work stoppages. About 40% of our employees around the world are organized in trade unions. Precautions are taken through the establishment of strong contact with our works councils and union representatives. In Germany, company agreements were reached which can deviate significantly from the usual regional wage agreements if, as a result, jobs can be secured and our competitive position improved. There are also similar agreements in place with the different local unions in North America.

Production risks

We maintain sufficient insurance coverage for risks that result from operational interruptions or production downtimes. There are also plans in place for external procurement in order to ensure that our ability to deliver continues in such cases. In addition, SAF-HOLLAND ensures that a balance is achieved in the relationship between the complexity of the production processes and the requirements. Potential reductions in the in-house production also serve this goal. In order to limit investment risks, we strive to ensure that invested funds contribute a return on investment within a period of three years maximum.

Quality risks

SAF-HOLLAND manufactures in accordance with the highest quality standards. Our quality assurance begins as early as the development of a product and is consistently applied through to production. The effectiveness of the integration of quality and systematic thinking has been demonstrated since 2012 with a process management system and was first confirmed in October 2012 for the European location of the Trailer Systems and Aftermarket Business Units through certification in accordance with the international quality standard DIN ISO 9001. The system performance of the welding technology has been proven by the certification in accordance with ISO 3834-2. The locations of the Powered Vehicle Systems Business Unit meet the specific ISO/TS 16949 requirements of the automobile industry. Guarantee assurances vis-à-vis our customers are insured in advance. The precautions include, among other things, relevant test specifications or promises of delivery from suppliers. Exchanges or recalls are exceptional cases. Affected suppliers are also involved in relation to absorbing the costs. In addition, we have product recall insurance and make sufficient provisions in the consolidated financial statements.

Procurement risks

In the supply of materials, risks arise particularly from the development of the raw materials markets as well as through dependencies on individual suppliers. To limit this risk potential, SAF-HOLLAND relies on a multiple supplier strategy in relevant areas. With core suppliers we agree on multi-year framework agreements which define volumes and prices. Some of our customer contracts are tied to the price development of scrap steel or include corresponding clauses providing for negotiation. This gives us the possibility to offset rising raw materials prices with time delays.

Risks in technical development

Theoretically, it is imaginable that we would fail to sufficiently recognize and apply new developments in general technical progress. We counter any risks that might arise from such a situation with comprehensive monitoring. It covers technical advances that relate to our product spectrum as well as to the materials we use and the manufacturing processes we apply.

Legal and regulatory risks

In the truck market, legal regulations can impact demand behavior. Prior to stricter emission regulations taking effect, for example, customers in the USA shift vehicle purchases forward in order to avoid additional costs from low emission engines. In the following year, this leads to a corresponding drop in sales volume. In order to be able to react to such fluctuations in a timely manner, we follow regulatory developments in our country markets. In addition, the forecasts and actual figures for vehicle registrations and production are evaluated regularly. Insurance coverage has generally been taken out against risks arising from legal regulations, such as product liability.

We review legal disputes and administrative procedures on an individual basis. We evaluate the potential results of such legal disputes by means of the information available to us and in consultation with our lawyers and tax advisors. Insofar as, in our estimation, an obligation will likely lead to a future cash outflow, we establish a provision for the net present value of the expected cash outflow, if this can be reliably measured. Complex questions are raised by legal disputes and tax issues and they are linked to numerous imponderables and difficulties due, among other things, to the situation, the circumstances of each individual case and the authority that is involved.

Information technology risks

We minimize risks related to information technology by maintaining needs-oriented, efficient structures. Our comprehensive IT security concept ranges from access limitations and controls through to data security measures. There are back-ups for important hardware structures. The probability of a production breakdown resulting from an IT failure is thus significantly reduced.

The project for harmonizing our SAP systems in Europe and North America has been running since 2011. We counter the additional information technology risks associated with this through efficient and transparent project management, the inclusion of the top management in the steering committee and the use of experienced consultants from an international management consulting company. Not least through the provision of an adequate level of staffing, the project experiences a high priority in the entire SAF-HOLLAND Group.

Financial risks

We control default risks through preventive liquidity checks and appropriate receivables management. In Europe and North America, a substantial portion of customer receivables are hedged through commercial credit insurance. In addition, we also work with so-called house limits.

The Group is exposed to foreign currency risks that arise from the international nature of its investing, financing, and operating activities. Individual subsidiaries predominantly conduct their operating, investing, and financing activities in their respective local currency. For this reason, the Group's foreign currency risk is generally low with regard to individual transactions. If exchange rate changes are hedged using financial instruments, the financial instruments themselves may not have an incalculable influence on the earnings and asset situation of the company.

The Group is exposed to interest rate risks as a result of its financing activities. Market-induced interest rate changes can, in particular, have an effect on the interest burden in connection with floating-rate loans. Changes in interest rates affect the interest-related cash flow. To hedge this cash flow risk, the Group holds interest swaps to transform certain variable cash flows into fixed cash flows and to hedge the interest rate.

The Group's liquidity risk consists of being unable to meet existing or future payment obligations due to insufficient availability of funds. Limiting and managing the liquidity risk are among the primary tasks for the Group's management. The Group monitors the current liquidity situation on a daily basis. In order to manage future liquidity requirements, a weekly 3-month forecast as well as a monthly rolling liquidity plan for twelve months are used. In addition, management continually evaluates adherence to key financial figures as required by the long-term credit agreement.

We also report on financial risks and the risk management system as it relates to financial instruments in accordance with IFRS 7 in the Notes to the Consolidated Financial Statements in chapter 7.1 "Financial Instruments and Financial Risk Management".

OVERVIEW OF OPPORTUNITIES

SAF-HOLLAND has a number of opportunities that will endure in the coming financial years and which will support the growth of the Group over the long term.

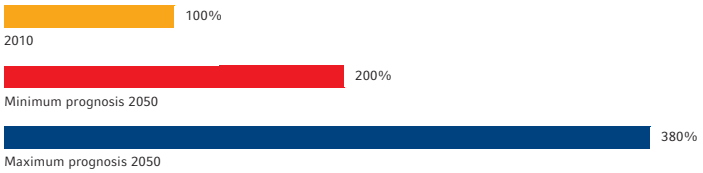
Opportunities from development and framework conditions

The increase in the world population will result in significant opportunities for SAF-HOLLAND: According to the United Nations, there will be 9.2 billion people living on Earth by 2050, almost a third more than today. The rapid population growth is accelerating the further globalization of the economy and is linked with increasing freight transport services. Urbanization is continuing at the same time. Currently roughly one in two people live in an urbanized area meaning that in 2050 a good two thirds of all people will live in cities. This global trend is also an advantage for SAF-HOLLAND, as in the cities the truck is the most important means of transport.

Overall economic and industry-specific opportunities

The Organisation for Economic Co-operation and Development (OECD) expects the global freight traffic to increase substantially in the coming years. According to estimations, it will have at least doubled in the period between 2010 and 2050. Depending on the economic environment, an increase of nearly 400% could even be recorded.

Development of the global transport volume



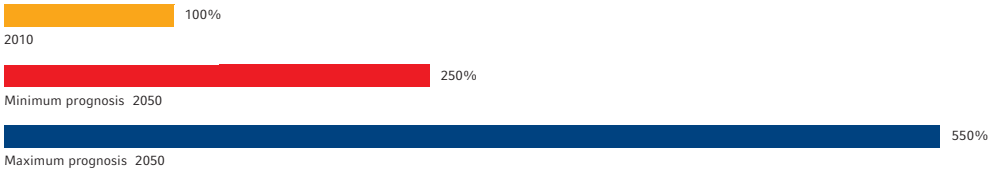
Source: OECD/International Transport Forum, Transport Outlook 2012, 2012

Trucks and trailers are an integral part of international transport chains. The long-term future prospects for the global truck market are accordingly positive. The management consulting company McKinsey & Company anticipates that the global market for heavy trucks will increase to EUR 190 billion in annual sales by 2020. In comparison to the current annual volume of approximately EUR 125 billion, this corresponds to an increase of 52%.

Significant freight increase in the emerging markets

The volume of goods transport in emerging economies such as the BRIC countries will increase significantly. In the opinion of the OECD, an increase of more than 5 times is possible here by 2050. According to the OECD, the freight volume transported by road will increase at least fourfold even with high fuel prices. With our international presence and increasing commitment in the BRIC countries, we can participate in this development.

Development of the transport volume outside the OECD



Source: OECD/International Transport Forum, Transport Outlook 2012, 2012

Alignment with established markets

Following the economic upswing, countries such as Brazil, Russia, India and China are rapidly expanding their logistical infrastructure. This fosters the transport and logistics industry and, thus, the main growth driver for SAF-HOLLAND.

In the emerging markets, the demand is still predominantly for simple, robust, affordable trucks or trailers adapted for conditions in the regions. With increasing demands and better road networks, the interest in higher-quality vehicles is growing significantly. This provides SAF-HOLLAND with the option to develop its local business volumes upward in terms of quality, thereby increasing margins. The technological rise is taking place relatively quickly. The Automotive Industry Institute expects that by as early as 2020, approximately 80% (2010: 30%) of Russian trucks will be classified as modern or even premium vehicles. In China over the same period, the proportion of sophisticated vehicles is expected to increase to 45% (2010: 18%).

Company-specific opportunities

SAF-HOLLAND is present in both the established markets and in future markets. In both fields, our products are always focused on the key purchase criteria of regional manufacturers and end users. In Europe and North America, we particularly benefit from our strong reputation as a leader in innovation and a premium supplier. We are initially supplying manufacturers and end customers in emerging economies with components that are purposefully tailored to their current needs. As these markets continue to develop, we can then make the transition to more premium systems within the framework of technology transfer.

Aftermarket business as an additional success factor

The Aftermarket segment has particular opportunities for further market penetration due to the global expansion of our sales activities and to the comprehensive network of around 9,000 service stations that is unique to our industry. Thanks to the expansion of our PDCs, we guarantee our customers the timely availability of replacement parts. In addition, through the newly introduced standard brand, SAF-HOLLAND can now supply additional vehicles in the used vehicle market with replacement parts. The so-named "Sauer Quality Parts" are currently sold primarily in the emerging economies. This means we are increasing our presence in the promising future markets and are increasing our market share.

Technologies for higher environmental and safety standards

To make freight traffic more environmentally friendly, many countries are increasing requirements in relation to emission values and fuel consumption. For example, the Euro 6 emission standards will apply for all trucks newly registered after 2014. In comparison to the previous condition Euro 5, it demands a 66% reduction of particle emissions and an 80% reduction of nitrogen oxide emissions.

SAF-HOLLAND is well positioned to benefit from the international initiatives for greater conservation of resources and climate protection. Our weight optimizing components make a contribution to the reduction in fuel consumption and thereby also to reducing emissions. They therefore comply with both aspects of sustainability as well as the requests of the fleet operators. Ultimately, the fuel consumption is an increasingly important criterion in view of rising energy prices for trucking companies. In relation to the more stringent regulations in the area of safety, SAF-HOLLAND can also offer solutions. For example, with the disc brake technology, we provide an answer to the new regulations on the shortening of braking distances in the USA.

EVENTS AFTER THE BALANCE SHEET DATE

No events of relevance for this report occurred after the balance sheet date.

OUTLOOK

ECONOMIC ENVIRONMENT

Moderate growth of the overall economy

The further development of the global economy is closely linked to the course of events in the eurozone and the United States. Weak economic development in these regions not only influences global expansion directly, it also slows the upward momentum of emerging economies such as China. In Europe, it is important that uncertainties in connection with the sovereign debt crisis subside, and that a sustainable fiscal and political solution prevails. At the same time, a lasting compromise to solve the uncertainties relating to financial policy in the USA must be found. Under the premise that this is achieved, in the view of the IfW, the global economy will gather pace again in the current year. For 2013, global economic growth of 3.4% is possible, while an increase in the range of 3.9% could be achieved in 2014. World trade is also expected to make gains, namely 3% this year and 5% in the coming year.

Europe and the USA: Financial policies remain decisive

According to the IfW, once trust in consolidation measures grows and countries badly affected by the crisis implement planned structural changes, the economy in the eurozone can stabilize. Despite a slower increase in economic activities and greater readiness to invest, the gross domestic product of the region is nonetheless expected to decline slightly in 2013. For 2014, the institute expects an increase in economic output of 0.9%. With disproportionately high growth rates, Germany is expected to again be among the strongest economic performers in both years. In the USA, the economic development is dependent on the extent of tax increases and spending cuts for fiscal consolidation to come into effect. If there is a sensible compromise and stimulus from low interest rates, the overall economy in the United States could grow by 1.5% in 2013 and by 2.5% in 2014.

BRIC countries as a growth engine

With respect to the emerging economies, the indicators show that an accelerated growth dynamic can be expected. In particular, the economic stimulus programs implemented in recent months are probably contributing to this. Within the BRIC countries, the Asian countries India and China will probably distinguish themselves through high growth rates, which, however, will no longer be double-digit figures. In Brazil, lower interest rates and planned modernization of the infrastructure, among other things, are likely to ensure an economic recovery. The IfW expects slightly weaker economic growth in Russia, where the stronger international business could be faced with reduced government spending.

Predicted economic development in important markets

	2013	2014
European Union	0.1%	1.1%
Eurozone	-0.2%	0.9%
Germany	0.3%	1.4%
United States of America	1.5%	2.5%
Brazil	3.0%	4.5%
Russia	3.8%	3.5%
India	6.5%	7.5%
China	8.0%	7.5%

Source:
Institute for the World Economy IfW
(December 2012)

Industry trend: Global market continues to grow

Due to the international increase in freight traffic, the prospects for trucks and trailers remain very promising. In the current financial year, the global industry trend is likely to again develop positively. The market observer IHS Automotive expects global sales of new trucks over 16 tons to grow by more than 10% to 1.94 million vehicles in 2013. For 2014, the industry specialist expects an increase to 2.03 million commercial vehicles sold.

Good prospects in North America

In North America, the number of class 8 trucks produced has increased by more than 80% since 2010. According to forecasts from the market research company ACT, the market is now likely to slow temporarily and consolidate the high level achieved. In 2014, with an increase of at least 16% the trend will once again be visibly upward. According to ACT, the North American trailer market again also recorded strong growth rates. It is expected that it will increase by 7% this year and by 5% next year.

Provided that the debt crisis is overcome, increased momentum can be expected in the West European market in 2013 according to the German Automotive Industry Association. In terms of the trailer segment, the industry association forecasts a sideways drift that may occasionally be accompanied by slight decreases.

Demand in China increases

In China, the commercial vehicles market will probably make an upward turn in 2013. The national industry association CAAM forecasts growth of 1% to 3.9 million units. This is also likely to happen in Brazil. Over the long term, the South American country will sell a volume of more than 200,000 medium and heavy trucks per year. This would correspond to fourth place in the league of the world's largest markets for vehicles in this class. The economy of the sector in India is expected to remain difficult. India Rating and Research expects that the demand for medium to heavy trucks will fall by between 6 and 9% in 2013.

FUTURE DEVELOPMENT OF SAF-HOLLAND

Growth strategy with three areas of focus

Our strategic positioning still targets profitable growth for the business that is affected as little as possible by market or economic fluctuations. With this claim, we continue to focus on geographical diversification and the expansion of the both high-margin and stable replacement parts business. We want to expand our market share both in the established core markets as well as in promising emerging markets. SAF-HOLLAND is focusing on three growth areas in the medium term: Tapping further potential in the trailer system segment, the global expansion of our activities in the Aftermarket Business Unit and the ongoing penetration of BRIC markets.

Following the successful refinancing, the issue of our bond and the capital increase, the financial strength of SAF-HOLLAND has been increased significantly in 2012. Against this backdrop, together with organic growth, the expansion of our market activities through smaller potential acquisitions comes into consideration in the three growth areas.

Extended range of trailer systems in North America

In North America, we see good framework conditions for a sustainable expansion of SAF-HOLLAND's market share. In the Trailer Systems sector, we are working on the realization of a regional sales potential of EUR 100 million by 2015. The conditions to achieve the targets are favorable. In the meantime, SAF-HOLLAND provides a complete product range of axle and suspension systems in this impor-

tant market. In addition, the capacities of our local axle production are being doubled this year due to greater demand.

Further opportunities are arising from the US Department of Transportation's reduced stopping distance mandate for heavy trucks. The regulatory changes which come into force in 2013 are promoting interest in trucks and trailers fitted with disc brakes. Thanks to its experience and expertise gained in Europe, SAF-HOLLAND can benefit disproportionately from a potential change from drum to disc brake technology.

Expansion of the promising replacement parts business

The contribution of our global Aftermarket business to Group sales will increase by a third in the medium term. Accordingly, in this business unit we are targeting the realization of a sales potential of EUR 100 million. The widely installed base from the original equipment market acts as an important growth driver. In Europe alone, there are more than 2.6 million axles from SAF-HOLLAND on the road and the number is rising.

We provide the trucks and trailers fitted with our components with original replacement parts in the first stage of their lifecycle. If the vehicles are sold in emerging economies after a certain period, cheaper alternatives are requested. For this reason, our standard brand "Sauer Quality Parts" has been created. With this A2-brand and our global presence, we also remain a preferred partner for the supply of replacement parts in the later stages. To make optimum use of lines of access to the market, we are continuously expanding our regional distribution and sales channels in both the core markets and in new regions with strong sales.

Increasing market success in BRIC countries

According to the Boston Consulting Group, by 2020 two thirds of all trucks produced worldwide will be sold in Brazil, Russia, India and China. SAF-HOLLAND is already recording growth in the BRIC regions, which can still be improved considerably. In the medium term, we want to leverage a sales potential of EUR 100 million in the future markets. SAF-HOLLAND has already made the majority of the investment necessary for this, meaning that it is now necessary to accelerate market success.

For market penetration, we continue to focus on activities and products focused on the region that are specifically adapted to the needs of emerging economies. In this way, SAF-HOLLAND is developing directly effective sales potential and also establishing a local reputation and a solid customer base. As these emerging markets continue to develop, we will be able to make the transition to high-quality products.

Technology for significant market requirements

In product development, as before, we are focusing on innovations that result in weight reduction. We therefore meet the significant interests of the fleet operators who can optimize their operating costs through reduced fuel consumption and higher cargo loads. At the same time with this focus, we are addressing the increasing interest in solutions for more sustainability in freight transport. In addition, the focus continues to be on adaptation for local markets and tapping into volume potential through technology transfer.

Investments in products, production and processes

One focus of our investments is again on the expansion of axle production in the core markets: In North America, we are pressing ahead with expanding the capacities of the plant in Warrenton, Missouri. On the European continent, the focus is on increasing the production of special axles and the development of new axle systems. In addition, SAF-HOLLAND is expanding its product range for the North American market and, in this context, is continuing to develop the truck suspension program with regard to specialist vocational applications. With respect to the profitability and efficiency of the company's internal processes, we are investing in global cost reduction programs. In addition, future investments in the SAP project and the optimization of our IT systems associated with this are also on the agenda.

GENERAL STATEMENT ON FUTURE BUSINESS DEVELOPMENT

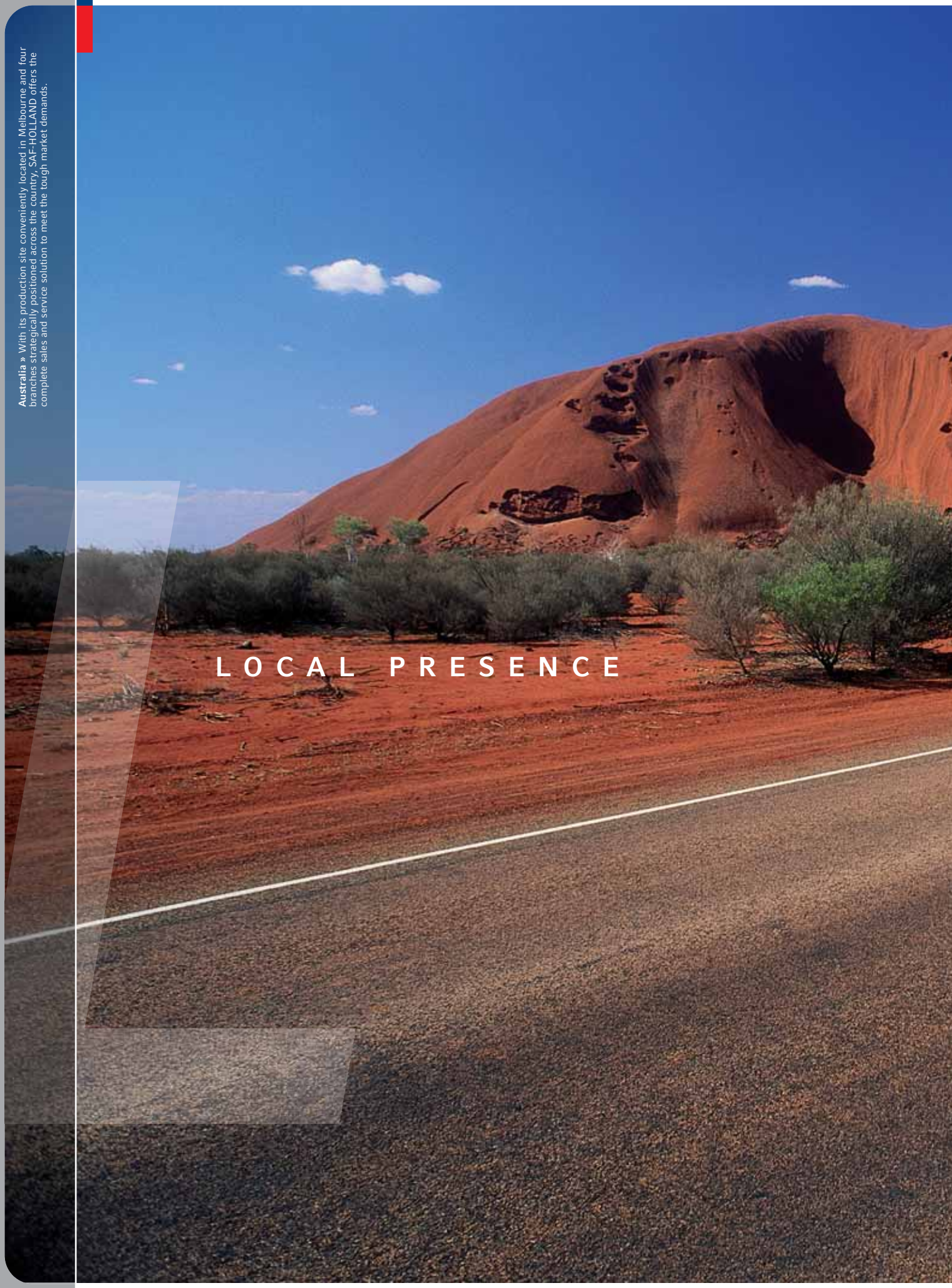
We anticipate positive business development for financial year 2013. We expect that the tense situation in the European market will initially continue. The second half of the year could see early investments on the part of fleet operators, as the new Euro 6 emissions standards will apply from the start of 2014. All trucks newly registered in the EU will then be required to meet stricter rules on emissions reduction. In addition, the existing pent-up demand in Europe in the truck and trailer area stemming from the last financial and economic crisis has not yet materialized. Due to existing uncertainties relating to financial policy, European fleet operators have not yet fully begun to make the necessary modernization investments in trucks and trailers. This pent-up demand has been growing for several years, meaning that there is huge additional sales potential here.

In North America, we expect continued good business development. We perceive the recently slightly weaker market development as a period of consolidation following the previous strong growth. In the second half of the current year, the demand is likely to increase again as the basic trend towards expansion remains intact. Thus, in both of SAF-HOLLAND's core markets, there remains a high pent-up demand for investments in trucks and trailers from which we can benefit accordingly. The longer the necessary purchasing decisions are delayed by the trucking companies and fleet operators, the more pronounced the demand will be once the investment bottleneck is freed up.

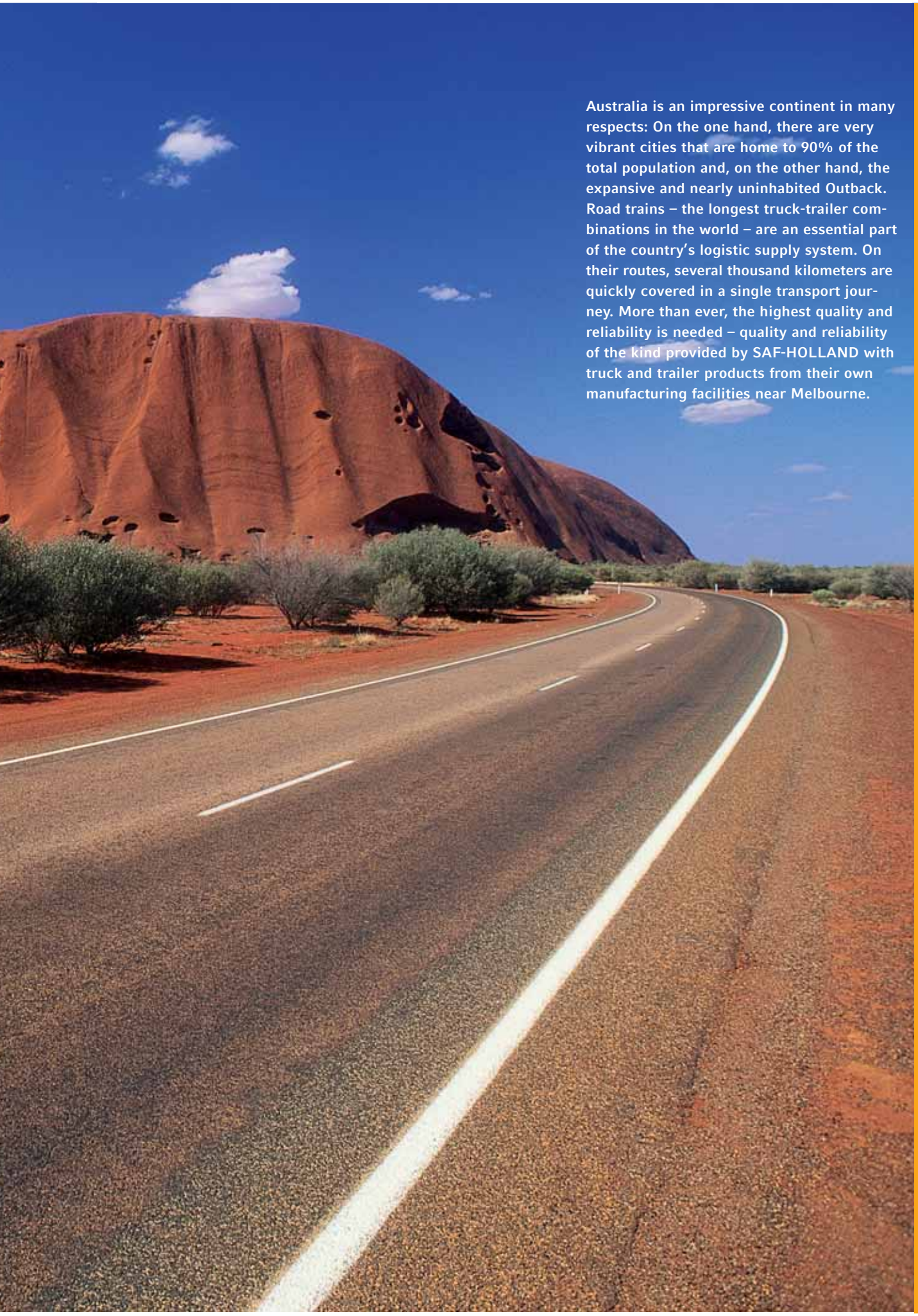
The uncertainty over a timely and orderly way out of the financial and economic crisis in the eurozone has increased following the election results in Italy. Due to the resulting stalemate and the country's unclear political future, it is anticipated that the economic stabilization of Italy as one of the largest economies in the European Union could take longer than planned. This may have a direct impact on the timeframe for solving the crisis in the eurozone. In the American economic area, solution of the debt crisis has once again become the focus of the economic activities. Due to the economic and fiscal policy effects described above, SAF-HOLLAND expects a somewhat reserved first half-year 2013 in terms of sales in both Europe and the USA and a somewhat stronger second half-year.

Against this backdrop, we are striving for sales between EUR 875 million and EUR 900 million in financial year 2013. In addition, we expect an adjusted EBIT above EUR 60 million which would result in a stable or even increasing adjusted EBIT margin. Furthermore, we do not anticipate any major one time negative impacts on earnings in fiscal year 2013. So we also expect a significant improvement in the actual result for 2013. The requirement for this is a further recovery in the European economy and the finding of a timely and orderly solution to the European debt crisis. Under the premise that the world economy becomes more stable, we continue to maintain our medium-term goal for 2015 of EUR 1 billion sales and an adjusted EBIT margin of 10%.

Australia » With its production site conveniently located in Melbourne and four branches strategically positioned across the country, SAF-HOLLAND offers the complete sales and service solution to meet the tough market demands.



LOCAL PRESENCE



Australia is an impressive continent in many respects: On the one hand, there are very vibrant cities that are home to 90% of the total population and, on the other hand, the expansive and nearly uninhabited Outback. Road trains – the longest truck-trailer combinations in the world – are an essential part of the country's logistic supply system. On their routes, several thousand kilometers are quickly covered in a single transport journey. More than ever, the highest quality and reliability is needed – quality and reliability of the kind provided by SAF-HOLLAND with truck and trailer products from their own manufacturing facilities near Melbourne.

Local presence >> 94–101

Reliability over the long term

The Outback – an unspoilt landscape with vast, sweeping horizons and endless secondary highways. The road trains are at home here, truck-trailer combinations with lengths of up to 53.50 meters. In Australian long distance haulage, they are one of the most important means of transport and often travel impressive distances in uninhabited areas. The quality and reliability of trucks and trailers is therefore top priority. To prevent a breakdown on the open road, vehicles are used which meet the highest quality demands. The long vehicles do not just supply isolated regions of the country – they also collect important freight. One of the most important goods transported is wool. This is because along with the 20 million people living in Australia, there are also 100 million sheep. A large proportion of the sheared wool is brought to auction houses in the south of the country. From here, the coveted material goes all over the world – as the basic material for sweaters, suits, hats and much more.




A trucker's dream » In the sparsely populated regions of Australia, road trains with two or three trailers are a common sight. On private roads, the impressive combination can be even longer. By coupling more trailers, vehicle lengths of over a hundred meters are possible.

Local presence >> *94–101*

Production in the country » With its own production site at the Melbourne area transport hub SAF-HOLLAND ensures that its Australian customers are supplied.

ON-SITE PRODUCTION

PATH TO SUCCESS ON THE FIFTH CONTINENT

When SAF-HOLLAND opened its own company in Melton near Melbourne in 1966, its proximity to the country's largest trailer manufacturer was decisive in the choice of location. The manufacturing facility in the south of the Australian continent has since then been part of the global network of successful producers of components and systems for the truck and trailer market.

Today, the complete product range of fifth wheels for trucks and axles for trailers are assembled at the SAF-HOLLAND company near Melbourne. Market-related product modifications take place on site. They meet both the local customer needs as well as the specific challenges posed by the continent with its very different climate zones.

Partner of leading manufacturers

The client base of SAF-HOLLAND in Australia comprises well-known major truck or trailer manufacturers such as Kenworth, Volvo, MaxiTRANS and Vawdrey. You see their vehicles all over the country. The particularly distinctive road trains often cover several thousand kilometers within just a few days. There's no question that this is due to the excellent reliability of the vehicles.

Good growth prospects

When you think that every one of the countless road trains has around 16 axles and a total of 64 wheels, the huge potential for SAF-HOLLAND as a partner of OEM manufacturers in Australia is clear. The high level of recognition for services that are performed by the continental SAF-HOLLAND manufacturing facilities is reflected in its commercial development: The company is growing fast. Therefore, it can be expected for the coming years that the strategic importance for the activities of SAF-HOLLAND in Australia will increase further.

Round table »
The exchange of experience across countries ensures an improved competitive position.

PRODUCTION NETWORK WITH PROXIMITY TO CUSTOMERS

In a round table discussion, international production specialists from SAF-HOLLAND deal with questions on the importance of production sites throughout the globe. Participants in the expert round table are Ken Hurst (USA), Arne Jörn (Europe), Nick Stavrakis (Australia), Jo du Toit (South Africa) and Henri Yin (China).

Why does the company produce all round the world? The answer to this frequently asked question comes swiftly: SAF-HOLLAND operates as part of the commercial vehicles industry's global production network and therefore has 17 assembly plants around the world.

Does it not make more sense to supply the global market through exports? Nick Stavrakis has a clear opinion on this: "Local needs can not be met through exports alone." His colleagues agree. Especially in terms of delivery times and just-in-time concepts, the proximity to OEM customers is extremely important. In addition, exporting results in additional administrative expenses as well as higher costs for transport and logistics. The regional production, in contrast, would offer advantages in the exchange rate, as purchasing, production and sales are all transacted in one currency. Completely knocked-down assembly kits are also only partially feasible due to logistical restrictions and production-oriented practicability.

Local presence >> 94–101

Regional requirements met

The question of why the same product range is not produced at every location and whether it is possible to deliver standard products effectively "out of the box" met with a particularly animated response. Here, the experts point out that the production at SAF-HOLLAND is primarily oriented towards the business unit strategy of Trailer Systems and Powered Vehicle Systems. The product range and the individual products are geared towards the respective needs of the market. The company uses its global expertise and implements any necessary adjustments regionally. Another argument against standardized products is that meeting the needs of geographically diversified regions and markets is crucial to success, and products must be adapted to suit regional customer and regulatory requirements.

Jo du Toit gives an example: "In Africa, the driving conditions and operating conditions differ considerably from the conditions in Europe, meaning that all our products are customized for the local requirements in the country and even more importantly for the local operations. With the on-site production, we do not only express our commitment to the local market, we are also more flexible regarding specifications for customers." Henri Yin confirms this and describes the situation in China: "Regional users have their specific requirements. By being close to the customer, SAF-HOLLAND can supply these quickly with tailor-made solutions."

Key to new markets

Is on-site production also a way to tap new markets? The response at the round table is a resounding yes. Jo du Toit: "That is absolutely true. The African continent south of the Sahara, for example, is a huge untapped market. What better than to tap into this through production here in the economic center of Africa?" Ken Hurst also sees good potential: "Local production can be essential for success in new markets." Arne Jörn describes the step-by-step approach to market penetration: "Generally, we first establish an assembly line and later, but sometimes also in parallel, increase the in-house production. If necessary, this is followed by the delivery in neighboring domestic markets."

With his concluding statement, Nick Stavrakis summarizes the situation: "To maintain competitiveness, you need a global product with a local impact. That is the key to generating market growth and to using market opportunities."

Kingpins

Landing Gear

Leaf Spring Suspension
in single, tandem or tri-axle configurations

Air Suspension System with Disc Brake

Nick Stavrakis
Managing Director
SAF-HOLLAND (Aust.) Pty., Ltd.

Australia » For more than forty years, SAF-HOLLAND has also been represented with a production site on the fifth continent.

Local presence » *94–101*

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kEUR	Notes	2012	2011[1)]
Result for the period			
Sales	(4)	859,578	831,317
Cost of sales	(5.1)	-703,427	-682,463
Gross profit		**156,151**	**148,854**
Other income	(5.2.1)	1,536	1,352
Selling expenses	(5.2.2)	-53,527	-48,731
Administrative expenses	(5.2.3)	-39,310	-37,415
Research and development costs	(5.2.4)	-17,959	-14,926
Impairment of goodwill and intangible assets	(5.2.8)	-3,192	–
Reversal of impairment of intangible assets	(5.2.8)	1,848	1,530
Operating result	(4)	**45,547**	**50,664**
Finance income	(5.2.5)	428	4,889
Finance expenses	(5.2.5)	-31,295	-29,547
Share of net profit of investments accounted for using the equity method	(6.3)	1,295	639
Result before tax		**15,975**	**26,645**
Income tax	(5.3)	-8,557	-26
Result for the period		**7,418**	**26,619**
Other comprehensive income			
Exchange differences on translation of foreign operations	(6.9)	-854	1,501
Changes in fair values of derivatives designated as hedges, recognized in equity	(6.9)	1,523	-502
Income tax effects on items recognized directly in other comprehensive income	(6.9)	1,845	3,057
Revaluation of defined benefit plans	(6.9)/(6.10)	-7,866	-8,924
Other comprehensive income		**-5,352**	**-4,868**
Comprehensive income for the period		**2,066**	**21,751**
Attributable to equity holders of the parent		**2,066**	**21,751**
Basic and diluted earnings per share in EUR	(7.2)	**0.18**	**0.73**

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

kEUR	Notes	12/31/2012	12/31/2011[1]	01/01/2011[1]
Assets				
Non-current assets		**330,083**	**332,581**	**321,630**
Goodwill	(6.1)	46,985	47,416	46,927
Intangible assets	(6.1)	138,469	139,012	140,886
Property, plant, and equipment	(6.2)	98,662	100,746	100,630
Investments accounted for using the equity method	(6.3)	9,461	8,225	7,744
Other non-current assets	(6.4)	859	869	1,378
Deferred tax assets	(5.3)	35,647	36,313	24,065
Current assets		**206,636**	**208,699**	**166,056**
Inventories	(6.5)	88,163	90,400	68,082
Trade receivables	(6.6)	87,319	95,352	80,336
Income tax assets		692	144	731
Other current assets	(6.7)	11,883	7,458	8,361
Cash and cash equivalents	(6.8)	18,579	15,345	8,546
Non-current assets classified as held for sale		**–**	**–**	**738**
Total assets		**536,719**	**541,280**	**488,424**
Equity and liabilities				
Equity attributable to equity holders of the parent	(6.9)	**197,863**	**175,573**	**14,410**
Subscribed share capital		454	412	207
Share premium		265,843	245,661	106,454
Legal reserve		22	21	21
Other reserve		436	232	–
Retained earnings		-45,510	-52,723	-79,110
Accumulated other comprehensive income		-23,382	-18,030	-13,162
Non-current liabilities		**230,232**	**243,558**	**379,425**
Pensions and other similar benefits	(6.10)	39,251	33,986	26,441
Other provisions	(6.11)	4,531	4,695	4,089
Interest bearing loans and borrowings	(6.12)	152,969	163,504	306,917
Finance lease liabilities		58	14	40
Other financial liabilities	(7.1)	836	5,693	5,758
Other liabilities	(6.14)	320	286	273
Deferred tax liabilities	(5.3)	32,267	35,380	35,907
Current liabilities		**108,624**	**122,149**	**94,589**
Other provisions	(6.11)	5,273	5,410	5,748
Interest bearing loans and borrowings	(6.12)	7,446	11,530	3,758
Finance lease liabilities		54	67	131
Trade payables		70,643	86,038	69,938
Income tax liabilities		7,102	3,428	2,449
Other financial liabilities	(7.1)	44	99	–
Other liabilities	(6.14)	18,062	15,577	12,565
Total equity and liabilities		**536,719**	**541,280**	**488,424**

1) Adjusted for effects of IAS 19R and a correction due to IAS 8.42, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2012						
	Attributable to equity holders of the parent						
kEUR	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive-income	**Total equity** (Note 6.9)
As of 01/01/2012 (as before reported)	**412**	**245,661**	**21**	**232**	**-51,341**	**-2,753**	**192,232**
Effect of the backwards adoption of IAS 19R and the correction due to IAS 8.42	–	–	–	–	-1,382	-15,277	**-16,659**
As of 01/01/2012[1)]	**412**	**245,661**	**21**	**232**	**-52,723**	**-18,030**	**175,573**
Comprehensive income for the period	–	–	–	–	7,418	-5,352	**2,066**
Issue of share capital	42	21,608	–	–	–	–	**21,650**
Transaction costs	–	-1,426	–	–	–	–	**-1,426**
Other reclassifications	–	–	1	204	-205	–	**–**
As of 12/31/2012[1)]	**454**	**265,843**	**22**	**436**	**-45,510**	**-23,382**	**197,863**

1) Adjusted for effects of IAS 19R and a correction due to IAS 8.42, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

	2011[1)]						
	Attributable to equity holders of the parent						
kEUR	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive-income	**Total equity** (Note 6.9)
As of 01/01/2011 (as before reported)	**207**	**106,454**	**21**	**–**	**-77,911**	**-3,844**	**24,927**
Effect of the backwards adoption of IAS 19R and the correction due to IAS 8.42	**–**	**–**	**–**	**–**	**-1,199**	-9,318	**-10,517**
As of 01/01/2011[1)]	**207**	**106,454**	**21**	**–**	**-79,110**	**-13,162**	**14,410**
Comprehensive income for the period[1)]	–	–	–	–	26,619	-4,868	**21,751**
Issue of share capital	205	143,540	–	–	–	–	**143,745**
Transaction costs	–	-4,333	–	–	–	–	**-4,333**
Other reclassifications	–	–	–	232	-232	–	**–**
As of 12/31/2011	**412**	**245,661**	**21**	**232**	**-52,723**	**-18,030**	**175,573**

CONSOLIDATED CASH FLOW STATEMENT

	kEUR	Notes	2012	2011[1]
	Cash flow from operating activities			
	Result before tax		**15,975**	**26,645**
-	Finance income	(5.2.5)	-428	-4,889
+	Finance expenses	(5.2.5)	31,295	29,547
-	Share of net profit of investments accounted for using the equity method	(6.3)	-1,295	-639
+	Amortization, depreciation of intangible assets and property, plant, and equipment	(5.2.7)	20,884	20,676
+	Impairment of intangible assets	(6.1)	3,192	–
-	Reversal of impairment of intangible assets	(6.1)	-1,848	-1,530
+	Allowance of current assets	(6.5)/(6.6)	2,946	2,710
+/-	Gain/Loss on disposal of property, plant, and equipment		11	-584
-	Gain on disposal of subsidiaries	(3)	-125	–
-	Gain on disposal of non-current assets classified as held for sale		–	-60
+	Dividends from investments accounted for using the equity method		23	22
	Cash flow before change of net working capital		**70,630**	**71,898**
+/-	Change in other provisions and pensions		670	-714
-	Change in inventories		-1,054	-23,661
+/-	Change in trade receivables and other assets		2,753[2]	-16,740
+/-	Change in trade payables and other liabilities		-13,471	15,718
	Cash flow from operating activities before income tax paid		**59,528**	**46,501**
-	Income tax paid	(5.3)	-5,535	-5,403
	Net cash flow from operating activities		**53,993**	**41,098**
	Cash flow from investing activities			
-	Purchase of property, plant, and equipment	(6.2)	-13,767	-12,144
-	Purchase of intangible assets	(6.1)	-8,542	-1,887
+	Proceeds from sales of property, plant, and equipment		520	1,007
+	Proceeds from sales of subsidiaries net of cash	(3)	270	798
+	Interest received		186	117
	Net cash flow from investing activities		**-21,333**	**-12,109**
	Cash flow from financing activities			
+	Proceeds from capital increase	(6.9)	21,650	143,745
-	Payments for transaction costs relating to the capital increase	(6.9)	-1,994	-6,068
-	Payments for expenses relating to amended finance agreement	(5.2.5)	-13,928[3]	-3,948
-	Payments for replacement interest swaps	(7.1)	-6,335	–
-	Repayments of Management and Board of Directors loan		–	-1,098
-	Payments for finance lease		-28	-131
-	Interest paid		-13,084	-30,019[5]
-	Repayments of current and non-current financial liabilities	(6.12)	-225,528[4]	-89,100[6]
+	Proceeds current and non-current financial liabilities	(6.12)	174,356	–
-	Change in drawings on the credit line and other financing activities	(6.12)	-37,566	–
+	Proceeds from bond placement	(6.12)	75,000	–
-	Paid transaction costs bond placement	(6.12)	-1,796	-35,725
	Net cash flow from financing activities		**-29,253**	**-22,344**
	Net increase/decrease in cash and cash equivalents		**3,407**	**6,645**
	Net foreign exchange difference		-173	154
	Cash and cash equivalents at the beginning of the period	**(6.8)**	**15,345**	**8,546**
	Cash and cash equivalents at the end of the period	**(6.8)**	**18,579**	**15,345**

1) Adjusted for effects of IAS 19R and correction due IAS 8.42, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

2) As of December 31, 2012, trade receivables in the amount of EUR 7.8 million were sold in the context of a factoring contract. Assuming the legal validity of the receivable, no further rights of recourse exist against SAF-Holland from the sold receivables, see chapter 6.6 of Notes to the Consolidated Financial Statements.

3) Including payment of the Success Fee in the amount of kEUR 10,536 and payments for transaction costs in the amount of kEUR 3,392, see chapter 5.2.5 of Notes to the Consolidated Financial Statements.

4) Including contractual repayment of former credit lines A1 and A2 in the amount of EUR 10.9 million as well as the repayment of the former loans in the amount of EUR 166.0 million due to the refinancing in October 2012 and special repayment of the new loan of EUR 48.6 million, see chapter 6.12 of Notes to the Consolidated Financial Statements.

5) Including kEUR 14,272 from the repayment of the accrued PIK interest.

6) Repayment of facility A1 and A2.

Notes to the Consolidated Financial Statements

For the period January 1 to December 31, 2012

1 CORPORATE INFORMATION

SAF-HOLLAND S.A. (the "Company") was incorporated on December 21, 2005 under the legal form of a "Société Anonyme" according to Luxembourg law. The registered office of the Company is at 68–70, Boulevard de la Pétrusse, Luxembourg. The Company is entered in the Register of Commerce at the Luxembourg district court under no. B 113.090. The shares of the Company are listed in the Prime Standard of the Frankfurt Stock Exchange under the symbol "SFQ" (ISIN: LU0307018795). They have been included in the SDAX since 2010.

The consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries (the "Group") as of December 31, 2012 were authorized for issue in accordance with the resolution of the Board of Directors on March 12, 2013. Under Luxembourg law, the financial statements must be approved by the shareholders.

2 ACCOUNTING AND VALUATION PRINCIPLES

2.1 BASIS OF PREPARATION

The consolidated financial statements of SAF-HOLLAND S.A. have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and effective as of the reporting date.

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

The balance sheet presents current and non-current assets as well as current and non-current liabilities. The statement of comprehensive income is prepared according to the function of expense (cost of sales) method. Certain items in the consolidated statement of comprehensive income and the balance sheet are aggregated. They are disclosed separately in the notes to the consolidated financial statements.

The consolidated financial statements are presented in euros. Unless otherwise stated, all amounts are given in thousands of euros (kEUR).

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

In preparing the consolidated financial statements, management has made assumptions and estimates that affect the reported amounts of assets, liabilities, income, expenses, and contingent liabilities as of the reporting date. In certain cases, actual amounts may differ from these assumptions and estimates. Any such changes are recognized in profit or loss as soon as they become known. The following section details the key assumptions made concerning the future and other main sources of estimation

uncertainty at the balance sheet date that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill and intangible assets with indefinite useful lives

The Group tests goodwill and other intangible assets with indefinite useful lives for impairment at least once a year and whenever there is an indication of impairment. The Group's impairment test as of October 1, 2012 is based on calculations of the recoverable amount using a discounted cash flow model. Future cash flows are derived from the Group's five-year financial plan. Cash flows beyond the planning period are extrapolated using individual growth rates. The recoverable amount depends heavily on the discount rate used in the discounted cash flow model, expected future cash inflows and outflows, and the growth rate used for purposes of extrapolation.

The assumptions are based on the information available at the time. In particular, expected business development reflects current conditions as well as realistic assessments of the future development of the global and industry-specific environment. The main planning assumptions are based on forecast unit volumes for the truck and trailer market as determined by market research companies and planning discussions with the Group's key customers. Although management believes that the assumptions used to calculate the recoverable amount are appropriate, any unforeseen changes in these assumptions could lead to an impairment charge that could adversely affect the Group's net assets, financial position, and results of operations. The basic assumptions for determining the recoverable amount of the various cash-generating units as well as intangible assets with indefinite useful lives, including a sensitivity analysis, are discussed in more detail in Note 6.1. As of December 31, 2012, the carrying amounts of goodwill totaled EUR 47.0 million (previous year: EUR 47.4 million), and intangible assets with indefinite useful lives amounted to EUR 31.4 million (previous year: EUR 29.9 million).

Measurement of property, plant, and equipment and intangible assets with finite useful lives

Measurement of property, plant, and equipment and intangible assets with finite useful lives requires the use of estimates for determining the fair value at the acquisition date, particularly for assets acquired in a business combination. Furthermore, the expected useful lives of these assets must be determined. The determination of fair values and useful lives of assets, and impairment testing in the case of indications of impairment are based on management's judgment. As of December 31, 2012, the carrying amounts of property, plant, and equipment totaled EUR 98.7 million (previous year: EUR 100.7 million), and those of intangible assets with finite useful lives amounted to EUR 107.1 million (previous year: EUR 109.1 million). Further details are given in Notes 6.1 and 6.2.

Deferred tax assets

At each balance sheet date, the Group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. Among other things, this requires management to assess the tax benefits arising from the available tax strategies and future taxable income, and to take into account additional positive and negative factors. This assumption is based on expected taxable income as assessed in the corporate planning. The reported amount of deferred tax assets could decline, if estimates are lowered for projected taxable income and for tax benefits achievable through available tax strategies, or if changes in current tax legislation restrict the timing or amount of future tax benefits.

Deferred tax assets are recognized for all unused tax loss carry-forwards to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Deferred tax assets for all unused interest carry-forwards are recognized to the extent that it is probable that they can be used in the future to reduce taxable income. As of December 31, 2012, the carrying amount of deferred tax assets for tax loss carry-forwards amounted to EUR 3.5 million (previous year: EUR 5.9 million). Unrecognized tax loss carry-forwards amounted to EUR 34.3 million (previous year: EUR 34.6 million). In addition, as of December 31, 2012, the carrying amount of recorded deferred tax assets for interest carry-forwards was EUR 30.2 million (previous year: EUR 28.4 million), and the amount of unrecognized taxable interest carry-forwards was EUR 5.6 million (previous year: EUR 5.1 million). Further details are given in Note 5.3.

Pensions and other similar benefits

The cost of defined benefit pension plans and post-employment medical benefits is determined using actuarial valuations. These actuarial valuations involve making assumptions about discount rates, future salary and wage increases, mortality rates, future pension increases, expected staff turnover, and healthcare cost trends. All assumptions are reviewed as of the balance sheet date. Management based the determination of the appropriate discount rates on interest rates for corporate bonds in the respective currency with a minimum AA rating. In addition, bonds with higher default risks or which offer much higher or lower returns in terms of their risk classification compared with other bonds (statistical outliers) are not considered. Bonds are adjusted to the expected term of the defined benefit obligations by extrapolation. Mortality rates are based on publicly available mortality tables for a given country. Future wage, salary, and pension increases are based on expected future inflation rates for a given country as well as the structure of the defined benefit plan.

Due to the long-term nature of the pension plans, such estimates are subject to significant uncertainty. As of December 31, 2012, the carrying amount of pensions and other similar benefits was EUR 39.3 million (previous year: EUR 34.0 million). Further details, including a sensitivity analysis, are given in Note 2.4.1 and 6.10.

Other provisions

The recognition and measurement of other provisions is based on an estimate of the probability of the future outflow of benefits, taking into account past experience and the circumstances known as of the balance sheet date. As a result, the actual outflow of benefits may differ from the amount recognized under other provisions.

As of December 31, 2012, other provisions amounted to EUR 9.8 million (previous year: EUR 10.1 million). Further details are given in Note 6.11.

Share-based payment transactions

The Group initially measures the cost of phantom shares (appreciation rights) granted to members of the Management Board and certain managers at the fair value of the appreciation rights at the grant date and subsequently on each balance sheet date as well as on the settlement date. Estimating the fair value of share-based payment transactions entails determining an appropriate valuation technique, which is selected according to the terms and conditions of the agreements. When estimating fair value, this technique requires various inputs for which assumptions must be made. The main inputs are the expected life of the option, the volatility of the share price and the forecast dividend yield. The expected life of the phantom shares is based on current management expectations with regard to the exercise patterns of the participants and is not necessarily indicative of the actual exercise patterns of the beneficiaries. The expected volatility reflects the assumption that the historical volatility of a peer group over a period similar to the expected life of the phantom shares is indicative of future trends, and may therefore not necessarily be the actual outcome. Due to the past restructuring of the Group, the actual historical volatility of the Group was not used, since in management's view, it is not representative of the future share price performance. In the previous year, the carrying amount of obligations from share-based payment transactions was kEUR 119. Due to the non-achievement of vesting conditions, the provision was dissolved in the current financial year. Further details are given in Note 6.11.

Derivative financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from an active market, it is determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. As of December 31, 2012, the carrying amount of derivative financial instruments was EUR 0.9 million (previous year: EUR 5.8 million). Further details are given in Note 7.1.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 consolidated subsidiaries, associates, and joint ventures are prepared for the same reporting period as the parent company using consistent accounting policies.

All receivables and payables, sales and income, expenses, and unrealized gains and losses from intercompany transactions are eliminated in full during consolidation.

Business combinations

Subsidiaries are fully consolidated from the date of acquisition, i.e., from the date on which the company obtains control. Control exists if SAF-HOLLAND S.A. holds more than half of the voting rights or otherwise has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. An entity is deconsolidated as soon as the parent loses control over it.

Business combinations are accounted for using the acquisition method. Under this method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured as fair value at acquisition date including the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share measured at fair value of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred. The contingent consideration agreed is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it

- derecognizes the assets (including goodwill) and liabilities of the subsidiary,
- derecognizes the carrying amount of any non-controlling interest in the former subsidiars,
- derecognizes the cumulative translation differences recorded in equity,
- recognizes the fair value of the consideration received,
- recognizes the fair value of any investment retained,
- recognizes any surplus or deficit in profit or loss,
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, if required by IFRS.

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method in the consolidated financial statements.

An associate is an entity over which the Group can exercise significant influence by participating in the entity's financial and operating policy decisions, but which it does not control. Significant influence is generally assumed, if the Group holds between 20% and 50% of the voting rights.

The Group has interests in joint ventures which are jointly controlled entities, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entities.

Investments in associates and joint ventures cease to be included in the consolidated financial statements using the equity method when the Group no longer exercises significant influence or no longer participates in joint control. Gains and losses on transactions between the Group and an associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture.

A comprehensive list of the Group's shareholdings is provided in Note 7.5.

Foreign currency translation

The consolidated financial statements are presented in euros, which is the Group'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. Foreign currency transactions are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. All exchange differences are recognized in profit or loss. Non-monetary items measured at historical cost in a foreign currency are translated at the rate prevailing on the date of the transaction. 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 and translated at the closing rate. As of the balance sheet date, the assets and liabilities of foreign operations are translated into euros at the closing rate. Income and expenses are translated at the weighted average exchange rate for the financial year. The exchange differences arising on the translation are recognized in equity. On disposal of a foreign entity, the cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss. Exchange differences on borrowings that are part of a net investment in a foreign operation are recognized directly in equity until disposal of the net investment, at which time they are recognized in profit or loss. Deferred taxes attributable to exchange differences on those borrowings are also recognized directly in equity.

The most important functional currencies for foreign operations are the US dollar (USD) and the Canadian dollar (CAD). The exchange rates for these currencies as of the balance sheet date were EUR/USD = 1.32153 (previous year: 1.29483) and EUR/CAD = 1.31700 (previous year: 1.32031). The weighted average exchange rates for these two currencies were EUR/USD = 1.28493 (previous year: 1.39088) and EUR/CAD = 1.28442 (previous year: 1.37536).

Goodwill

Goodwill acquired in a business combination is initially measured at cost. 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 that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are allocated to those units.

Where goodwill forms part of a cash-generating unit 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 acquisition date.

Research costs are expensed in the period in which they are incurred. Development costs for internally generated intangible assets are only recognized as an intangible asset when the Group can demonstrate

- the technical feasibility of completing the intangible asset so that it will be available for internal use or sale,
- its intention to complete and its ability to use or sell the asset,
- the recoverability of any future economic benefits,
- the availability of resources to complete the asset, and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Following initial recognition, intangible assets are carried at amortized cost less any accumulated impairment losses.

For development costs, amortization begins when development is complete and the asset is available for use.

A distinction is made between intangible assets with finite useful lives and those with indefinite useful lives.

Intangible assets with finite useful lives are amortized over their useful lives and tested for impairment whenever there is an indication of impairment. Furthermore, the useful life and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Amortization is recognized in the expense category that corresponds to the intangible asset's function in the Group.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least once a year. The useful lives of these intangible assets are also reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

As a result of the Group's plans to continue to expand the acquired brands in the future, the brands are assumed to have indefinite useful lives. However, a finite useful life is assumed for acquired intangible assets such as technology and customer relationships.

The accounting principles applied to the Group's intangible assets can be summarized as follows:

	Customer relationship	Technology	Capitalized development cost	Brand	Service net	Licenses and software
Amortization method used	Amortized on a straight line basis over the useful life	Amortized on a straight line basis over the useful life	Amortized on a straight line basis over the useful life	No amortization	Amortized on a straight line basis over the useful life	Amortized on a straight line basis over the useful life or over the period of the right
Useful life	25–40 years	10–18 years	8–10 years	Indefinite	20 years	3–10 years
Remaining useful life	18–34 years	3–12 years	6–10 years	Indefinite	13–14 years	1–7 years

Gains or losses on the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period in which the asset is derecognized.

Property, plant, and equipment

Property, plant, and equipment is measured at cost, less accumulated depreciation and impairment losses.

The cost of self-constructed property, plant, and equipment includes direct material and production costs, and any allocable material and production overheads. Administrative expenses are capitalized only if there is a direct connection to production. Ongoing maintenance and repair expenses are immediately recognized as expenses.

The cost of replacing components or of overhauling plant and equipment are only capitalized if the recognition criteria are met.

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

The residual values of the assets, useful lives, and depreciation methods are reviewed and, if appropriate, adjusted prospectively at the end of each financial year.

Depreciation is generally based on the following useful lives:

	Buildings	Plant and equipment	Other equipment, office furniture and equipment
Depreciation method used	Depreciated on a straight line basis over the useful life	Depreciated on a straight line basis over the useful life	Depreciated on a straight line basis over the useful life
Useful life	5–50 years	3–14 years	3–10 years

An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on the derecognition of the asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period in which the item is derecognized.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they are incurred.

Leases

The classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

Leases in which the Group as the lessee bears substantially all the risks and rewards incidental to ownership of the leased asset are treated as finance leases. Under a finance lease, the Group capitalizes the leased property at fair value or, if lower, at the present value of the minimum lease payments and subsequently depreciates the leased asset over its estimated useful life or, if shorter, over the contractual term. Lease payments are apportioned between 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 recognized immediately in profit or loss.

All other leases in which the Group is the lessee are treated as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the term of the lease.

Investments accounted for using the equity method

Under the equity method, investments in associates and joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the investment. The Group's share of the profit or loss of the associate or joint venture is reported separately in the result for the period. Where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Goodwill resulting from the acquisition of an associate or joint venture is included in the carrying amount of the investment in the associates or jointly controlled entities and is

neither amortized nor separately tested for impairment. After applying the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates and joint ventures. The Group determines at each balance sheet date whether there is any objective evidence that investments in associates or joint ventures are impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the fair value of the investment and the carrying amount of the investment and recognizes the amount in profit or loss.

Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually on October 1 of each financial year. In addition, an impairment test is performed whenever there are specific indications of impairment. An impairment test is only performed for other intangible assets with finite useful lives, property, plant, and equipment, and other non-financial assets if there are specific indications of impairment.

Impairment is recognized in profit or loss where the recoverable amount of the asset or cash-generating unit is less than the carrying amount. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing the 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 based on discounted future cash flows is used. To ensure the objectivity of the results, these calculations are corroborated by valuation multiples, quoted prices for shares in publicly traded companies, or other available fair value indicators.

If the reason for impairment recognized in previous years no longer applies, the carrying amount of the asset (the cash-generating unit), except for goodwill, is increased to the new estimate of the recoverable amount. The increase in the carrying amount is limited to the value that would have been determined had no impairment loss been recognized for the asset (the cash-generating unit) in previous years. Such reversal is recognized through profit or loss.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

When a financial asset or financial liability is recognized initially, the Group measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

For the purpose of subsequent measurement, IAS 39 classifies financial assets into the following categories:

- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets
- At fair value through profit or loss
  - Held for trading
  - Designated upon initial recognition at fair value through profit or loss (fair value option)

IAS 39 classifies financial liabilities into the following categories:

- Financial liabilities at amortized cost
- At fair value through profit or loss
  - Held for trading
  - Designated upon initial recognition at fair value through profit or loss (fair value option)

The Group determines the classification of its financial assets and liabilities at initial recognition. Where permissible, any reclassifications deemed necessary are performed at the end of the financial year.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques include:

- using recent arm's length market transactions between knowledgeable, willing independent parties,
- reference to the current fair value of another instrument that is substantially the same,
- using a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details on how they are measured are provided in Note 7.1.

Primary financial instruments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment. Gains and losses are recognized in profit or loss when loans and receivables are derecognized or impaired. Loans and receivables include the Group's trade receivables, certain current assets, and cash and cash equivalents.

The **held-to-maturity** category comprises non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. No financial assets were allocated to this category in the reporting period.

Available-for-sale financial investments are non-derivative financial assets that do not fall into any other category. After initial recognition, available-for-sale financial investments are measured at fair value, with any gains or losses net of income tax effects being recognized in accumulated other comprehensive income. This does not apply if the impairment is prolonged or significant, in which case it is recognized in profit or loss. The accumulated measurement gains or losses previously reported in equity are only recognized in profit or loss upon disposal of the financial asset. No financial assets were allocated to this category in the reporting period.

Financial instruments at fair value through profit or loss include **financial instruments held for trading** and financial assets and liabilities designated upon initial recognition **at fair value through profit or loss**. The Group has not designated any primary financial instruments upon initial recognition as at fair value through profit or loss.

After initial recognition, other primary financial liabilities are measured **at amortized cost** using the effective interest method. They include the Group's interest bearing loans and borrowings as well as its trade payables.

Derivative financial instruments

Derivative financial instruments are measured at fair value both on the date on which a derivative contract is entered into and in subsequent periods. Derivative financial instruments are recognized as assets, if the fair value is positive, and as liabilities, if the fair value is negative.

The Group uses derivative financial instruments such as forward exchange contracts, interest rate swaps and caps to hedge risk positions arising from currency and interest rate fluctuations. The hedges cover financial risks from recognized hedged items, future interest rate and currency risks (hedged with interest rate swaps and caps), and risks from pending goods and service transactions.

The fair value of derivatives corresponds to the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using the mean spot exchange rate applicable on the balance sheet date, taking into account the forward premiums and discounts for the residual term of each contract, compared with the contracted forward exchange rate. Interest rate swaps are measured at fair value by discounting the estimated future cash flows, using interest rates with matching maturities.

Any measurement gain or loss is recognized immediately in profit or loss, unless the derivative is designated as a hedging instrument in hedge accounting and is effective. A derivative that has not been designated as a hedging instrument must be classified as held for trading.

At the inception of the hedge relationship, the Group formally designates the hedge relationship and the risk management objective and strategy for undertaking the hedge. Depending on the type of hedge, the Group classifies the individual hedging instruments either as fair value hedges, cash flow hedges, or hedges of a net investment in a foreign operation. When entering into hedges and at regular intervals during their terms, the Group also reviews in each period whether the hedging instrument designated in the hedge is highly effective in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Only interest rate swaps, which are used as cash flow hedges, meet the criteria for hedge accounting in the Group. Cash flow hedges safeguard against fluctuations in future payment flows from recognized assets and liabilities and from highly probable forecast transactions. The effective portion of the gain or loss on these hedging instruments, taking into account deferred taxes, is recognized directly in equity, while the ineffective portion is recognized in profit or loss. The amounts taken to equity are recognized in profit or loss in the period in which the hedged transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast purchase or sale occurs. If the forecast transaction is no longer expected to occur, the amounts previously reported in equity are recognized in profit or loss.

Impairment of financial assets

Financial assets or a group of financial assets, with the exception of those recognized at fair value through profit or loss, are tested for indications of impairment at each balance sheet date. Financial assets are treated as impaired, if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has a negative impact on the estimated future cash flows of the asset.

For financial assets measured at amortized cost, the impairment loss is the difference between the carrying amount of the asset and the present value of the expected future cash flows determined using the original effective interest rate of the financial asset. An impairment loss directly reduces the carrying amount of the financial assets concerned, with the exception of trade receivables, whose carrying amount is reduced via an allowance account. Changes in the allowance account are recognized in profit or loss.

In case of available-for-sale financial investments, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investment below its carrying amount. Where such an asset is impaired, a loss previously recognized in equity is transferred to profit or loss. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income. Subsequent reversals of impairment losses with respect to available-for-sale financial investments are recognized directly in equity rather than in profit or loss.

Derecognition of financial assets and liabilities

A financial asset (or a portion of a financial asset or a portion of a group of similar financial assets) is derecognized when one of the following conditions are met:

- The contractual rights to receive cash flows from a financial asset have expired.
- The Group has transferred its contractual rights to receive cash flows from a financial asset to a third party or has accepted a contractual obligation to remit a cash flow to a third party without material delay in the context of an agreement which fulfills the conditions of IAS 39.19 (so-called transfer contract) and, at the same time, either (a) substantially transfers all risks and rewards associated with ownership of the financial asset, or (b) all risks and rewards associated with ownership of the financial asset are neither substantially transferred nor retained, but control of the asset has been transferred.

If the Group transfers its contractual rights to receive cash flows from an asset or concludes a transfer contract, it evaluates whether and to what extent it shall retain the associated risks and rewards. If the Group neither substantially transfers nor retains all risks and rewards associated with the ownership of this asset, nor transfers control of the asset, the Group recognizes the asset to the extent of its continuing involvement. In such a case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

When the continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of the consideration received that the Group could be required to repay.

Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

Raw materials and supplies	–	Cost of purchase on a weighted average cost basis
Finished goods and work in progress	–	Cost of direct materials and labor, an appropriate proportion of manufacturing overheads based on normal operating capacity (but excluding borrowing costs), production-related administrative expenses and conveyance costs.

Cash and cash equivalents

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

Non-current assets classified as held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Non-current assets or disposal groups are classified as held for sale, if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable and the asset or the disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Other provisions

A provision is recognized when 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 recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to the formation of a provision is recognized in profit or loss 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 the risks specific to the liability. If discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share-based payment transactions

Members of the Management Board and certain managers in the Group receive share-based payments in the form of phantom shares (share appreciation rights) in return for services rendered; these phantom shares can only be settled in cash (cash-settled share-based payment transactions). The cost of cash-settled share-based payment transactions is measured initially at fair value at the grant date using a Monte Carlo simulation. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured at fair value at each reporting date up to and including the settlement date. Changes in the fair value are recognized as expenses in the relevant functional area. No cost is recognized for appreciation rights that do not vest. If the conditions for a cash-settled share-based payment transaction are modified, these modifications are considered within the scope of the revaluation on the respective balance sheet date. If a cash-settled share-based payment transaction is canceled, the relevant liability is derecognized with an effect on profit or loss.

Pensions and other similar benefits

Defined benefit plans and similar obligations

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method. Revaluations of defined benefit plans include actuarial gains and losses, returns on plan assets (provided they are not included in net interest expense) as well as effects from limitation (so-called asset ceiling). The Group recognizes revaluations of defined benefit plans in other comprehensive income. All other expenses in connection with defined benefit plans are immediately recognized in the result for the period.

Past service cost is recognized immediately in profit or loss.

The amount recognized as a defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets from which the obligations are to be settled directly. The value of any asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Insofar as, in connection with fund assets, payment obligations exist as a result of minimum funding requirements for benefits already earned, this can also lead to the recognition of an additional provision if the economic benefit of a financing surplus is limited for the company, taking into account the minimum funding requirements yet to be paid.

The effects of closing or curtailing plans are recognized in the result for the period in which the curtailment or closure takes place.

In the North American companies, existing obligations for the payment of post-retirement medical benefits are classified as pensions and other post-employment benefit plans because they share the same feature of providing retiree assistance.

Defined contribution plans

The Group's obligations from defined contribution plans are recognized in profit or loss within operating profit. The Group has no further payment obligations once the contributions have been paid.

Other post-employment benefit plans

The Group grants its employees in Europe the option of concluding phased retirement agreements. The block model is used for this. Obligations of the phased retirement model are accounted for as non-current employee benefits.

Other long-term employee benefit plans

The Group grants long-service awards to a number of employees. The corresponding obligations are measured using the projected unit credit method.

Taxes

Current income taxes

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 calculation of the amount is based on the tax rates and tax legislation in force on the balance sheet date.

Deferred income tax

Deferred income tax assets and liabilities arise from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, as well as for tax loss carry-forwards and interest carry-forwards, except for:

- deferred tax liabilities from the initial recognition of goodwill, and deferred tax assets and liabilities 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
- deferred taxes from temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, which are not to be recognized if 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 recognized only if it is probable that sufficient taxable profit will be available to allow the deductible temporary difference to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled. The tax rates and tax laws used to calculate the amount are those that are enacted as of the balance sheet date. Deferred income tax assets and liabilities are offset, if the Group has a legally enforceable right to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognized directly in equity is recognized in accumulated other comprehensive income and not in profit or loss for the period.

Revenue recognition

Revenue is recognized 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 sales taxes or other duties. Revenue from the sale of goods and merchandise is recognized when the significant risks and rewards of ownership of the goods and merchandise sold have passed to the buyer. This usually occurs on delivery. Interest income is recognized after a period of time using the effective interest method. Dividends are recognized when the Group's right to receive payment is established.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the relevant costs. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

2.4 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous year with the following exceptions:

2.4.1 Early adoption of IAS 19R

In financial year 2012, the Company voluntarily adopted IAS 19 Employee Benefits (revised in 2011, IAS 19R) early, which was published by IASB in June 2011. The standard was applied retrospectively. The following amendments to IAS 19 have significant effects on the consolidated financial statements of SAF-HOLLAND:

- Prior to the early adoption of IAS 19R, the consolidated financial statements of SAF-HOLLAND applied the corridor method to recognize actuarial gains and losses. The abolition of this method of accounting has substantial effects on the financial position of the Group. Actuarial gains and losses are now fully recognized in other Comprehensive Income.
- IAS 19R replaces interest cost from defined benefit obligations and the expected return on plan assets with a net interest component. This is calculated by applying the discount factor used in the determination of the present value of the defined benefit obligation (DBO) on the net liability (net asset) of defined benefit plans. The net liability (or net asset) is the difference between the present value of the defined benefit obligation and the fair value of plan assets. The net interest of the net liability (net asset) from defined benefit plans thereby comprise the interest return on plan assets and the interest cost from the DBO. Thus, the difference between the interest return on plan assets and the actual returns on plan assets is included in the item revaluations of defined benefit plans in the Consolidated Statement of Comprehensive Income.
- A more minor effect resulted from the immediate recognition in profit or loss of unvested past service costs when they occur instead of recognition over the period until they become vested.

The following tables show the effects of the amended accounting principles. The effects on the opening balance sheet of January 1, 2011, December 31, 2011 as well as the effects on the previous year period shown include:

kEUR	12/31/2011 Before adjusting	Adjustment	After adjusting	01/01/2011 Before adjusting	Adjustment	After adjusting
Total assets	537,592	3,688	541,280	485,763	2,661	488,424
thereof other non-current assets	4,885	-4,016	869	3,375	-1,997	1,378
thereof deferred income taxes	28,609	7,704	36,313	19,407	4,658	24,065
Total current and non-current liabilities	346,558	19,149	365,707	462,035	11,979	474,014
thereof pensions and other similar benefits	14,837	19,149	33,986	14,462	11,979	26,441
Total equity	191,034	-15,461	175,573	23,728	-9,318	14,410
thereof retained earnings	-52,540	-183	-52,723	-79,110	–	-79,110
thereof other comprehensive income	-2,753	-15,277	-18,030	-3,844	-9,318	-13,162

kEUR	12 months to December 2011 Before adjusting	Adjustment	After adjusting
Earnings before income taxes	26,910	-265	26,645
thereof cost of sales	-682,858	395	-682,463
thereof selling expenses	-48,864	133	-48,731
thereof administrative expenses	-37,532	117	-37,415
thereof research & development	-14,975	49	-14,926
thereof interest income	5,264	-375	4,889
thereof interest expense	-28,963	-584	-29,547
Income taxes	-108	82	-26
Result for the period	26,802	-183	26,619
Basic/diluted earnings per share in EURO	0.73	–	0.73

If the company had not applied IAS 19R early, the interest return and interest cost reported in the Consolidated Income Statement – based on expected returns on plan assets for financial year 2012 – would have been kEUR 1,136 higher and kEUR 165 lower, respectively.

As a result of actuarial losses being recognized according to the previously used corridor method, the operating result would have been kEUR 1,627 lower in the financial year 2012.

If the company had not applied IAS 19R early, the item "revaluations of defined benefit plans" reported in the Consolidated Statement of Comprehensive Income would have been kEUR 5,510 (after taxes) less in the financial year 2012.

2.4.2 Retroactive correction due to IAS 8.42

The Group made a retroactive correction in line with IAS 8.42 in relation to the reporting of a business combination in the year 2006. The correction relates to taxable temporary differences in connection with investments in associates and joint ventures. In the context of the correction, deferred tax liabilities of kEUR 2,304 had to be retroactively applied to the acquisition date and goodwill adjusted accordingly. Due to this correction, additional impairments of kEUR 1,199 were recognized in the period up to January 1, 2011. As a result, retained earnings increased by kEUR 1,199 and goodwill increased by kEUR 1,105 as of January 1, 2011. Additional adjustments were not required.

2.4.3 Other changes in accounting policies

The first-time mandatory adoption of IRS 7 "Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements for Transfer Transactions of Financial Assets" did not have any effects on the presentation of the consolidated financial statements.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

During financial year 2012, the International Accounting Standards Board (IASB) issued additional standards that are relevant for the business operations of the Group, but are not yet effective in the reporting period or have not yet been endorsed by the European Union. The Group has decided not to early adopt the following standards, which have already been issued. They will be applied at the latest in the year in which they first become effective.

IAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income"

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore has no impact on the Group's net assets, financial position, and results of operations. The amendment is effective for financial years beginning on or after July 1, 2012.

Improvements to IFRS (May 2012)

The amendments from this pronouncement will not have any impact on the consolidated financial statements.

- IAS 1 "Presentation of Financial Statements"
  Clarification of the difference between voluntary additional comparative information and required comparative information, which generally comprises the prior reporting period.
- IAS 16 "Property, Plant and Equipment"
  Clarification that significant replacement parts and maintenance equipment, which qualifies as property, plant and equipment, are not subject to the requirements of inventories.
- IFRS 32 "Financial Instruments"
  Clarification that income taxes on dividends to holders of equity instruments are subject to the requirements of IAS 12 Income Taxes.
- IAS 34 "Interim Financial Reporting"
  Regulation to harmonize disclosures of segment assets with disclosures of segment liabilities in interim financial statements as well as to harmonize disclosures in interim financial reporting with disclosures in annual financial reporting.

These improvements are effective for annual periods beginning on or after January 1, 2013 or once endorsed by the European Union.

IAS 27 "Separate Financial Statements (revised 2011)"

As a consequence of the new IFRS 10 and IFRS 12, the scope of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment is effective for financial years beginning on or after January 1, 2014.

IAS 28 "Investments in Associates and Joint Ventures" (revised 2011)

As a consequence of IFRS 11 and IFRS 12, IAS 28 has been renamed "Investments in Associates and Joint Ventures" and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment is effective for financial years beginning on or after January 1, 2014.

IAS 32 "Offsetting a Financial Asset and a Financial Liability"

The amendments clarify the meaning of "currently has a legally enforceable right of set-off". Furthermore, they specify the application of the offsetting criteria of IAS 32 in relation to settlement systems (such as a clearing house) that carry out a gross settlement in which individual business processes are not carried out at the same time. These amendments are not expected to have any effect on the presentation of the Group's net assets, financial position, and results of operations. The amendment is effective for financial years beginning on or after January 1, 2014.

IFRS 7 "Disclosures – Offsetting a Financial Asset and a Financial Liability" (amended)

With the amendment of IFRS 7, a company must disclose information on rights of set-off and connected agreements (e.g. security agreements). In this way, information shall be provided that can be used to assess the effects of the netting agreement on the entity's financial position. This provision is required of all financial instruments offset in the balance sheet in the context of IAS 32 "Financial Instruments". These amendments have no effect on the presentation of the Group's net assets, financial position, and results of operations and are to be applied for financial years starting on or after January 1, 2013.

IFRS 9 "Financial Instruments: Classification and Measurement"

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued and once endorsed by the European Union.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the rules on group financial reporting in IAS 27 "Consolidated and Separate Financial Statements", and includes issues that were previously governed by SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the previous legal situation. The amendment is deemed to have no impact on the financial statements of the Group. The standard is effective for financial years beginning on or after January 1, 2014.

IFRS 11 "Joint Arrangements"

The standard replaces IAS 31 „Interests in Joint Ventures" and the interpretation SIC-13 "Jointly controlled Entities – Non-monetary Contributions by Ventures". IFRS 11 removes the option to account for joint ventures using proportionate consolidation. In the future, joint ventures must be included in the consolidated financial statements exclusively using the equity method. The amendment will not have any impact on the consolidated financial statements, in which joint ventures are already accounted for using the equity method. The standard is effective for financial years beginning on or after January 1, 2014.

IFRS 12 "Disclosure of Interests in Other Entities"

This standard establishes uniform disclosure requirements for group financial reporting and consolidates the disclosures for subsidiaries that were previously contained in IAS 27, for jointly controlled entities and associates that were previously included in IAS 31 and IAS 28 respectively, and for structured entities. A number of new disclosures are also required. The standard is effective for financial years beginning on or after January 1, 2014.

IFRS 13 "Fair Value Measurement"

This standard establishes a single source of guidance for fair value measurement. However, the scope of IFRS 13 does not include when assets and liabilities can or must be measured at fair value. Rather, it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. The Group is currently examining the future effects that the new standard will have on its net assets, financial position, and results of operations. According to preliminary estimates, no significant impact is expected. The standard is effective for financial years beginning on or after January 1, 2013.

3 SCOPE OF CONSOLIDATION

ACQUISITIONS

There were no acquisitions in the reporting period or the prior period.

FORMATIONS

There were no formations in the reporting year.

SAF-HOLLAND Middle East FZE, the United Arab Emirates, founded in the previous year, was included in the consolidated financial statements for the first time on September 30, 2011.

DECONSOLIDATIONS

SAF-HOLLAND Denmark ApS, Denmark, was disposed of in February 2012 and deconsolidated as of this date. The profit from the disposal in the amount of EUR 0.1 million was recognized under other operating income. Proceeds from the sale of the subsidiary (net of cash) amount to EUR 0.3 million. In the course of the transaction, assets in the amount of EUR 0.5 million (thereof EUR 0.2 million cash) and liabilities in the amount of EUR 0.1 million were transferred.

Holland Eurohitch Ltd., the United Kingdom, was liquidated in the previous year and therefore deconsolidated in 2011.

OTHER CHANGES

As of July 1, 2012, SAF HOLLAND Equipment Limited, Norwich, Ontario, Canada, was merged into SAF HOLLAND Canada Limited, Woodstock, Ontario, Canada.

As of December 31, 2012, furthermore, SAF-HOLLAND Inc., Holland, USA was merged into SAF-HOLLAND USA Inc., Muskegon, USA and named SAF-HOLLAND Inc.

4 SEGMENT INFORMATION

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

TRAILER SYSTEMS

This Business Unit focuses on the manufacture and sale of axle and suspension systems, kingpins, couplers, landing legs, and other components for the trailer industry.

POWERED VEHICLE SYSTEMS

This Business Unit focuses on the manufacture and sale of components such as fifth wheels, suspension systems, and lift axles for heavy-duty commercial vehicles in the truck, bus, and recreational vehicle industry.

AFTERMARKET

This Business Unit focuses on the sale of components such as parts for all available systems for trailers and powered vehicles.

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 operating profit (adjusted EBIT). Thus, the determination of operating profit (EBIT) may deviate to a certain extent from the consolidated financial statements since it does not take into account any special items, such as depreciation and amortization of property, plant, and equipment and intangible assets from the purchase price allocation (PPA), impairment and reversal of impairment or restructuring and integration costs (see the table below). Group financing (including finance expenses and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between the Business Units are determined under normal market conditions for transactions with third parties. However, there are no intersegment sales.

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

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

kEUR	2012	2011[1]
Operating result	45,547	50,664
Share of net profit of investments accounted for using the equity method	1,295	639
EBIT	**46,842**	**51,303**
Additional depreciation and amortization from PPA	6,389	6,447
Impairment of goodwill and intangible assets	3,192	–
Reversal of impairment of intangible assets	-1,848	-1,530
Restructuring and integration costs	3,658	1,792
Adjusted EBIT	**58,233**	**58,012**

Segment information for the period January 1 to December 31:

	2012				
	Business Units				
kEUR	Trailer Systems	Powered Vehicle Systems	Aftermarket	Adjustments/ eliminations	**Consolidated**
Sales	473,487	157,585	228,506	–	**859,578**
Cost of sales	-429,304	-131,156	-142,748	-219[1]	**-703,427**
Gross profit	**44,183**	**26,429**	**85,758**	**-219**	**156,151**
Gross margin	9.3%	16.8%	37.5%	–	**18.2%**
Selling and administrative expenses, research and development costs, other income, share of net profit of investments accounted for using the equity method, impairment and reversal of impairment	-31,209	-14,753	-55,080	-8,267[2]	**-109,309**
Adjustments	1,360[3]	3,934[3]	2,439[3]	3,658[4]	**11,391**
Adjusted EBIT	**14,334**	**15,610**	**33,117**	**-4,828**	**58,233**
Adjusted EBIT margin	3.0%	9.9%	14.5%	–	**6.8%**
Depreciation, amortization, impairment and reversal of impairment	-11,037	-6,560	-4,631	–	**-22,228**
thereof impairment and reversal of impairment	1,848	-2,591	-601	–	**-1,344**

	2011[5]				
	Business Units				
kEUR	Trailer Systems	Powered Vehicle Systems	Aftermarket	Adjustments/ eliminations	**Consolidated**
Sales	472,803	154,027	204,487	–	**831,317**
Cost of sales	-430,004	-128,376	-123,533	-550[6]	**-682,463**
Gross profit	**42,799**	**25,651**	**80,954**	**-550**	**148,854**
Gross margin	9.1%	16.6%	39.6%	–	**17.9%**
Selling and administrative expenses, research and development costs, other income, share of net profit of investments accounted for using the equity method, and reversal of impairment	-30,404	-12,344	-50,487	-4,316[7]	**-97,551**
Adjustments	2,365[8]	896[8]	1,656[8]	1,792[9]	**6,709**
Adjusted EBIT	**14,760**	**14,203**	**32,123**	**-3,074**	**58,012**
Adjusted EBIT margin	3.1%	9.2%	15.7%	–	**7.0%**
Depreciation, amortization, reversal of impairment	-11,152	-3,707	-4,041	-246[10]	**-19,146**
thereof reversal of impairment	860	470	200	–	**1,530**

1) Primarily costs in the context of location mergers that are not allocated to any Business Unit as part of the restructuring and integration costs.

2) The costs of the holding companies (kEUR -4,828) and restructuring and integration costs (kEUR -3,439) primarily constitute the costs not allocated to the Business Units.

3) Eliminations in the Business Units relate to amortization and depreciation (kEUR 6,389) arising from the purchase price allocation. Furthermore, income from reversals of impairment loses on brands (kEUR 1,848) and expenses from the impairment of customer relationships (kEUR -3,086) and brands (kEUR -106).

4) Restructuring and integration costs (kEUR 3,658) are not allocated to any Business Unit.

5) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

6) Expenses resulting from the merger of locations (kEUR -945) are not allocated as part of the restructuring and integration costs to any Business Unit. Effect of IAS 19R (kEUR +395) not allocated to the Business Units.

7) Expenses in connection with the reorganization of the Group's activities in Eastern Europe (kEUR -364), expenses in connection with the merger of locations (kEUR -456) as well as expenses from the merger of existing SAP environments in Europe and North America (kEUR -27) are not allocated to any Business Unit as part of restructuring and integration costs. Furthermore, the costs of the holding companies (kEUR -3,768) are not allocated to a segment. Effect of IAS 19R (kEUR +299) not allocated to the Business Units.

8) Eliminations in the Business Units relate to amortization and depreciation (kEUR 6,447) arising from the purchase price allocation. Income from reversals of impairment losses on brands (kEUR 1,530) is also included.

9) Restructuring and integration costs (kEUR 1,792) are not allocated to any Business Unit.

10) Impairment losses (kEUR 246) resulting from the merger of locations are not allocated as part of the restructuring and integration costs to any Business Unit.

Geographic information is presented for the "Europe" and "North America" regions.

Business in the European region includes the manufacture and sale of axles and suspension systems for trailers and semi-trailers as well as fifth wheels for heavy trucks. In this region, the Group also provides replacement parts for the trailer and commercial vehicle industry. In North America, the Group manufactures and sells key components for the semi-trailer, trailer, truck, bus, and recreational vehicle industries. In this region, the Group provides axle and suspension systems, fifth wheels, kingpins and landing legs as well as coupling devices. In North America, the Group also provides replacement parts for the trailer and commercial vehicle industry.

The following table presents information by geographical region:

kEUR	2012	2011
Revenues from external customers		
Europe	434,843	456,546
North America	367,095	331,944
Other	57,640	42,827
Total	**859,578**	**831,317**

The revenue information above is based on the locations of the customers.

1) Adjusted due to a correction in accordance with IAS 8.42, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

kEUR	12/31/2012	12/31/2011[1]
Non-current assets		
Europe	157,092	161,784
North America	123,693	123,814
Other	13,651	10,670
Total	**294,436**	**296,268**

Non-current assets consist of goodwill, intangible assets, property, plant, and equipment, investments accounted for using the equity method, and other non-current assets.

In the reporting year as well as in the previous year, no customer reached a sales share of 10% of total sales.

5 NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.1 COST OF SALES

Cost of sales consists of the following:

kEUR	2012	2011
Cost of materials	566,683	551,497
Personnel expenses	99,678	92,246[1)]
Depreciation and amortization of property, plant, and equipment and intangible assets	11,507	11,462
Repair and maintenance expenses	8,430	8,506
Temporary employees expenses	5,049	6,421
Warranty expenses	3,513	3,950
Restructuring and integration costs	219	945
Other	8,348	7,436
Total	**703,427**	**682,463**

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

5.2 OTHER INCOME AND EXPENSES

5.2.1 Other Income

Other income consists of the following:

kEUR	2012	2011
Gain from disposal of property, plant, and equipment	375	584
Income from reimbursements	422	389
Income from insurance compensations	38	–
Other	701	379
Total	**1,536**	**1,352**

5.2.2 Selling Expenses

The table below shows the breakdown of selling expenses:

kEUR	2012	2011
Personnel expenses	24,530	21,649[1)]
Expenses for distribution	6,759	6,640
Expenses for advertising and sales promotion	7,522	6,329
Depreciation and amortization of property, plant, and equipment and intangible assets	4,049	3,892
Commissions	1,442	1,314
Restructuring and integration costs	1,225	591
Other	8,000	8,316
Total	**53,527**	**48,731**

5.2.3 Administrative Expenses

Administrative expenses are shown in the following table:

kEUR	2012	2011
Personnel expenses	20,065	19,115[1]
Legal and consulting expenses	4,519	4,853
Expenses for office and operating supplies	2,948	2,586
Depreciation and amortization of property, plant, and equipment and intangible assets	2,581	2,514
Restructuring and integration costs	1,945	256
Other	7,252	8,091
Total	**39,310**	**37,415**

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

5.2.4 Research and Development Costs

Research and development costs consist of the following:

kEUR	2012	2011
Personnel expenses	10,111	8,166[1]
Depreciation and amortization of property, plant, and equipment and intangible assets	2,747	2,562
Restructuring and integration costs	269	–
Other	4,832	4,198
Total	**17,959**	**14,926**

Development costs of kEUR 1,428 (previous year: kEUR 1,217) were capitalized in the financial year. Payments by the Bavarian Ministry of Economic Affairs of kEUR 82 (previous year: kEUR 43) were offset against research and development costs as grants related to income.

5.2.5 Finance Result

Finance income consists of the following:

kEUR	2012	2011[1]
Foreign exchange gains on foreign currency loans	–	4,231
Finance income due to derivatives	–	509
Interest income	188	122
Other	240	27
Total	**428**	**4,889**

Finance expenses consist of the following:

kEUR	2012	2011
Interest expenses due to interest bearing loans and borrowings	-12,736	-19,009
Transaction costs	-9,290	-5,140
Amortization of transaction costs	-2,657	-2,264
Finance expenses due to pensions and other similar benefits[1)]	-1,568	-1,346
Finance expenses due to derivatives	-3,043	-807
Other	-2,001	-981
Total	**-31,295**	**-29,547**

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

Interest expenses from interest-bearing loans and borrowings decreased as a result of the partial repayment of bank loans in April 2011 and the corresponding improvement in the interest rate margin. Furthermore, the refinancing carried out in October 2012 led to additional improvement in the interest rate margin.

Transaction costs from the reporting period primarily result from the premature reversal of capitalized transaction costs totaling kEUR 5,553 as well as from the additional expenses in connection with the early payment of the Success Fee in the amount of kEUR 3,737. Both are the result of adjusting the expected cash flows from loans to current developments in light of the early repayment in October 2012 due to the refinancing measures.

The amortization of transaction costs of kEUR 2,657 (previous year: kEUR 2,264) represents the contract closing fees recognized as expenses in the period in accordance with the effective interest method.

Finance expenses and finance income in connection with derivative financial instruments include the effects of the ineffective portion of the interest rate swaps. In addition, changes in value of interest rate hedges recorded in equity to date of kEUR 2,795 were reclassified through profit or loss as the hedge relationships for interest rate swaps were partially discontinued from the discontinuation of the hedged item in the fourth quarter of 2012 due to the refinancing. Expenses in the amount of kEUR 248 resulted from the early repayment of the interest rate swaps.

Prior-year finance expenses in connection with derivatives include expenses in the amount of kEUR 710 from changes in value of interest rate hedges that were reclassified from equity to the financial result due to the removal of the hedge relationship for interest rate swaps in the context of the partial repayment of the bank loan as a result of the capital increase.

The other finance expenses primarily include expenses from foreign exchange translation differences in the amount of kEUR 1,219 (previous year: kEUR 565).

More details are illustrated in Notes 6.12 and 7.1.

5.2.6 Employee Benefit Expenses

Employee benefit expenses consist of the following:

kEUR	2012	2011
Wages and salaries	-134,230	-122,226
Social insurance contributions	-19,519	-18,140
Pension expenses	-567	-775[1]
Termination benefits	-68	-35
Total	**-154,384**	**-141,176**

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

Social insurance contributions include expenses from defined contribution plans in the amount of kEUR 6,633 (previous year: kEUR 5,695).

5.2.7 Depreciation and Amortization

Depreciation and amortization expenses by functional areas:

	Depreciation of property, plant, and equipment		Amortization of intangible assets		**Total**	
kEUR	2012	2011	2012	2011	2012	2011
Cost of sales	-11,246	-11,538	-261	-170	**-11,507**	**-11,708**
Selling expenses	-910	-742	-3,139	-3,150	**-4,049**	**-3,892**
Administrative expenses	-1,498	-1,306	-1,083	-1,208	**-2,581**	**-2,514**
Research and development costs	-593	-582	-2,154	-1,980	**-2,747**	**-2,562**
Total	**-14,247**	**-14,168**	**-6,637**	**-6,508**	**-20,884**	**-20,676**

Depreciation and amortization of property, plant, and equipment and intangible assets arising from the purchase price allocation amount to kEUR 6,389 (previous year: kEUR 6,447).

5.2.8 Reversals of Impairment Losses on Intangible Assets

In the fiscal year, reversals of impairment losses on intangible assets with indefinite useful lives were recorded in the amount of kEUR 1,848 (previous year: kEUR 1,530). Furthermore, intangible assets with indefinite useful lives were impaired in the amount of kEUR 3,192 (previous year: kEUR 0). More details are illustrated in Note 6.1.

5.3 INCOME TAXES

The major components of income taxes are as follows:

kEUR	2012	2011[1]
Current income taxes	-9,390	-9,842
Deferred income taxes	833	9,816
Income tax reported in the result for the period	**-8,557**	**-26**

The effective income tax rate for the Group for the year ended December 31, 2012 is 53.60% (previous year: 0.10%). The following table reconciles the actual to the expected income tax for the Group using the Group's corporate income tax rate of 30.80% (previous year: 30.80%). For German entities, as in the previous year, a corporate income tax rate of 27.10% was used, which comprised corporate income tax of 15.83% (including the solidarity surcharge) and trade tax of 11.27%. For the North American subgroup, a corporate income tax rate of 33.27% (previous year: 33.27%) was used, which comprised a federal tax rate of 30.62% and a state tax rate of 2.65%.

kEUR	12/31/2012	12/31/2011[1)]
Result before income tax	**15,975**	**26,645**
Income tax based on Group's income tax rate of 30.80% (previous year: 30.80%)	-4,920	-8,207
Recognition of previous years non-recognized interest carry-forwards	747	9,437
Unused interest carry-forwards	-1,525	-1,382
Unused tax loss carry-forwards	-2,146	-1,675
Use of previously not recognized tax loss carry-forwards	1,525	992
Income taxes resulting from previous year	-2,322	–
Other	84	809
Income tax based on effective income tax rate of 53.60% (previous year: 0.10%)	**-8,557**	**-26**

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

In the reporting period, deferred tax assets in the amount of kEUR 1,525 were recognized for the first time on unrecognized tax loss carry-forwards in the amount of kEUR 5,663. The management assumes that their future utilization can be regarded as sufficiently probable due to the restructuring measures decided within the Powered Vehicle Systems Business Unit in Germany and the corresponding improved future prospects for earnings.

In the reporting period, furthermore, deferred taxes of kEUR 747 were recognized for the first time on unrecognized tax interest carry-forwards from the previous year of kEUR 2,746. The management assumes that their future utilization can be regarded as sufficiently probable due to the changed financial structure and the improved future prospects for earnings.

Income tax expense from the previous year results from a tax audit in Germany.

Deferred income tax as of the balance sheet date consists of the following:

kEUR	Consolidated balance sheet 12/31/2012	Consolidated balance sheet 12/31/2011[1]	Consolidated result for the period 2012	Consolidated result for the period 2011[1]
Inventories	1,553	1,427	143	19
Pensions and other similar benefits	13,006	10,986	-182	-603
Other financial liabilities	232	1,857	-1,154	-713
Other provisions	1,678	1,221	481	-94
Tax loss carry-forwards	3,467	5,912	-2,430	-1,185
Interest carry-forwards	30,240	28,376	2,163	13,926
Other	2,735	3,143	-424	740
Deferred income tax assets	**52,911**	**52,922**		
Intangible assets	-32,519	-33,581	1,065	543
Property, plant, and equipment	-10,589	-11,419	782	-974
Inventories	-24	-74	50	-56
Investments accounted for using the equity method	-2,670	-2,671	28	60
Other assets	-1,082	-821	-367	-495
Interest bearing loans and borrowings	-1,156	-1,673	549	-794
Other	-1,491	-1,750	129	-558
Deferred income tax liabilities	**-49,531**	**-51,989**		
Deferred income tax income			**833**	**9,816**

1) Adjusted for effects of IAS 19R as well as a correction in accordance with IAS 8.42, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

As of the balance sheet date, deferred tax assets and liabilities of kEUR 17,264 (previous year: kEUR 16,609) were offset, having met the requirements for offsetting. The balance sheet thus includes deferred tax assets of kEUR 35,647 (previous year: kEUR 36,313) and deferred tax liabilities of kEUR 32,267 (previous year: kEUR 35,380).

The Group has tax loss carry-forwards of kEUR 47,016 (previous year: kEUR 54,484) that are available indefinitely or with defined time limits to several Group companies to offset against future taxable profits of the companies in which the losses arose or of other Group companies. Deferred tax assets have not been recognized with respect to tax loss carry-forwards of kEUR 34,270 (previous year: kEUR 34.643) due to insufficient taxable profits or opportunities for offsetting at the individual companies or other Group companies.

Unrecognized tax loss carry-forwards expire as follows:

kEUR	12/31/2012	12/31/2011
Expiry date		
Infinite	28,955	28,782
Within 5 years	3,525	2,740
Within 10 years	1,790	3,121
Total	**34,270**	**34,643**

In addition to tax loss carry-forwards, the Group has interest carry-forwards of kEUR 99,621 (previous year: kEUR 97,619), which are available indefinitely to various Group companies for use in the future as a tax deduction. Interest carry-forwards result from the interest limitation rules introduced by the business tax reform in Germany as well as a comparable regulation in North America. As a result of insufficient opportunities for using interest carry-forwards in the future, no deferred tax assets were recognized for interest carry-forwards of kEUR 5,601 (previous year: kEUR 5,100).

In the corresponding period of the previous year, the Group recognized deferred income tax for the first time for tax interest carry-forwards unrecognized in previous years in the amount of kEUR 9,437.

In financial year 2012, deferred income taxes relating to changes in the fair value of cash flow hedges amounting to kEUR 228 (previous year: kEUR 92) were recognized. Furthermore, as a result of the repayment of interest swaps in the context of the refinancing, deferred tax assets in the amount of kEUR 739, which were previously recognized in equity, were recognized in the Income Statement. As a result of the early adoption of IAS 19R, furthermore, deferred tax assets in the amount of kEUR 2,356 (previous year: kEUR 2,965) were recognized in other comprehensive income. In addition, current income taxes from offsetting transaction costs with the share premium in the amount of kEUR 568 (previous year: kEUR 1,735) were recognized directly in equity.

6 NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 GOODWILL AND INTANGIBLE ASSETS

kEUR	Customer relation-ship	Tech-nology	Develop-ment costs	Brand	Service net	Licences and software	**Intan-gible assets**	**Goodwill**[1]
Historical costs								
As of 12/31/2010	**103,305**	**21,082**	**1,592**	**31,849**	**3,495**	**10,212**	**171,535**	**75,461**
Additions	–	–	1,217	–	–	670	**1,887**	**–**
Disposals	–	–	6	–	–	2	**8**	**–**
Foreign currency translation	864	131	–	252	–	-69	**1,178**	**677**
As of 12/31/2011	**104,169**	**21,213**	**2,803**	**32,101**	**3,495**	**10,811**	**174,592**	**76,138**
Additions	–	–	1,428	–	–	7,114	**8,542**	**–**
Disposals	–	–	–	–	–	200	**200**	**–**
Foreign currency translation	-763	-115	–	-222	–	-266	**-1,366**	**-597**
As of 12/31/2012	**103,406**	**21,098**	**4,231**	**31,879**	**3,495**	**17,459**	**181,568**	**75,541**
Accumulated amortization								
As of 12/31/2011	**11,033**	**8,217**	**90**	**3,971**	**831**	**6,507**	**30,649**	**28,534**
Additions	2,906	1,881	149	–	175	1,397	**6,508**	**–**
Disposals	–	–	–	–	–	2	**2**	**–**
Reversal impairment	–	–	–	1,530	–	–	**1,530**	**–**
Foreign currency translation	174	55	–	-247	–	-27	**-45**	**188**
As of 12/31/2011	**14,113**	**10,153**	**239**	**2,194**	**1,006**	**7,875**	**35,580**	**28,722**
Additions	2,993	1,908	211	–	175	1,350	**6,637**	**–**
Disposals	–	–	–	–	–	192	**192**	**–**
Impairment	3,086	–	–	106	–	–	**3,192**	**–**
Reversal impairment	–	–	–	1,848	–	–	**1,848**	**–**
Foreign currency translation	-155	-45	–	2	–	-72	**-270**	**-166**
As of 12/31/2012	**20,037**	**12,016**	**450**	**454**	**1,181**	**8,961**	**43,099**	**28,556**
Carrying amount 12/31/2011	**90,056**	**11,060**	**2,564**	**29,907**	**2,489**	**2,936**	**139,012**	**47,416**
Carrying amount 12/31/2012	**83,369**	**9,082**	**3,781**	**31,425**	**2,314**	**8,498**	**138,469**	**46,985**

1) Adjusted for effects of a correction due to IAS 8.42, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

The increase in intangible assets primarily results from costs associated with the project of consolidation of existing SAP systems in Europe and North America of kEUR 5,966.

Impairment testing of goodwill and intangible assets with indefinite useful lives

The Group carries out its annual impairment tests of recognized goodwill and intangible assets with indefinite useful lives as of October 1.

The allocation of the carrying amounts of goodwill and brands to the cash-generating units remains unchanged from the previous year. The carrying amounts are as follows:

	Trailer Systems		Powered Vehicle Systems		Aftermarket		**Total**	
kEUR	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011[1]
Goodwill	16,925	17,011	–	–	30,060	30,405	**46,985**	**47,416**
Brand	25,646	23,912	5,242	5,418	537	577	**31,425**	**29,907**

1) Adjusted for effects of a correction due to IAS 8.42, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

Key assumptions for the calculation of the recoverable amount

To calculate the recoverable amount, a discounted cash flow method was used. The discounted cash flow method was based on a detailed five-year plan. For the value added from 2018, it will be supplemented by the perpetual annuity. The basis for the calculation of the perpetual annuity is the assumed long-term sustainably achievable result in consideration of the cyclical nature of the market environment.

Sales/EBITDA margin – The forecasts for sales and earnings of the cash-generating units are based on generally available economic data as well as industry information and, in addition to general market forecasts, also reflect current developments and past experience.

Discount rates – To calculate the discount rates, a weighted average cost of capital (WACC) method was applied. This method considers yields on government bonds at the beginning of the budget period as a risk-free interest rate. Furthermore, an objective surcharge was determined to reflect the risk of the Group in comparison with its peer group. As in the previous year, a growth rate deduction of 1.0% was used in the perpetual annuity.

The results of the impairment tests can be summarized as follows:

Goodwill

For the purpose of the impairment test, the recoverable amount of a cash-generating unit is determined on the basis of the value in use.

Trailer Systems cash-generating unit

The pre-tax discount rate used to calculate the recoverable amount as of October 1, 2012 is 12.84% (October 1, 2011: 13.16%). As in the previous year, the impairment test in 2012 did not identify any impairment of goodwill as the recoverable amount was above the carrying amount of the cash-generating unit.

Powered Vehicle Systems cash-generating unit

The goodwill of the "Powered Vehicle Systems" cash-generating unit was impaired in full as a result of the impairment test as of December 31, 2008.

Aftermarket cash-generating unit
The pre-tax discount rate used to calculate the recoverable amount as of October 1, 2012 is 13.11% (October 1, 2011: 14.18%). On the basis of the test carried out, management did not identify any impairment for this cash-generating unit.

Sensitivity to changes in assumptions
Within the scope of the value in use calculation, sensitivity analyses were carried out in relation to the main value drivers. For this purpose, alternative calculations were used without consideration of the assumed growth rate of the perpetual annuity and in consideration of an increase in the average cost of capital by 100 base points. All cash-generating units exceeded the relevant carrying amounts.

"SAF" brand
The impairment test of October 1, 2012 was carried out at the level of the Trailer Systems cash-generating unit. Please refer to the previous sections regarding the pre-tax discount rate used for the value in use of the cash-generating unit.

In the previous year, the discount rate used for the calculation of the recoverable amount was 9.21%.

The impairment test led to a reversal of impairment of kEUR 1,848 (October 1, 2011: reversal of impairment of kEUR 320).

"Holland" brand
The impairment test of October 1, 2012 was carried out at the level of the Powered Vehicle Systems cash-generating unit. Please refer to the previous sections regarding the pre-tax discount rate used for the value in use of the cash-generating unit.

In the previous year, the discount rate used for the calculation of the recoverable amount was 9.15%.

The impairment test did not result in an impairment (October 1, 2011: reversal of impairment of kEUR 540).

The impairment losses recognized on the brands in 2008 and 2009 were primarily attributable to unfavorable sales forecasts due to the slump in sales caused by the financial crisis. The sustained recovery of the truck and trailer market since 2010 and the improved outlook with regard to future market trends led to an adjustment in the sales and earnings forecasts for the Group and therefore to reversals of impairment losses on brands in financial years 2010, 2011 and 2012. Reversals of impairment losses totaling kEUR 1,848 (previous year: kEUR 1,530) were recognized in profit or loss and the entire amount was allocated to the Trailer Systems Business Unit.

Customer relationships and brands of the SAF-HOLLAND Verkehrstechnik GmbH
As SAF-HOLLAND Verkehrstechnik GmbH's business development was below expectations, a separate impairment test was carried out for this cash-generating unit on October 1, 2012. The recoverable amount was kEUR 3,192 below the carrying amount of the cash-generating unit. The impairment loss was attributable in the amount of kEUR 2,739 to "5th wheel" customer relations, in the amount of kEUR 347 to the "Trilex" customer relations, as well as in the amount of kEUR 106 to the brand "Trilex"(October 1, 2011: reversal of impairment of kEUR 670).

The pre-tax discount rate used to calculate the recoverable amount is 14.14%. The impairment loss was attributed in the amount of kEUR 2,591 to the Powered Vehicle Systems Business Unit and in the amount of kEUR 601 to the Aftermarket Business Unit.

6.2 PROPERTY, PLANT, AND EQUIPMENT

kEUR	Land and buildings	Plant and equipment	Other equipment, office furniture, and equipment	Advance payments and construction in progress	**Total**
Historical costs					
As of 12/31/2010	**61,403**	**86,181**	**11,617**	**3,219**	**162,420**
Additions	996	5,535	1,451	5,694	**13,676**
Disposals	320	1,384	174	39	**1,917**
Transfers	191	1,596	84	-1,871	–
Foreign currency translation	403	970	35	289	**1,697**
As of 12/31/2011	**62,673**	**92,898**	**13,013**	**7,292**	**175,876**
Additions	1,574	7,008	3,616	1,569	**13,767**
Disposals	158	2,653	1,216	25	**4,052**
Disposals from initial consolidation	–	–	54	–	**54**
Transfers	125	1,606	–	-1,731	–
Foreign currency translation	-402	-959	-48	-93	**-1,502**
As of 12/31/2012	**63,812**	**97,900**	**15,311**	**7,012**	**184,035**
Accumulated depreciation					
As of 12/31/2010	**9,167**	**45,272**	**7,351**	–	**61,790**
Additions	2,167	10,429	1,572	–	**14,168**
Disposals	–	1,359	135	–	**1,494**
Foreign currency translation	23	594	49	–	**666**
As of 12/31/2011	**11,357**	**54,936**	**8,837**	**–**	**75,130**
Additions	2,367	10,095	1,785	–	**14,247**
Disposals	46	2,477	996	–	**3,519**
Disposals from initial consolidation	–	–	25	–	**25**
Transfers	7	-7	–	–	–
Foreign currency translation	-48	-387	-25	–	**-460**
As of 12/31/2012	**13,637**	**62,160**	**9,576**	**–**	**85,373**
Carrying amount 12/31/2011	**51,316**	**37,962**	**4,176**	**7,292**	**100,746**
Carrying amount 12/31/2012	**50,175**	**35,740**	**5,735**	**7,012**	**98,662**

The carrying amount of plant and equipment held under finance leases as of December 31, 2012 is kEUR 237 (previous year: kEUR 20). Additions during the year included kEUR 203 in plant and equipment hold under finance lease. Depreciation during the year amounted to kEUR 9 (previous year: kEUR 89).

6.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following investments were accounted for using the equity method:

	Country of incorporation	% Equity interest
Associates		
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 summarizes financial information on the Group's share of investments in associates and joint ventures accounted for using the equity method:

	Investments in associates		Investments in joint ventures	
kEUR	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Current assets	8,260	7,361	853	1,086
Non-current assets	2,783	2,826	359	373
Current liabilities	-1,151	-1,767	-57	-115
Non-current liabilities	-1,581	-1,567	–	–
Foreign currency translation	–	48	-5	-20
Net assets = Carrying amount of the investment	**8,311**	**6,901**	**1,150**	**1,324**
Sales	16,836	16,330	509	521
Result for the period	1,292	680	3	-41

6.4 OTHER NON-CURRENT ASSETS

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

kEUR	12/31/2012	12/31/2011[1]
Defined benefit assets	163	301
Worker`s compensation and health insurance premiums	206	192
Claims from reinsurance	336	132
Other	154	244
Total	**859**	**869**

6.5 INVENTORIES

kEUR	12/31/2012	12/31/2011
Raw materials	34,936	33,653
Work in progress	15,933	22,778
Finished and trading goods	31,391	29,777
Goods in transit	5,903	4,192
Total	**88,163**	**90,400**

Included in the cost of sales are allowances for inventories of kEUR 2,714 (previous year: kEUR 1,584).

6.6 TRADE RECEIVABLES

The total amount of trade receivables is due within one year and is non-interest bearing.

kEUR	Carrying amount	Of which: neither impaired nor past due on the reporting date	Of which: impaired on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					
				Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	Between 121 and 360 days	More than 360 days
Trade receivables as of 12/31/2012	87,319	68,048	146	11,796	3,672	1,210	1,013	1,297	137
Trade receivables as of 12/31/2011	95,352	74,931	3,644	10,919	1,943	1,461	5	1,156	1,293

The allowances on trade receivables are recorded in a separate allowance account and netted with the gross amount of trade receivables.

kEUR	Allowance account
As of 12/31/2010	**2,376**
Charge for the year	1,338
Utilized	336
Released	212
Foreign currency translation	-33
As of 12/31/2011	**3,133**
Charge for the year	753
Utilized	340
Released	521
Foreign currency translation	-10
As of 12/31/2012	**3,015**

With respect to trade receivables that are not impaired and past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations. In Europe and USA, the Group has taken out trade credit insurance to hedge the default risk.

The Group disposed of receivables with a volume of kEUR 7,827 (previous year: EUR 0) as of the balance sheet date in the framework of a factoring agreement. Assuming the legal validity of the receivables, no further risks of customer illiquidity exist against the factor for the sold receivables.

6.7 OTHER CURRENT ASSETS

kEUR	12/31/2012	12/31/2011
Claim of repayment of purchase price from supplier	4,443	2,589
VAT receivables	3,710	2,885
Prepaid expenses	1,209	709
Insurance premiums	409	365
Restricted cash	1,173	–
Other	939	910
Total	**11,883**	**7,458**

The item "Other receivables against suppliers and customers" primarily comprises a claim to repayment from the supplier Claas Fertigungstechnik GmbH. The facility supplied was not accepted due to defects. Charges have been filed to claim repayment and additional damages.

The appropriated funds comprise cash held as collateral for employee claims, which is subject to a utilization restriction.

6.8 CASH AND CASH EQUIVALENTS

kEUR	12/31/2012	12/31/2011
Cash at banks and on hand	18,573	15,127
Short-term deposits	6	218
Total	**18,579**	**15,345**

6.9 EQUITY

Subscribed share capital

The Company's subscribed share capital increased by EUR 41,273.37 in the past financial year to EUR 453,611.12 (previous year: EUR 412,373.75) and comprises 45,361,112 (previous year: 41,237,375) ordinary shares with a par value of EUR 0.01 per share and is fully paid in. The newly-issued ordinary shares were placed at an offering price of EUR 5.25 per share.

The share capital was increased on November 30, 2012 with the exclusion of subscription rights of the existing shareholders in the scope of the authorized capital as set by the Extraordinary General Meeting of June 4, 2012. Admission of new shares to the existing listing was carried out on December 3, 2012.

At the Extraordinary General Meeting on June 4, 2012, shareholders approved the Company's proposal to increase the Company's authorized capital from EUR 0.00 to EUR 206,187.00, consisting of 20,618,700 shares with a par value of EUR 0.01 per share. If a subsequent capital increase should occur, it will be in the amount of up to 20% of authorized capital with the exclusion of subscription rights. This approval is limited to a period of five years and begins with the publication of the certificate.

The Meeting also approved the implementation of a share buyback program. The maximum buyback was set at 10% of the subscribed share capital existing on the day of the resolution. This approval is limited to a period of five years and begins as of the Extraordinary General Meeting date of June 4, 2012.

In the previous year, SAF-HOLLAND S.A. resolved to issue an additional 20,535,100 ordinary shares with a par value of EUR 0.01 on March 24, 2011. The shares were placed at an offer price of EUR 7.00 per share. Directly attributable transaction costs in the amount of kEUR 4,333 (after income tax benefit) were deducted from the share premium.

Share premium

The share premium increased by kEUR 20,182 due to the premiums from the issue of shares. The directly attributable transaction costs of the capital increase of kEUR 1,994, less the associated income tax benefits of kEUR 568, were deducted from the share premium (kEUR 1,426). As of December 31, 2012, the share premium amounted to kEUR 265,843 (previous year: kEUR 245,661).

Legal reserve

The legal reserve amounted to kEUR 22 (previous year: kEUR 21). kEUR 1 was added to the legal reserve due to legal requirements.

Other reserves

With the resolution of the General Meeting of April 26, 2012, kEUR 204 was transferred to other reserves that are subject to transfer restrictions in the second quarter. This allowed the Group to adhere to specific requirements under Luxembourg tax law. As of December 31, 2012 the amount in the other reserves that is subject to transfer restriction is kEUR 436.

Retained earnings

Retained earnings include the result for the period of kEUR 7,418 (previous year: kEUR 26,619) and the results carried forward from previous years less the reclassification of kEUR 205 to other reserves and legal reserves.

Dividend

As in financial year 2011, no dividend payment is proposed for financial year 2012.

Change in accumulated other comprehensive income

	Before tax amount		Tax income		Net of tax amount	
kEUR	2012	2011[1)]	2012	2011[1)]	2012	2011[1)]
Revaluation defined benefit plan	-7,866	-8,924	2,356	2,965	-5,510	-5,959
Exchange differences on translation of foreign operations	-854	1,501	–	–	-854	1,501
Changes in fair values of derivates designated as hedges, recognized in equity	1,523	-502	-511	92	1,012	-410
Total	**-7,197**	**-7,925**	**1,845**	**3,057**	**-5,352**	**-4,868**

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

The total amount of exchange differences on translation of foreign operations included in accumulated other comprehensive income is kEUR 346 (previous year: kEUR 1,200). Changes in value of hedging transactions previously recorded in equity of kEUR 2,795 (before taxes) were reclassified to the finance result in the fourth quarter, as the hedges were cancelled for a portion of the interest rate swaps as a result of the discontinuation of the hedged item due to refinancing (see Note 5.2.5).

The total amount of changes in the fair value of derivatives designated as hedges after taxes included in accumulated other comprehensive income is kEUR -2,941 (previous year: kEUR -3,953).

The total amount of revaluations of defined benefit plans included in accumulated other comprehensive income is kEUR -20.415 (previous year: kEUR -15.277).

6.10 PENSIONS AND OTHER SIMILAR BENEFITS

In Germany, the Group offered defined benefit pension plans to its employees in accordance with company agreements.

Under a company agreement dated January 1, 2007, SAF-HOLLAND GmbH's pension plans were frozen; no further pension entitlements can be earned. For these plans future pension payments depend on the one hand on the years of service of the employees and on the other hand on individual commitments made for management.

Future pension payments for SAF-HOLLAND Verkehrstechnik GmbH's plan depend on length of service and personal income. In February 2011, the Company restructured the form of its existing pension plans by amending the underlying works agreements. The form was changed from a direct pension commitment to an indirect pension commitment by establishing a reinsured employee benefit fund. The conversion did not change the benefits granted to employees. The pension plan still remains a defined benefit obligations within the meaning of IAS 19, which are disclosed under provisions for pensions and other similar benefits. Pension commitments provided by the employee benefit fund are covered by a group insurance contract. As these insurance policies do not constitute plan assets because the employees' claims are not protected against insolvency, the asset value of the employer's pension liability insurance of kEUR 336 (previous year: kEUR 132) is recognized under other non-current assets in accordance with IAS 19.

In North America, the Group has several defined benefit and defined contribution pension plans covering essentially all employees. The benefits paid under the defined benefit plans depend on either length of service or in some cases on personal income. On July 1, 2010, two Canadian plans were frozen for credited service. Therefore only one of the Canadian plans remains open to new participants. All US plans are closed to new participants.

In addition, the North American subgroup has defined benefit pension plans that provide post-employment medical benefits to certain employees.

The freezing of pension plans in Canada have led to the recognition of an additional liability in the amount of kEUR 44 (previous year: kEUR 432) due to minimum funding requirements. This effect was recognized in the current year through profit or loss. As a result of the plan closures in the previous year, the recognition of plan assets for one plan was limited at kEUR 37 because an economic benefit in the form of refunds from the plan or reductions in future contributions is no longer possible without restrictions.

Defined benefit assets and liabilities as of December 31:

	Pension plans						Post employment medical	
	German plan		US plan		Canadian plan			
kEUR	2012	2011	2012	2011	2012	2011	2012	2011
Defined benefit obligation	**11,875**	**8,234**	**53,469**	**47,901**	**14,514**	**12,579**	**8,199**	**7,855**
Fair value of plan assets	-9	–	-35,419	-31,173	-13,422	-11,879	–	–
	11,866	**8,234**	**18,050**	**16,728**	**1,092**	**700**	**8,199**	**7,855**
Amount not recognized as an asset because of the limit in IAS 19.58(b)	–	–	–	–	–	37	–	–
Additional liability recognized due to minimum funding requirements (IFRIC 14)	–	–	–	–	44	432	–	–
Benefit liabilities	**11,866**	**8,234**	**18,050**	**16,728**	**1,136**	**1,169**	**8,199**	**7,855**

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

	Pension plans						Post employment medical	
	German plan		US plan		Canadian plan			
kEUR	2012	2011	2012	2011	2012	2011	2012	2011
Defined benefit obligation as of the beginning of the period	**8,234**	**8,333**	**47,901**	**41,687**	**12,579**	**11,131**	**7,855**	**7,363**
Interest expenses	436	458	2,134	2,207	726	590	332	404
Current service cost	49	51	326	294	357	331	223	186
Benefits paid	-422	-451	-2,180	-2,134	-428	-370	-601	-410
Revaluation of defined benefit plans	3,578	-157	6,324	4,871	1,263	857	561	139
Gains on curtailment	–	–	–	–	–	–	–	–
Foreign currency translation	–	–	-1,036	976	17	40	-171	173
Defined benefit obligation as of the end of the period	**11,875**	**8,234**	**53,469**	**47,901**	**14,514**	**12,579**	**8,199**	**7,855**

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

	German plan		US plan		Canadian plan	
kEUR	2012	2011	2012	2011	2012	2011
Fair value of plan assets as of the beginning of the period	**–**	**–**	**31,173**	**30,942**	**11,879**	**11,966**
Expected return on plan assets	–	–	1,388	1,679	671	634
Employer contribution	9	–	3,198	1,891	1,041	781
Revaluation of defined benefit plans	–	–	3,594	-2,038	264	-1,175
Benefits paid	–	–	-2,857	-2,134	-428	-370
Foreign currency translation	–	–	-1,077	833	-5	43
Fair value of plan assets as of the beginning of the period	**9**	**–**	**35,419**	**31,173**	**13,422**	**11,879**

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

	North American plans			
	2012 %	kEUR	2011 %	kEUR
Equities	61.00	29,802	63.00	27,123
Bonds	34.00	16,606	32.00	13,776
Cash and money market	2.00	977	2.00	861
Real estate	3.00	1,465	3.00	1.292
Total	**100.00**	**48,850**	**100.00**	**43,052**

The present value of the pension obligation, the plan assets and the funded status for the current and previous four reporting periods are as follows:

kEUR	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008
Defined benefit obligation	**88,057**	**76,569**	**68,514**	**57,079**	**50,462**
Fair value of plan assets	-48,850	-43,052	-42,908	-34,897	-27,623
Benefit liabilities	**39,207**	**33,517**	**25,606**	**22,182**	**22,839**
Experience losses (+) / gains (-) related to defined benefit obligation	-1,706	2,671	1,053	1,574	-3,095
Experience losses (+) / gains (-) related to plan assets	2,287	2,749	-1,934	-4,029	10,678

The following table summarizes the components of net benefit expenses:

	Pension plans						Post employment medical	
	German plan		US plan		Canadian plan			
kEUR	2012	2011	2012	2011	2012	2011	2012	2011
Current service cost	49	51	326	294	357	331	223	186
Net interest component	436	458	745	528	55	-44	332	404
Effect of the impact of the additional liability due to IFRIC 14	–	–	–	–	-388	-87	–	–
Net benefit expenses	**485**	**509**	**1,071**	**822**	**24**	**200**	**555**	**590**
Actual return on plan assets	–	–	4,672	252	939	541	–	–

The cost of defined benefit commitments is included in the functional areas and in the financial result.

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

	German plan		US plan		Canadian plan	
%	**2012**	2011	**2012**	2011	**2012**	2011
Discount rate	3.40	5.30	3.74	4.45	4.40	5.50
Future salary increases	0.00/2.00[1)]	0.00/2.00[1)]	3.50	2.70	–[3)]	–[3)]
Future pension increases	2.00	2.00	–[2)]	–[2)]	–[3)]	–[3)]
Turnover rates	4.60	4.60	4.22	4.22	–	–

1) For the calculation of SAF-HOLLAND GmbH's defined benefit obligation, no salary increases were considered because the amount of the obligation depends on the length of service of the respective employee and because the pension plan has been frozen so that no additional entitlements can be earned. The future salary increase for the plans of SAF-HOLLAND Verkehrstechnik GmbH is assessed to be 2%.

2) For the pension plans in the USA, pension increases are not taken into account as the pension payments remain constant. Therefore, only years of service or salary and wage increases up to retirement are considered in determining the defined employee benefit obligation for these plans.

3) For the Canadian plans, future salary increases and future pension increases are not taken into account as the pension payments depend on the years of service.

Healthcare inflation:

%	**2012**	2011
Initial rate (health care cost trend rate assumed for next year)	7.50	7.50
Ultimate rate (health care cost trend rate assumed to reduce cost)	5.00	5.00
Year of ultimate	2016	2016

A 1% change in the assumed rate in healthcare costs would have the following effects:

	2012		2011	
kEUR	Increase	Decrease	Increase	Decrease
Effect on the aggregate current service cost and interest expenses	47	-56	38	-48
Effect on the defined benefit obligation	700	-613	595	-522

The discount rate is seen as a significant indicator of the value of defined benefit obligation. A change to the discount rate of 0.75 percentage points would have the following effect on the amount of the defined benefit obligation:

	2012			
kEUR	Germany	USA	Canada	**Total**
Increase of Discount Rate + 0,75 percentage points	-1,236	-5,154	-1,454	**-7,844**
Reduction of Discount Rate - 0,75 percentage points	1,483	5,980	1,631	**9,094**

Future payments in connection with the defined benefit obligations are summarized in the following chart:

	2012				
kEUR	2013	2014-2017	2018-2022	from 2023 onwards	**Total**
Germany	435	1,833	2,307	16,302	**20,877**
USA	3,156	13,613	18,872	62,000	**97,641**
Canada	376	2,047	4,131	20,946	**27,500**
Total	**3,967**	**17,493**	**25,310**	**99,248**	**146,018**

	2011				
kEUR	2012	2013-2016	2017-2021	from 2022 onwards	**Total**
Germany	440	1,829	2,274	14,417	**18,960**
USA	2,946	12,788	17,522	60,952	**94,208**
Canada	405	2,229	4,857	18,700	**26,191**
Total	**3,791**	**16,846**	**24,653**	**94,069**	**139,359**

The weighted average duration of pension plans is described below:

	Germany	USA	Canada
Weighted Average Duration as at 12/31/2012	17	12	15
Weighted Average Duration as at 12/31/2011	17	13	15

6.11 OTHER PROVISIONS

The main components of other provisions and their development are illustrated in the following table:

kEUR	Product warranty	Partial retirement	Environ-mental issues	Workers' compensation and health insurance benefits	Restruc-turing	Other	**Total**
As of 01/01/2012	**5,481**	**498**	**927**	**1,208**	**486**	**1,505**	**10,105**
Additions	2,770	515	128	849	1,431	871	**6,564**
Utilized	3,943	273	174	522	–	1,162	**6,074**
Release	15	–	12	–	425	210	**662**
Interest effect from measurement	43	–	–	–	–	2	**45**
Foreign currency translation	-70	-1	-11	-34	-38	-20	**-174**
As of 12/31/2012	**4,266**	**739**	**858**	**1,501**	**1,454**	**986**	**9,804**
Thereof in 2012							
Current	2,147	377	247	376	1,454	672	**5,273**
Non-current	2,119	362	611	1,125	–	314	**4,531**
Thereof in 2011							
Current	2,824	174	277	463	486	1,186	**5,410**
Non-current	2,657	324	650	745	–	319	**4,695**

Product warranties

A provision is recognized for expected warranty claims on products sold during past periods. It is based on past experience, taking circumstances at the reporting date into account. The product warranty includes free repairs or, at the Group's discretion, free replacement of components by an authorized partner workshop.

Partial retirement

In Germany, the Group offers phased retirement plans to employees taking early retirement. The Group uses the block model in Germany, which divides partial retirement into two phases. Under such an arrangement, employees generally work full time during the first half of the transition period and leave the company at the start of the second half. The provision is discounted and treated as a deferred item at its present value. Partial retirement commitments are insured against possible insolvency.

Environmental issues

The provision for environmental issues is recognized in connection with environment-related obligations based on past events, in particular those that are probable and can be reliably estimated.

Workers' compensation and health insurance benefits for employees

Occupational disability and health insurance benefits are recognized on the basis of claims made. In addition, the overall liabilities for claims of this kind are estimated on the basis of past experience, taking into account stop-loss insurance coverage.

Restructuring provisions

In 2012 the Group resolved to optimize the processes of the Powered Vehicle Systems Business Unit in Germany. The measure focuses on changes relating to the location in Singen, Germany. The integration process involves the transfer of administrative and marketing activities in Singen to the headquarters of SAF-HOLLAND GmbH in Bessenbach. This involved the conclusion of a reconciliation of interests including a redundancy plan in December 2012.

Share-based payment transactions

On July 9 and on December 1, 2010, a phantom share plan for members of the Management Board and certain other executives in the Group was approved by the Company. The goal of this plan, which has a term of five years, is to sustainably link the interests of management and executives with the interests of the shareholders of SAF-HOLLAND S.A. in a long-term increase in enterprise value. The plan includes variable remuneration in the form of phantom shares, which are based on the value of shares of SAF-HOLLAND S.A. At the beginning of the plan, each plan participant receives a certain number of phantom shares that give rise to a payment claim if certain conditions are met at the end of the term of the plan. There is no entitlement to shares of SAF-HOLLAND S.A.

The total of 640,000 phantom shares issued in 2010 remained unchanged in financial year 2012 and breaks down as follows:

Phantom shares outstanding at the beginning of the period	640,000
Phantom shares granted during the period	–
Phantom shares outstanding at the end of the period	**640,000**
Phantom shares exercisable at the end of the period	–

No phantom shares were forfeited, exercised or expired in the reporting period. The contractual term of the phantom shares as of December 31, 2012 is a maximum of 2.5 years. The phantom shares may only be exercised after a waiting period of four years and must be redeemed after five years at the latest. The participant is free to determine the exercise date within this one-year settlement period. Phantom shares that are not exercised within this one-year settlement period expire without compensation.

At the time of redemption, the participant receives the difference between the settlement price and the strike price multiplied by the number of the participant's phantom shares. The settlement price is the average price of SAF-HOLLAND S.A. shares in the three months preceding the redemption of the phantom shares, but not more than the price applicable on the day after the exercise. The uniform strike price is EUR 5.00.

An amount equal to double the respective strike price will be paid out at a maximum.

Precondition for the exercisability of the appreciation rights is the achievement of a defined performance target. The performance target is fulfilled if the Group, in the period from July 1, 2010 to June 30, 2014, has achieved on the average a minimum operating performance with regard to the two performance indicators "Earnings before taxes after cost of total equity (EBTaCE)" and "Average earnings before taxes after cost of total equity (average EBTaCE)". In addition, exercisability is only given when the participant maintains an active employment relationship with the Group for at least three years from issue of the phantom shares. The provisionally allotted phantom shares are forfeited without replacement if, before expiration of three years from issue of the phantom shares, the participant is removed from the board of the Group or is rightfully released from the participant's service obligation or the employment relationship between the participant and the Group ends before expiration of three years as a result of a notice of termination, termination by mutual agreement or for age reasons. This does not apply if the participant is protected by the German Statute protecting employees against dismissal (Kündigungsschutzgesetz) and notice of termination is given by the Group due to compelling operational reasons.

The phantom shares granted are classified and accounted for as cash-settled share-based payment transactions. The fair value of the phantom shares is remeasured on each balance sheet date using a Monte-Carlo simulation and under consideration of the conditions at which the phantom shares were granted. The measurement of the options granted in the current reporting period is based on the following parameters:

	12/31/2012	12/31/2011
Expected remaining contractual life (years)	2.50	3.50
Share price on measurement date (EUR)	4.72	3.56
Exercise price (EUR)	5.00	5.00
Expected volatility	43.69%	50.34%
Risk free interest rate	0.09%	0.23%

The weighted average of the fair value of phantom shares amounts to EUR 0.78 per phantom share as of December 31, 2012 (previous year: EUR 0.45).

On December 31, 2012, the provision for phantom shares in the amount of kEUR 119 in the previous year was completely dissolved because the defined performance targets were not met as of the balance sheet date. The amount from the dissolution was allocated to the relevant functional areas in the consolidated statement of comprehensive income.

6.12 INTEREST BEARING LOANS AND BORROWINGS

	Non-current		Current		**Total**	
kEUR	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Interest bearing bank loans	81,489	164,468	6,700	11,811	**88,189**	**176,279**
Bond	75,000	–	–	–	**75,000**	**–**
Transaction costs	-3,578	-6,298	-882	-1,152	**-4,460**	**-7,450**
Bank overdrafts	–	40	300	91	**300**	**131**
Success fee	–	4,795	–	–	**–**	**4,795**
Accrued interests	–	–	1,272	456	**1,272**	**456**
Other loans	58	499	56	324	**114**	**823**
Total	**152,969**	**163,504**	**7,446**	**11,530**	**160,415**	**175,034**

On October 5, 2012, an agreement was signed with a banking syndicate that replaced previous financing and which guarantees short and long-term finance for the Group at more favorable interest rate conditions on the long term until October 2017. The newly concluded credit agreement includes a EUR 140.0 million tranche (loan A), as well as revolving credit line of over approximately EUR 120.0 million – divided into EUR 80.0 million and USD 50.0 million – (loan B), which can be utilized in various currencies. As a result of the refinancing, the available credit lines increased to EUR 260.0 million (December 31, 2011: EUR 228.9 million). This declined by EUR 48.6 million to EUR 211.4 million following the issue of a bond.

The restructuring of the financing specifies the following main regulations:

- initial interest margin
  - Loan A: 2.85% p.a.
  - Loan B: 2.35% p.a.
- Maturity on October 4, 2017
- Planned repayment of the loan amount of EUR 35.0 million of loan A
- Pledging of assets waived
- Definition of the financial covenants valid from December 31, 2012
  - Net interest cover (adjusted consolidated EBITDA divided by net finance expenses)
  - Total net debt cover (net debt divided by adjusted consolidated EBITDA)
  - Equity ratio cover (consolidated equity divided by consolidated total assets)

Furthermore, on October 17, 2012, SAF-HOLLAND issued a five and a half year bond with an annual coupon rate of 7.0% and a volume of EUR 75.0 million on the newly opened Prime Standard of the Frankfurt Stock Exchange.

The net proceeds from the bond emission were used for repayment of existing bank loans in amount of EUR 48.6 million with the remaining EUR 24.6 million available to the Company for financing and

securing sustainable growth. The repayment in the amount of EUR 48.6 million led to a corresponding reduction of the credit line concluded October 5, 2012.

As the third finance component the bond supplements the syndicated loan and the EUR 25.0 million factoring basket.

The current interest bearing bank loans primarily include the agreed repayment in the coming 12 months.

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

	12/31/2012				
kEUR	Amount drawn valued as at the period-end exchange rate	Amount drawn valued as at the borrowing date exchange rate	Agreed credit lines valued as at the borrowing date exchange rate	Cash and cash equivalents	Total liquidity
Facility A1	71,400	71,400	71,400	–	–
Facility A2	–	–	20,000	–	20,000
Facility B1	4,682	4,682	80,000	18,579	93,897
Facility B2	12,107	12,500	39,063	–	26,563
Total	**88,189**	**88,582**	**210,463**	**18,579**	**140,460**

	12/31/2011				
kEUR	Amount drawn valued as at the period-end exchange rate	Amount drawn valued as at the borrowing date exchange rate	Agreed credit lines valued as at the borrowing date exchange rate	Cash and cash equivalents	Total liquidity
Facility A1	22,692	22,692	22,692	–	–
Facility A2	20,179	17,419	17,419	–	–
Facility B	133,408	133,408	188,800[1)]	15,345	70,737
Total	**176,279**	**173,519**	**228,911**	**15,345**	**70,737**

1) The available credit lines from facility B in the amount of EUR 188.8 million include the separately agreed credit line for SAF-HOLLAND do Brasil Ltda. in the amount of EUR 3.8 million.

6.13 TRADE PAYABLES

Trade payables in the amount of kEUR 70,643 (previous year: kEUR 86,038) are non-interest bearing and are normally settled within two to six months.

6.14 OTHER LIABILITIES

	Current		Non-current	
kEUR	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Liabilities for salaries and social security contributions	11,404	11,639	–	–
Other taxes	3,650	2,585	–	–
Anniversary obligations	337	293	241	260
Other	2,671	1,060	79	26
Total	**18,062**	**15,577**	**320**	**286**

7 OTHER DISCLOSURES

7.1 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Carrying amounts, amounts recognized, and fair values by category are as follows:

	12/31/2012						
			Amounts recognized in balance sheet according to IAS 39			Amounts recognized in balance sheet according to IAS 17	
kEUR	Category in accordance with IAS 39	Carrying amount	(Amortized) cost	Fair value recognized in equity	Fair value recognized in profit or loss		Fair value
Assets							
Cash and cash equivalents	LaR	18,579	18,579	–	–	–	18,579
Trade receivables	LaR	87,319	87,319	–	–	–	87,319
Other current assets	LaR	5,616	5,616	–	–	–	5,616
Liabilities							
Trade payables	FLAC	70,643	70,643	–	–	–	70,643
Interest bearing loans and borrowings	FLAC	160,415	160,415	–	–	–	168,999
Finance lease liabilities	n.a.	112	–	–	–	112	112
Other financial liabilities							
Derivates without a hedging relationship	FLHfT	44	–	–	44	–	44
Derivates with a hedging relationship	n.a.	836	–	836	–	–	836
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	111,514	111,514	–	–	–	111,514
Financial liabilities measured at amortized cost	FLAC	231,058	231,058	–	–	–	239,642
Financial liabilities held for trading	FLHfT	44	–		44	–	44

	12/31/2011						
			Amounts recognized in balance sheet according to IAS 39			Amounts recognized in balance sheet according to IAS 17	
kEUR	Category in accordance with IAS 39	Carrying amount	(Amortized) cost	Fair value recognized in equity	Fair value recognized in profit or loss		Fair value
Assets							
Cash and cash equivalents	LaR	15,345	15,345	–	–	–	15,345
Trade receivables	LaR	95,352	95,352	–	–	–	95,352
Other current assets	LaR	2,589	2,589	–	–	–	2,589
Liabilities							
Trade payables	FLAC	86,038	86,038	–	–	–	86,038
Interest bearing loans and borrowings	FLAC	175,034	175,034	–	–	–	175,146
Finance lease liabilities	n.a.	81	–	–	–	81	81
Other financial liabilities							
Derivates without a hedging relationship	FLHfT	99	–	–	99	–	99
Derivates with a hedging relationship	n.a.	5,693	–	5,613	80	–	5,693
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	113,286	113,286	–	–	–	113,286
Financial liabilities measured at amortized cost	FLAC	261,072	261,072	–	–	–	261,184
Financial liabilities held for trading	FLHfT	99	–		99	–	99

Cash and cash equivalents, other current assets as well as trade receivables and payables mainly have short remaining maturities. For this reason, their carrying amounts at the reporting date approximate their fair values.

The fair values of interest bearing loans and borrowings 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 fair value of the bond reported under this item is determined on the basis of its market value on the balance sheet date.

The fair values of other financial liabilities are calculated based on interest rates with matching maturities. In the balance sheet as of December 31, 2012, only derivatives of kEUR 880 (previous year: kEUR 5,792) were measured at fair value.

The fair value of the liabilities from interest bearing loans and borrowings and derivative financial liabilities is measured on the basis of factors which can be observed directly (e.g., prices) or indirectly (e.g., derived from prices). This fair value measurement can therefore be allocated to level 2 of the measurement hierarchy according to IFRS 7. The fair value hierarchy levels are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Information other than quoted market prices that are observable either directly (e.g., from prices) or indirectly (e.g., derived from prices)

Level 3: Information for assets or liabilities that is not based on observable market data

The net result by category is as follows:

	2012					
			From subsequent measurement			
kEUR	From interest	From remuneration	At fair value	Currency translation	Impairment	**Net result**
Loans and receivables	188	–	–	–	-232	**-44**
Financial liabilities measured at amortized cost	-15,393	-9,290	–	-1,219	–	**-25,902**
Financial liabilities held for trading	–	–	55	–	–	**55**
Total	**-15,205**	**-9,290**	**55**	**-1,219**	**-232**	**-25,891**

	2011					
			From subsequent measurement			
kEUR	From interest	From remuneration	At fair value	Currency translation	Impairment	**Net result**
Loans and receivables	-72	–	–	–	-1,126	**-1,198**
Financial assets held for trading	–	–	-18	–	–	**-18**
Financial liabilities measured at amortized cost	-21,273	-5,140	–	-565	–	**-26,978**
Financial liabilities held for trading	–	–	-99	–	–	**-99**
Total	**-21,345**	**-5,140**	**-117**	**-565**	**-1,126**	**-28,293**

The components of the net result are recognized as finance income or finance expenses, except for impairments on trade receivables, which are reported under cost of sales.

The interest result from financial liabilities of the category "Financial liabilities measured at amortized cost" primarily consists of interest expenses on interest bearing collateralized loans as well as the amortization of transaction costs.

Financial risks

As a group that does business internationally, SAF-HOLLAND S.A. is exposed to both entrepreneurial and industry-specific risks. Consciously controlling opportunities and risks is an integral part of management and decision-making within the Group.

To be adequately prepared for changes in competitive and environmental conditions and to control value creation efficiently in the Group, the Management Board has implemented a risk management system that is monitored by the Board of Directors.

Risk management processes, limits to be observed, and the use of financial instruments to manage risks are defined in the risk management manual and in supplementary guidelines for the Group. The aim of the risk management system is to identify and assess risks that arise. Identified risks are communicated, managed, and monitored in a timely manner.

The Group is mainly exposed to liquidity risks, credit risks, interest rate risks, and foreign currency risks. The Group's risk management aims to limit risks arising from its business and financing activities. This is achieved particularly through the use of derivative and non-derivative hedging instruments.

This is achieved particularly through the use of derivative and non-derivative hedging instruments.

Liquidity risk

The Group's liquidity risk consists of being unable to meet existing or future payment obligations due to insufficient availability of funds. Limiting and managing the liquidity risk are among the primary tasks for the Group's management. The Group monitors the current liquidity situation on a daily basis. In order to manage future liquidity requirements, a weekly 3-month forecast as well as a monthly rolling liquidity plan for 12 months are used. In addition, management continually evaluates adherence to the financial covenants as required by the long-term credit agreement.

The maturity structure of the Group's financial liabilities is as follows:

	12/31/2012			
kEUR	**Total**	Remaining term of up to 1 year	Remaining term of more than 1 year and up to 5 years	Remaining term of more than 5 years
Interest bearing loans and borrowings	**160,415**	7,446	78,091	74,878
Finance lease liabilities	**112**	54	58	–
Trade payables	**70,643**	70,643	–	–
Other financial liabilities				
Derivates without a hedging relationship	**44**	44	–	–
Derivates with a hedging relationship	**836**	–	836	–
Financial liabilities	**232,050**	**78,187**	**78,985**	**74,878**

kEUR	12/31/2011 Total	Remaining term of up to 1 year	Remaining term of more than 1 year and up to 5 years	Remaining term of more than 5 years
Interest bearing loans and borrowings	**175,034**	11,530	163,504	–
Finance lease liabilities	**81**	67	14	–
Trade payables	**86,038**	86,038	–	–
Other financial liabilities				
Derivates without a hedging relationship	**99**	99	–	–
Derivates with a hedging relationship	**5,693**	–	5,693	–
Financial liabilities	**266,945**	**97,734**	**169,211**	–

The following tables show contractually agreed (undiscounted) interest payments and repayments of primary financial liabilities and derivative financial instruments with negative fair values:

	12/31/2012								
	Cash flows 2013			Cash flows 2014			Cash flows 2015–2018		
kEUR	Fixed interest rate	Variable interest rate	Repay-ment	Fixed interest rate	Variable interest rate	Repay-ment	Fixed interest rate	Variable interest rate	Repay-ment
Interest bearing loans and borrowings	-7,685	-157	-8,328	-5,735	-148	-6,757	-26,292	-371	-149,790
Finance lease liabilities	-2	–	-55	-3	–	-51	–	–	-6
Other financial liabilities									
Derivates without a hedging relationship	–	-44	–	–	–	–	–	–	–
Derivates with a hedging relationship	–	-435	–	–	-332	–	–	-40	–

	12/31/2011								
	Cash flows 2012			Cash flows 2013			Cash flows 2014–2016		
kEUR	Fixed interest rate	Variable interest rate	Repay-ment	Fixed interest rate	Variable interest rate	Repay-ment	Fixed interest rate	Variable interest rate	Repay-ment
Interest bearing loans and borrowings	-6,175	-1,745	-11,530	-5,737	-1,657	-11,370	-17,501	-1,195	-152,134
Finance lease liabilities	-1	–	-67	–	–	-14	–	–	–
Other financial liabilities									
Derivates without a hedging relationship	–	-99	–	–	–	–	–	–	–
Derivates with a hedging relationship	–	-2,454	–	–	-2,604	–	–	-784	–

All instruments held as of the reporting date and for which payments were already contractually agreed were included. Planning data for future new liabilities is not included. Amounts in foreign currencies were translated at the year-end spot rate. Variable interest payments arising from the financial instruments were calculated using the most recent interest rates fixed before the reporting date. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Credit risk

The Group is subject to a default risk for financial instruments of a contracting party failing to fulfill its commitments. To minimize these risks of default, outstanding receivables in all Business Units are monitored continuously at the local level by all Group companies. To limit credit risks, the Group as a matter of principle only does business with creditworthy business partners. For this purpose, a continuous credit management is implemented that subjects potential customers to credit verification procedures. To manage specific default risks, the Group also takes out commercial credit insurance coverage in Europe and defines credit limits for each customer.

Any credit risks that still arise are covered by individual and collective allowances on receivables carried in the balance sheet. The carrying amounts of financial assets stated in this Note correspond to the maximum credit risk. Further significant credit risks do not exist as of the balance sheet date.

Interest rate risk

The Group is exposed to interest rate risks as a result of its financing activities. Market-induced interest rate changes can in particular have an effect on the interest burden in connection with floating-rate loans. Changes in interest rates affect the interest related-cash flow. To hedge this cash flow risk, the Group holds interest rate swaps to transform certain variable cash flows into fixed cash flows and to hedge the interest rate. The Group is also exposed to the risk of the carrying amount of financial liabilities changing due to interest rate changes. As the Group has no plans to measure these financial liabilities at their market price, there is no economic risk in this connection.

The Group is subject to interest rate risks mainly in the euro zone and in North America.

As a result of the restructuring of Company financing in October 2012, the interest rate hedges were also realigned. Effective from October 23, 2012, the existing interest rate hedge instruments were replaced and new interest rate hedge instruments were concluded with an initial nominal volume of EUR 68.6 million. In line with the Group's risk strategy, cash flow hedges between floating rate loans and the new interest rate swaps were recognized. As a result of the interest rate swap agreements, the variable interest portion of the bank loans is economically converted to fixed interest rates. For the prospective effectiveness test, the critical-terms-match method was used. The hypothetical derivative method was used for the retrospective test.

As part of the refinancing in October 2012, SAF-HOLLAND disposed of interest rate swaps with a nominal volume of USD 37.6 million and EUR 69.7 million. As the secured cash flows from these hedges will no longer occur due to the repayment of the bank loans as a result of the refinancing if there is over-hedging, the changes in the value of the hedges previously recognized in equity were reported in the finance result in the amount of kEUR 2,795 (see Note 5.2.5). Payments of kEUR 6,335 were made as repayment for the interest rate hedges.

The hedging ratio as of December 31, 2012, which is the ratio of contracted interest rate derivatives to secured credit facilities, was 75%. The hedge structure consists of Euribor swaps with maturities until October 2017.

The market prices of derivatives as of the balance sheet date are as follows:

	01/01/2012					12/31/2012
kEUR	**Fair value**	Changes recognized in equity (before tax)	Changes ecognized in profit or loss (before tax)	Release	Foreign currency translation	**Other financial liabilities**
Interest rate swaps EUR "old"	**-4,336**	-571	-228	5,135	–	**–**
Interest rate swaps USD "old"	**-1,357**	135	-20	1,200	42	**–**
Interest rate swaps EUR "new"	–	-836	–	–	–	**-836**
Total	**-5,693**	**-1,272**	**-248**	**6,335**	**42**	**-836**

	01/01/2012	12/31/2012
kEUR	**Fair value**	**Fair value**
Forward exchange transaction	**-99**	**-44**

According to IFRS 7, the Group must depict relevant interest rate risks by means of sensitivity analyses. These analyses show the effects of changes in market interest rates on interest payments, interest income, and interest expenses. The assumptions and methods used in the sensitivity analyses were unchanged from the previous year.

If the market interest rate level as of December 31, 2012 had been 100 base points lower (higher), the result would have been kEUR 29 (previous year: kEUR 303) higher (lower). All other variables are assumed to be constant.

Since the inflow of all hedged payments as of the reporting date is still expected, the hedging relationships will be retained for the following year. Interest payments on swaps are included in finance expenses along with interest payments on loans.

Foreign currency risk

The Group is exposed to foreign currency risks that arise from the international nature of its investing, financing, and operating activities. Individual subsidiaries predominantly conduct their operating, investing, and financing activities in their respective local currency. For this reason, the Group's foreign currency risk is generally low with regard to individual transactions. Therefore, the Group ist not exposed to any material currency risks as defined in IFRS 7.

7.2 EARNINGS PER SHARE

1) Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

		2012	2011[1]
Result for the period	**kEUR**	**7,418**	**26,619**
Weighted average number of shares outstanding	thousands	41,547	36,503
Basic and diluted earnings per share	**EUR**	**0.18**	**0.73**

Basic earnings per share are calculated by dividing the result for the period attributable to shareholders of SAF-HOLLAND S.A. by the average number of shares outstanding. New shares issued during the period are included pro rata for the period in which they are outstanding.

The weighted average number of shares is calculated as follows:

	2012			
	Par value (EUR)	Number	Days	Weighted average number
01/01/2012–12/02/2012	0.01	41,237,375	333	13,732,045,875
12/03/2012–12/31/2012	0,01	45,361,112	27	1,224,750,024
Total			**360**	**14,956,795,899**
Average		**41,546,655**		

	2011			
	Par value (EUR)	Number	Days	Weighted average number
01/01/2011–03/23/2011	0.01	20,702,275	83	1,718,288,825
03/24/2011–12/31/2011	0.01	41,237,375	277	11,422,752,875
Total			**360**	**13,141,041,700**
Average		**36,502,894**		

In the reporting period, the weighted average number of shares increased to 41,546,655 as a result of the issue of 4,123,737 new shares in the context of the capital increase on December 3, 2012. In 2011, the weighted average number of shares was 36,502,894.

Earnings per share can be diluted by potential ordinary shares. There were no dilutive effects in the reporting period 2012 or in the previous year. During the period between the balance sheet date and the approval of the consolidated financial statements, no additional transactions have taken place involving ordinary shares or potential ordinary shares.

7.3 STATEMENT OF CASH FLOWS

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 determined using the indirect method, while cash flows from investing activities are calculated using the direct method. Cash flows from investing activities are used to generate income over the long-term, generally for more than one year. Cash flows from financing activities were also calculated using the direct method. These cash flows include cash flows from transactions with shareholders and from issuing or repaying financial liabilities.

7.4 OTHER FINANCIAL OBLIGATIONS

The Group has entered into rental and lease agreements as a lessee mainly for commercial buildings, office equipment, IT-equipment, material handling equipment, and motor vehicles. The lease agreements have an average term of between three and five years.

As of the balance sheet date, the following future minimum lease payment obligations exist due to contractually agreed operating leases:

kEUR	12/31/2012	12/31/2011
Remaining term of up to 1 year	4,866	3,930
Remaining term of more than 1 year and up to 5 years	8,448	7,030
Remaining term of more than 5 years	–	55
Total	**13,314**	**11,015**
Operate lease payments for the reporting period	6,533	5,307

7.5 RELATED PARTY DISCLOSURES

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

Subsidiaries	Country of incorporation	% Equity interest
SAF-HOLLAND GmbH	Germany	100.0
SAF-HOLLAND Polska Sp. z o.o.	Poland	100.0
SAF-HOLLAND France S.A.S.	France	100.0
SAF-HOLLAND Austria GmbH	Austria	100.0
SAF-HOLLAND Czechia spol.s.r.o.	Czech Republic	100.0
SAF-HOLLAND España S.L.U.	Spain	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 Brasil Ltda.	Brazil	100.0
SAF-HOLLAND South Africa Ltd.	South Africa	100.0
Jinan SAF AL-KO Axle Co., Ltd.	China	100.0
OOO SAF-HOLLAND Rus	Russia	100.0
SAF HOLLAND Middle East FZE	United Arab Emirates	100.0
SAF HOLLAND Otomotiv Sanayi ve Ticaret Limited Sirketi	Turkey	100.0
SAF-HOLLAND Inc.[1]	USA	100.0
SAF-HOLLAND Canada Ltd.[2]	Canada	100.0
SAF-HOLLAND International 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
SAF-HOLLAND Verkehrstechnik GmbH	Germany	100.0
SAF-HOLLAND International de México S. de R.L. de C.V.	Mexiko	100.0
SAF-HOLLAND International Services México S. de R.L. de C.V.	Mexiko	100.0
SAF-HOLLAND Hong Kong Ltd.	Hong Kong	100.0
QSI Air Ltd.	USA	100.0
SAF-HOLLAND (Xiamen) Co., Ltd.	China	100.0

1) As of December 31, 2012, SAF-HOLLAND Inc., Holland, USA, was merged into SAF-HOLLAND USA Inc., Muskegon, USA, and named SAF-HOLLAND Inc.

2) As of July 1, 2012, SAF-HOLLAND Equipment Limited, Norwich, Ontario, Canada, was merged into SAF-HOLLAND Canada Limited, Woodstock, Ontario, Canada.

Associates and joint ventures	Country of incorporation	% Equity interest
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

The table below shows the composition of the Management Board and the Board of Directors of SAF-HOLLAND S.A. as of the balance sheet date:

Name	Position
Management Board	
Detlef Borghardt	Chief Executive Officer (CEO)
Wilfried Trepels	Chief Financial Officer (CFO)
Jack Gisinger	Head of Powered Vehicle Systems Business Unit & Group Technical Services
Steffen Schewerda	Head of Group Operations and Trailer Systems Business Unit
Alexander Geis	Head of Aftermarket Business Unit
Board of Directors	
Bernhard Schneider	Member of the Board of Directors (Chairman)
Ulrich Otto Sauer	Member of the Board of Directors (Vice Chairman)
Detlef Borghardt	Member of the Board of Directors
Anja Kleyboldt	Member of the Board of Directors (from April 26, 2012)
Sam Martin	Member of the Board of Directors
Richard Muzzy	Member of the Board of Directors

The term of office and other positions held by the members of the Board of Directors and the Management Board are described in the chapter entitled "Mandates of the Board of Directors/Management Board" in this annual report.

As of December 31, 2012, members of the Management Board directly or indirectly held ordinary shares of kEUR 9 (previous year: kEUR 9), while members of the Board of Directors directly or indirectly held ordinary shares of kEUR 17 (previous year: kEUR 23).

The total remuneration of the members of the Management Board in the year under review was kEUR 2,875 (previous year: kEUR 2,224). The prior-year figure included expenses from share-based payment of kEUR 56. The total remuneration of the Board of Directors was kEUR 267 (previous year: kEUR 237) and is recognized in profit or loss.

Transactions with related parties and companies in which members of management hold key positions:

	Sales to related parties		Purchases from related parties	
kEUR	2012	2011	2012	2011
SAF-HOLLAND Nippon, Ltd.	780	604	–	–
Lakeshore Air LLP	–	–	171	94
FWI S.A.	–	–	23,323	25,837
Irwin Seating Company[1]	1,240	1,348	–	–
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.	35	53	–	–
Gesamt	**2,055**	**2,005**	**23,494**	**25,931**

1) The Irwin Seating Company is a company in which a member of the Board of Directors of the SAF-HOLLAND Group holds a key management position.

kEUR	Amounts owed by related parties 12/31/2012	Amounts owed by related parties 12/31/2011	Amounts owed to relted parties 12/31/2012	Amounts owed to relted parties 12/31/2011
SAF-HOLLAND Nippon, Ltd.	73	56	183	183
Lakeshore Air LLP	–	–	49	12
FWI S.A.	–	–	1,120	331
Irwin Seating Company[1)]	9	18	–	–
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.	177	146	–	–
Gesamt	**259**	**220**	**1,352**	**526**

1) The Irwin Seating Company is a company in which a member of the Board of Directors of the SAF-HOLLAND Group holds a key management position.

The sales to and purchases from related parties are conducted at normal market prices. Outstanding balances as of December 31, 2012 are unsecured, interest-free and paid in time. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2012, and as for the previous year, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken in each reporting period by examining the financial position of the related parties and the markets in which these parties operate.

7.6 CAPITAL MANAGEMENT

The overriding aim of the Group's capital management is to ensure that the Group's ability to discharge its debts and the Group's financial substance are maintained in the future. Building blocks for steering and optimizing the existing financing structure are, in addition to EBIT and EBITDA, monitoring the development of net working capital and cash flow. Net debt includes interest bearing loans and borrowings less cash and cash equivalents.

kEUR	12/31/2012	12/31/2011[2)]
Interest bearing loans and borrowings	160,415	175,034
Cash and cash equivalents	-18,579	-15,345
Net debt	**141,836**	**159,689**
Equity attributable to equity holders of the parent	**197,863**	**175,573**
Equity and net debt	**339,699**	**335,262**

2) Adjusted for effects of IAS 19R and a correction due to IAS 8.42, see chapter "Changes in Accounting Policies" of the Notes to the consolidated financial statements.

Under the financing agreement signed on October 5, 2012, the Group is obligated to fulfill the following financial covenants:

- Net interest cover (adjusted consolidated EBITDA divided by net finance expenses)
- Total net debt cover (net debt divided by adjusted consolidated EBITDA)
- Equity ratio cover (consolidated equity divided by consolidated total assets)

7.7 AUDITOR'S FEES

The following expenses were incurred in financial year 2012 for services provided by the auditors and related companies of the auditors:

kEUR	2012	2011
Auditing of financial statements	470	464
Tax accountancy services	182	123
Other services	297	576
Total	**949**	**1,163**

In the financial year, other services primarily comprise fees in connection with issuing the comfort letters for issuing the bond.

7.8 EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date.

Luxembourg, March 12, 2013

Bernhard Schneider
Chairman of the Board of Directors

Detlef Borghardt
Chief Executive Officer of
SAF-HOLLAND GmbH

Mandates of the Board of Directors/Management Board

Bernhard Schneider
Member Board of Directors (Chairman), SAF-HOLLAND S.A.
(election date: June 18, 2007; term of office: 4 years and extended until April 2015; Chairman since March 27, 2009)

Managing Director, Mediaprint Zeitungs- und Zeitschriftenverlag GmbH
Managing Director, Krone Media Aktiv Gesellschaft m.b.H
Managing Director, Krone Hit Radio Medienunternehmen Betriebs- und Beteiligungsgesellschaft m.b.H.

Ulrich Otto Sauer
Member Board of Directors (Vice Chairman), SAF-HOLLAND S.A.
(election date: June 18, 2007; term of office: 3 years, and extended until April 2013)

Chairman Supervisory Board, SAF-HOLLAND GmbH
Managing Director, ASAF Verwaltungs GmbH

Detlef Borghardt
Member Board of Directors, SAF-HOLLAND S.A.
(election date: October 1, 2011)

Managing Director, SAF-HOLLAND GmbH
Managing Director, D+MB GmbH

Anja Kleyboldt
Member Board of Directors, SAF-HOLLAND S.A.
(election date: April 26, 2012 until April 2013)

Director Logistics Strategy Projects & WFG Opel / Vauxhall
Member of the Board, Institut für angewandte Arbeitswissenschaften Düsseldorf

Sam Martin
Member Board of Directors, SAF-HOLLAND S.A.
(election date: April 28, 2011 until April 2013)

Member of the Board, Metal Flow Corporation

Richard Muzzy
Member Board of Directors, SAF-HOLLAND S.A.
(election date: June 18, 2007, extended until April 2013)

Member Supervisory Board, Besser Company (until March 31, 2012)
Member Supervisory Board, Paragon Tool & Die
Member Supervisory Board, Irwin Seating Holding Company

Jack Gisinger
Managing Director, SAF-HOLLAND GmbH

Steffen Schewerda
Managing Director, SAF-HOLLAND GmbH

Managing Director, EGAL GmbH

Wilfried Trepels
Managing Director and CFO, SAF-HOLLAND GmbH

Managing Director, Via Montana GmbH

Alexander Geis
Managing Director, SAF-HOLLAND GmbH

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 ACCOUNTS (ANNUAL ACCOUNTS)

Following our appointment by the General Meeting of the Shareholders dated 26 April 2012, we have audited the accompanying consolidated accounts of SAF-HOLLAND S.A., which comprise the consolidated balance sheet as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements.

Board of Directors' responsibility for the consolidated accounts

The Board of Directors is responsible for the preparation and fair presentation of these consolidated accounts in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated accounts 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 accounts.

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

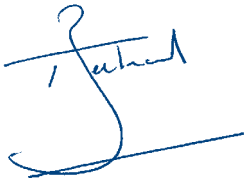
Opinion

In our opinion, the consolidated accounts give a true and fair view of the financial position of SAF-HOLLAND S.A. as of 31 December 2012, and of its financial performance and its 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, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated accounts and includes the information required by the law with respect to the corporate governance statement.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé



Thierry BERTRAND

Luxembourg, March 12, 2013

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the 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.

Luxembourg, March 12, 2013
SAF-HOLLAND S.A.

Bernhard Schneider
Chairman of the Board of Directors

Responsibility Statement >> *176*

Financial Glossary

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

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

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

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

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

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

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

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

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

Equity ratio: Equity / total assets x 100.

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

Gross margin: Gross profit / sales x 100.

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

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

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

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

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

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

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

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

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

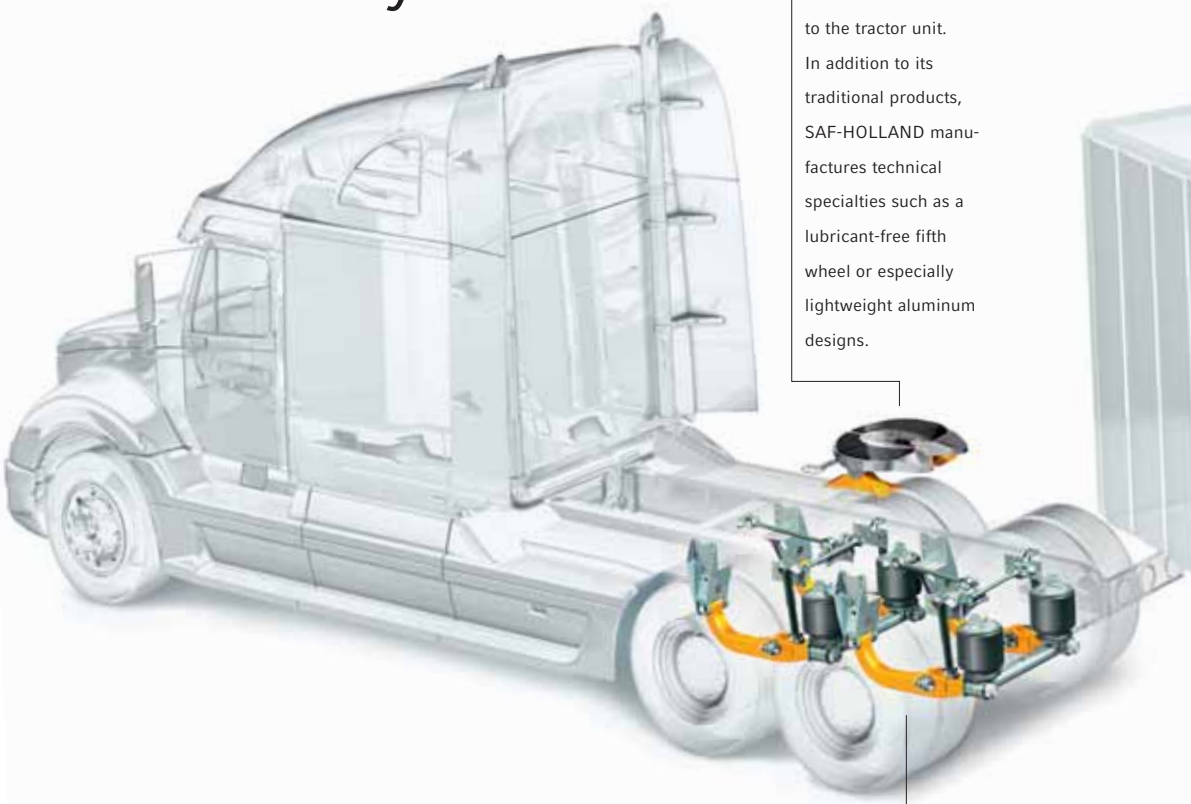
Sales per employee: Sales / average number of employees (including temporary employees)

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

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

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

Technical Glossary



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

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

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

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

Axle System
The axle system for trailers consists in general of the axle itself with either a disk brake or a drum brake and the air suspension system.

Technical Glossary >> *180–181*

List of Abbreviations

APO	Advanced Planer & Optimizer (IT-System to utilize supply-chain-management)
BRIC	Brasil, Russia, India, and China
B.S.	Bachelor of Science (academic degree)
CAD	IT-System often used in engineering/product development
Cap	Derivative to hedge against rising interest rates
CEO	Chief executive officer
CFO	Chief financial officer
COO	Chief operating officer
DAX	Deutscher Aktienindex (German stock index)
DBO	Defined Benefit Obligation
DIN	Deutsches Institut für Normung (German Institute for Standardization)
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and depreciation/amortization
EURIBOR	Euro interbank offered rate
FAHft	Financial assets held for trading
FEM	Finite Element Method; numerical technique for finding approximate solutions for partial differential equation; often used in industrial engineering
FLAC	Financial liabilities measured at amortized cost
FLHfT	Financial liabilities held for trading
GDP	Gross domestic product
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IfW	Institut für Weltwirtschaft (German economic organisation)
IG Metall	Industriegewerkschaft Metall (German labour union)
ISIN	International securities identification number
ISO	International Organization for Standardization
IT	Information technology
kEUR	thousand Euro
LaR	Loans and receivables
LIBOR	London interbank offered rate
MATS	Mid-America Trucking Show

MBA	Master of Business Administration
MDAX	Mid-cap-DAX
Mio.	Million
M.S.	Master of Science (academic degree)
n.a.	Not applicable
OEM	Original equipment manufacturer
OES	Original equipment service
PIK	Pay-in-kind
PPA	Purchase price allocation
ppm	Parts per million
ROI	Return on investment
R&D	Research and development
SDAX	Small-cap-DAX
SWAP	Hedging instrument in which two counterparties agree to exchange contractual rights and obligations against another (to swap) to a definite existing period of time in the future and to defined conditions
USD	US-Dollar
US	United States of America
USA	United States of America
VDA	Verband der Automobilindustrie (German Automotive Industry Association)
VDIK	Verband der Internationalen Kraftfahrzeughersteller (Association of the International Motor Vehicle Manufacturers)
WACC	Weighted average cost of capital
WKN	Wertpapierkenn-Nummer (security identification number)
WpHG	Wertpapierhandelsgesetz (German securities trading act)
WTO	World trade organization

Financial Calendar and Contact Information

Financial Calendar

April 25, 2013	Annual General Meeting
May 16, 2013	Report on Q1 2013 Results
August 8, 2013	Report on Half-Year 2013 Results
November 7, 2013	Report on Q3 2013 Results

Contact Information

SAF-HOLLAND GmbH
Claudia Hoellen
Hauptstraße 26
63856 Bessenbach
Germany

Tel.: +49 (0)6095 301 617
Fax: +49 (0)6095 301 102

Web: www.safholland.com
Email: claudia.hoellen@safholland.de

Imprint

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

Editorial deadline:	March 13, 2013
Date of publication:	March 14, 2013
Editorial office:	blackpoint communications GmbH, Hagen and SAF-HOLLAND GmbH, Bessenbach
Design and realization:	wagneralliance Kommunikation GmbH, Offenbach am Main
Translated by:	MBETraining & Translations, Wiesbaden
Photography:	Bernd Bodtländer, Frankfurt am Main (p. 017) Norbert Guthier, Frankfurt am Main (p. 004, 006, 007, 008, 019) David Alan Wolters, Spring Lake, Michigan (p. 054, 055) Simon Charlton, Dubai (p. 083) John Murphy, Melbourne (p. 098, 101) Corbis GmbH, Düsseldorf (title, inside back cover, contents, p. 012, 013, 014, 015, 016, 017, 036, 038, 039, 040, 041, 042, 043, 050, 051, 052, 053, 055, 056, 057, 076, 077, 078, 079, 080, 081, 094, 095, 096, 097, 099) Getty Images Deutschland GmbH, München (p. 096, 097) www.kazakhztanlive.com (p. 042) www.europe-china.kz (p. 038, 040, 042, 043) www.akorda.kz (p. 040) SAF-HOLLAND S.A. (p. 023, 049, 081, 082, 100)
Printed by:	dygy GmbH, Frankfurt am Main

This report is also available in German.

Legal Disclaimer

This report contains certain statements that are neither reported financial results nor other historical information. This report contains forward-looking statements, which as such are based on certain assumptions and expectations made at the time of publication of the report. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the achievement of anticipated synergies, and the actions of government regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this publication. SAF-HOLLAND S.A. does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these materials.