

Global Reach, Local Touch.



ANNUAL REPORT 2008

Key Figures

in EUR million	2008	2007	2006 ¹⁾
Sales	798.8	812.5	777.8
Cost of sales	-680.3	-670.9	-634.8
Gross profit	118.5	141.6	143.0
Adjusted profit for the year	13.4	22.3	24.1
Adjusted EPS in Euro ²⁾	0.69	1.15	1.24
Adjusted EBITDA	54.7	72.5	77.0
Adjusted EBIT	41.2	60.5	65.1
Operating cash flow ³⁾	41.9	51.7	–

1) Pro forma

2) Adjusted earnings per share/ number of shares outstanding (weighted average) using the assumption that weighted average number of shares for 2008, 2007, and 2006 is the same.

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

Sales by Region

in EUR million	2008	2007	2006 ¹⁾
Europe	530.2	519.7	406.7
North America	239.7	271.4	349.4
Other	28.9	21.4	21.7
Total	798.8	812.5	777.8

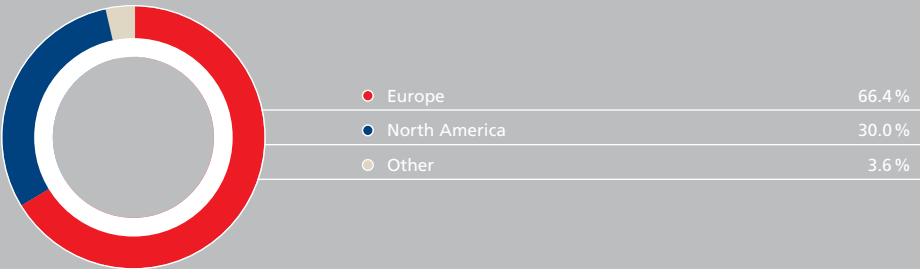
Sales by Business Unit

in EUR million	2008	2007	2006 ¹⁾
Trailer Systems	527.9	551.1	473.0
Powered Vehicle Systems	102.3	81.3	114.3
Aftermarket	168.6	180.1	190.5
Total	798.8	812.5	777.8

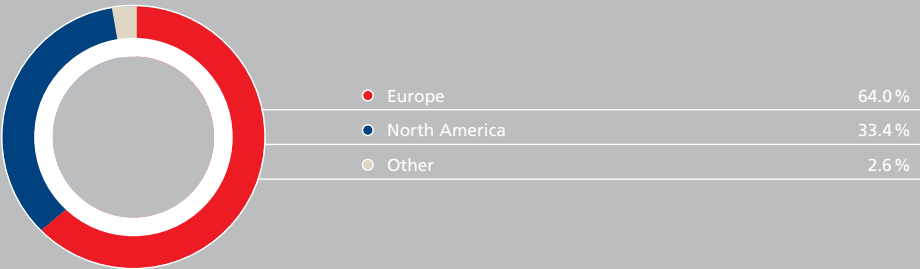
Other Financial Information

in EUR million	12/31/08	12/31/07	12/31/06 ¹⁾
Total assets	537.4	554.6	544.1
Equity ratio (in %)	13.4	19.5	1.7
Employees (annual average)	2,799	2,996	3,201
Sales per employee in kEUR	285.4	271.0	243.0

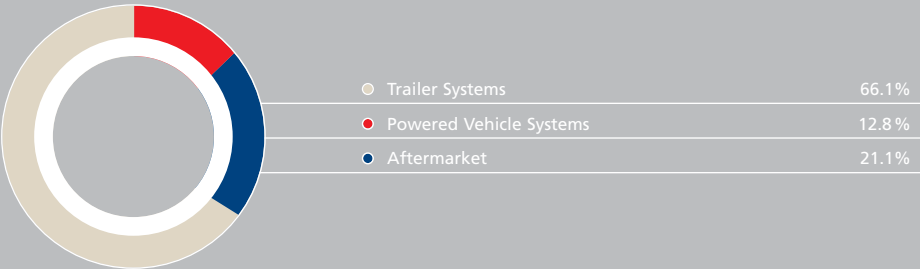
Sales by Region 2008



Sales by Region 2007



Sales by Business Unit 2008



Sales by Business Unit 2007

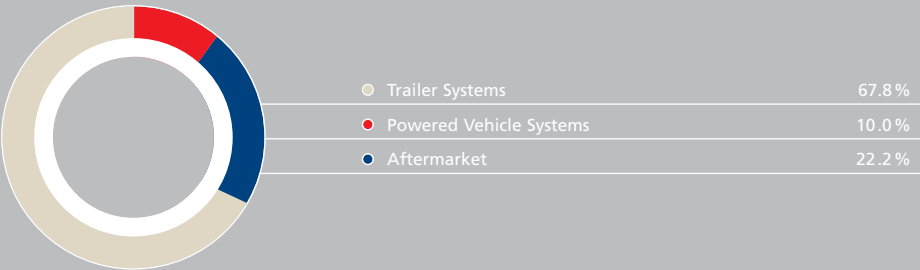


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Annual Report 2008

Foreword from the Management Board

Dear shareholders, business associates, and employees,

In stormy times, it is important to make your house as weather-proof as possible. Inside of one year, the global economy has dampened to an extent that no one could ever have imagined. No company or sector of the economy has been spared by the crisis, even though the effects have varied. Although the Western industrialized nations have had to brace themselves for a recession, experts are still forecasting single-digit growth rates for the emerging economies of China, India, and Brazil. In a phase such as this for the global economy, we at SAF-HOLLAND are benefiting from the fact that we have positioned ourselves internationally at the right time.

Most importantly, our fundamental market focus is on target. In the short term, of course, given the general economic weakness, the demand from our customers in the truck and trailer industry has significantly declined. Over the long term, however, we see a clear growth trend. In the industrialized countries, the pressure for even more efficiency in production will increase, resulting in a growing division of labor. And this, in turn, will result in growing transport volumes in all regions of the world over the long run. After all, road transportation is the link at the beginning and end of almost every logistics chain. Therefore, we remain committed to our long-term strategy: SAF-HOLLAND intends to maintain and expand its position as a globally leading supplier of systems to the truck and trailer industry. We impress our customers through premium products which can be relied upon to reduce costs over their entire life cycle.

Secondly, SAF-HOLLAND has made strategic progress in the past fiscal year. With the acquisition of Georg Fischer Verkehrstechnik GmbH, we became the second-leading manufacturer of fifth wheels in Europe. Thus, we are a leading supplier of fifth wheels in America and Europe – the ideal foundation for the further expansion of our business. In addition, we have assumed control of the landing leg business of the US manufacturer Austin-Westran, in the process also obtaining a production site for this segment in China. On the one hand, this strengthens our position in this growth market, and on the other, we will take advantage of the production cost in China in order to offer landing legs and components worldwide.

And finally, as announced at the time of the business combination between SAF and Holland, we intend to continually improve the productivity of our Company. Consequently, we have closed facilities in the USA and Europe and consolidated production at other locations in recent months.



Dr. Reiner Beutel

Rudi Ludwig

Thus, we are on the right path, though the current economic situation has prompted and will again prompt us to take additional steps. Even SAF-HOLLAND has not been able to avoid the consequences of lower demand. We have not grown as planned, and we were not able to improve our margin as we had intended. Furthermore, a significant improvement in 2009 is not in sight. Therefore, we have introduced additional measures extending beyond our efforts to improve efficiency and productivity. These measures should ensure that we can move safely past the current turbulence. We have, for one, reduced inventories by a total volume of EUR 20 million in order to decrease net working capital and have also already saved approximately EUR 15 million in the last four months of the fiscal year just ended. This was achieved through lower non-personnel and materials costs as well as through reducing personnel expenses. Unfortunately, we were also forced to make significant job cuts. In highly constructive and responsible discussions, in Europe we have approved a redundancy plan in conjunction with the Workers' Council for a balancing of interests that includes the transfer of departing employees to a transitional company, providing support to a transition in employment.

From today's perspective, a reliable forecast for fiscal year 2009 is not feasible. However, we remain convinced that our business model is robust and will prove itself even in stormy weather. SAF-HOLLAND is prepared for rough times, enabling us to profit even more strongly when the economic climate improves again.

Dr. Reiner Beutel
Chief Executive Officer (CEO)
(since February 2, 2009)

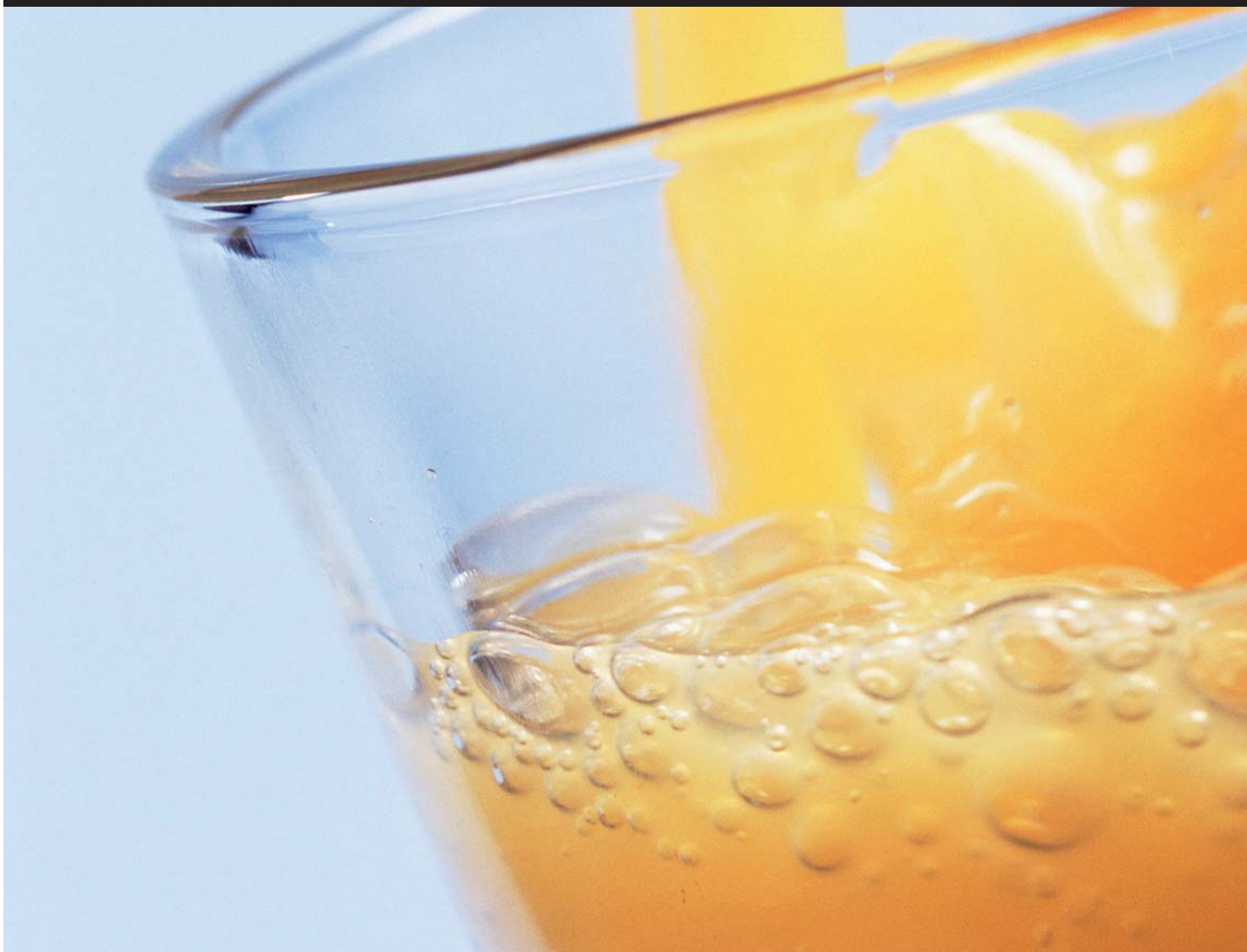
Rudi Ludwig
Chief Executive Officer (CEO)
(until January 31, 2009)

Strong Brakes Make Light Work of Steep Slopes

Whether in Europe, America, or Asia, at breakfast, billions of consumers reach every day for a glass of orange juice. At first glance, it comes from the shelf in the supermarket around the corner. In fact, though, the drink has put a journey thousands of kilometers long behind it.

Brazil, for example, the world's largest exporter of orange juice concentrate, exports 1.25 million tons annually – more than 60 percent of the world's production. The goods are shipped in large tankers from Santos Harbor in the state of São Paulo to destinations all over the world. However, the juice originates at plantations located about 400 kilometers away in the highlands.

From an elevation of up to 700 meters, the route to the port descends to sea level – over a notoriously dangerous road filled with curves on which the truckers must drive slowly and care-fully. That means extremely high demands are put on the equipment – axles and braking systems by SAF-HOLLAND make the transport safe and economical. Brazil's other agricultural products – sugarcane, coffee, and cocoa – are also transported primarily over long routes to harbors where they are loaded onto ships. After all, 40 percent of Brazil's total agricultural exports go to the EU and 17 percent to the USA.





Axle system



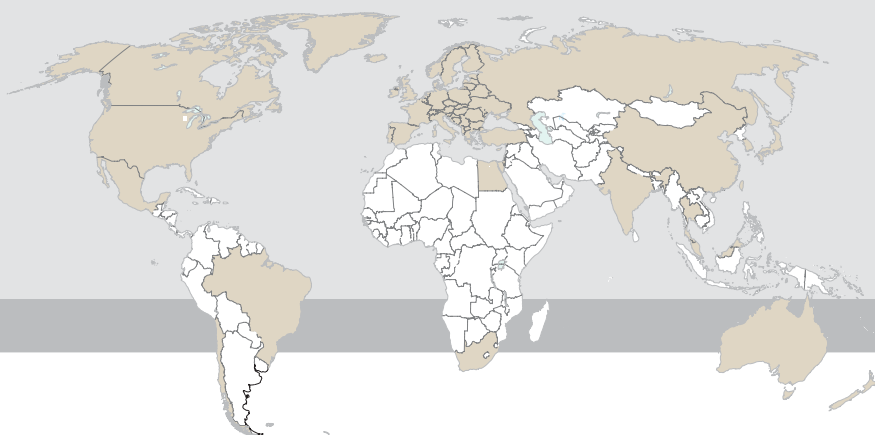
From Brazil to the breakfast table: orange juice's long journey begins on axle systems made by SAF-HOLLAND.

Global Reach, Local Touch.

Globalization has been a reality for a long time, particularly in terms of consumption – in many cases, consumers often don't ask anymore where a product comes from. In wealthy economies and increasingly also in the emerging economies of the world, it is taken for granted that all goods are available at all times on shelves everywhere in the country. Even if some consumers make an effort to buy domestic goods with short transportation routes as a result of the environmental concerns, many items are simply not produced locally. One example is orange juice: Brazil accounts for 60 percent of global production. Shoes another: of the ten billion pairs produced annually, seven billion come from Asian factories.

The picture is similar for industrial production: there wouldn't be a single television or computer in New York, Berlin, or Moscow if components, or entire devices, were not supplied from Asia. Every day, gigantic container ships from Asia deliver 30 percent of textiles, more than 50 percent of leather goods, and over 70 percent of toys to ports around the world. According to the International Monetary Fund (IMF), during the period

SAF-HOLLAND's Worldwide Presence



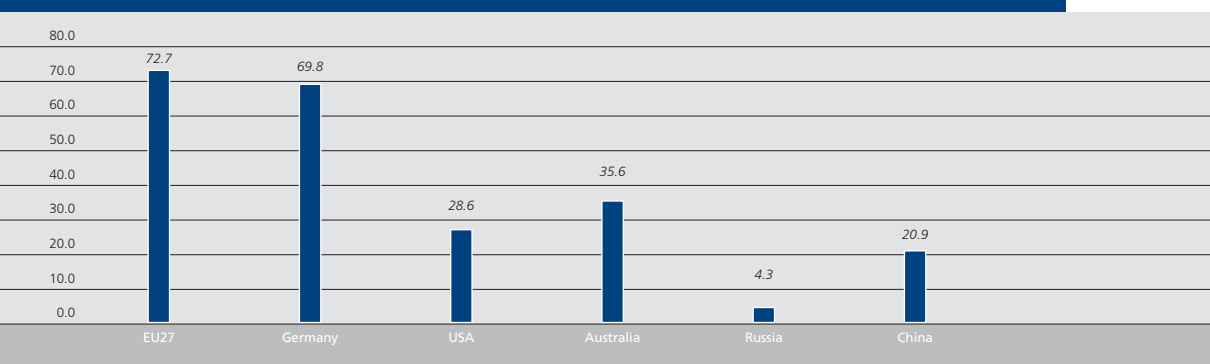
from 1990 to 2006, export volumes from the Asian emerging economies to neighboring industrialized countries in the Asia-Pacific region (Japan, Australia, and New Zealand) quadrupled. They experienced a five-fold increase to the USA and even an almost six-fold increase to Europe.

Affluence Growing Around the World

Foreign trade in the opposite direction has also grown steadily. Germany thrives on export, primarily the export of machines, equipment, and capital goods to places around the world. And Asia – the workbench of the world – is increasingly becoming a force on the demand side as well. Not only do two Asian babies, and thus consumers, behold the light of the world every second, the middle class that has been gaining in affluence in Shanghai, Singapore, and Mumbai is consuming more and purchasing increasingly high-quality goods, which in turn opens up opportunities for European and American brand manufacturers.

Freight transport is the life blood of the globalized economy, and its main arteries are flight connections and sea routes. Ocean shipping holds the lead with a 90 percent market share of the worldwide freight traffic. But whenever containers are unloaded, whenever inland vessels and trains cannot meet the needs of the customers, road transport comes into play. Thus, trucks and trailers are at the beginning and end of nearly every transport chain. Locally, of course. And because of this, at SAF-HOLLAND is also local.

We have production sites in North and South America, Europe, Asia, and the Pacific Rim countries. In addition, we offer our customers a worldwide service network. We want to be close to our customers, with our products and our services. We aim to produce and maintain components and systems for our various regional markets locally – so that we can respond to customer needs immediately. So that we can reduce administrative expenses and costs for transport and logistics. And so that we can decrease our sensitivity to fluctuations in exchange rates.

Market Share of Road Freight Traffic Figures in %


Division of Labor Increases Transport Demand

Result: Where top quality, safety, and reliability matter, the truck and trailer industry around the world relies on products by SAF-HOLLAND. After all, a Costa Rican banana isn't worth a thing until it is sold at a supermarket. And there are no sea routes or railway tracks that lead from the banana plantations to the shelf at the supermarket. Accordingly, roads account for nearly 70 percent of total freight traffic in Germany and the EU. In Australia, this share is 40 percent, in the USA 30 percent, and in China about 20 percent.

Even if a weakening of the economy is expected in 2009, the long-term growth trend for freight traffic in many markets is fundamentally intact over the long run – as are the hunger for goods and the pressure to export in these countries. All of this ensures growing demand for transportation services within and between countries. The drivers of growth are economic megatrends, which apply nearly independently of economic volatility: the worldwide division of labor and the increasing integration of more and more people into global economic activity.

Sources:

Eurostat as of 04/10/2008; traffic in numbers 2007/2008; European Commission, April 2008; Australian Transport Statistics 2007 and US Department of Transportation, January 2008. Statistics for the EU, Germany, and Russia from 2006; for Australia, China, and the USA from 2005 (the respective most current statistics).

Basis is traffic measured in ton-kilometers (tkm) of: road, rail, inland ship, and pipeline. Exception for Australia: tkm share for road, rail, and coastal vessel.

Customers Count on Quality

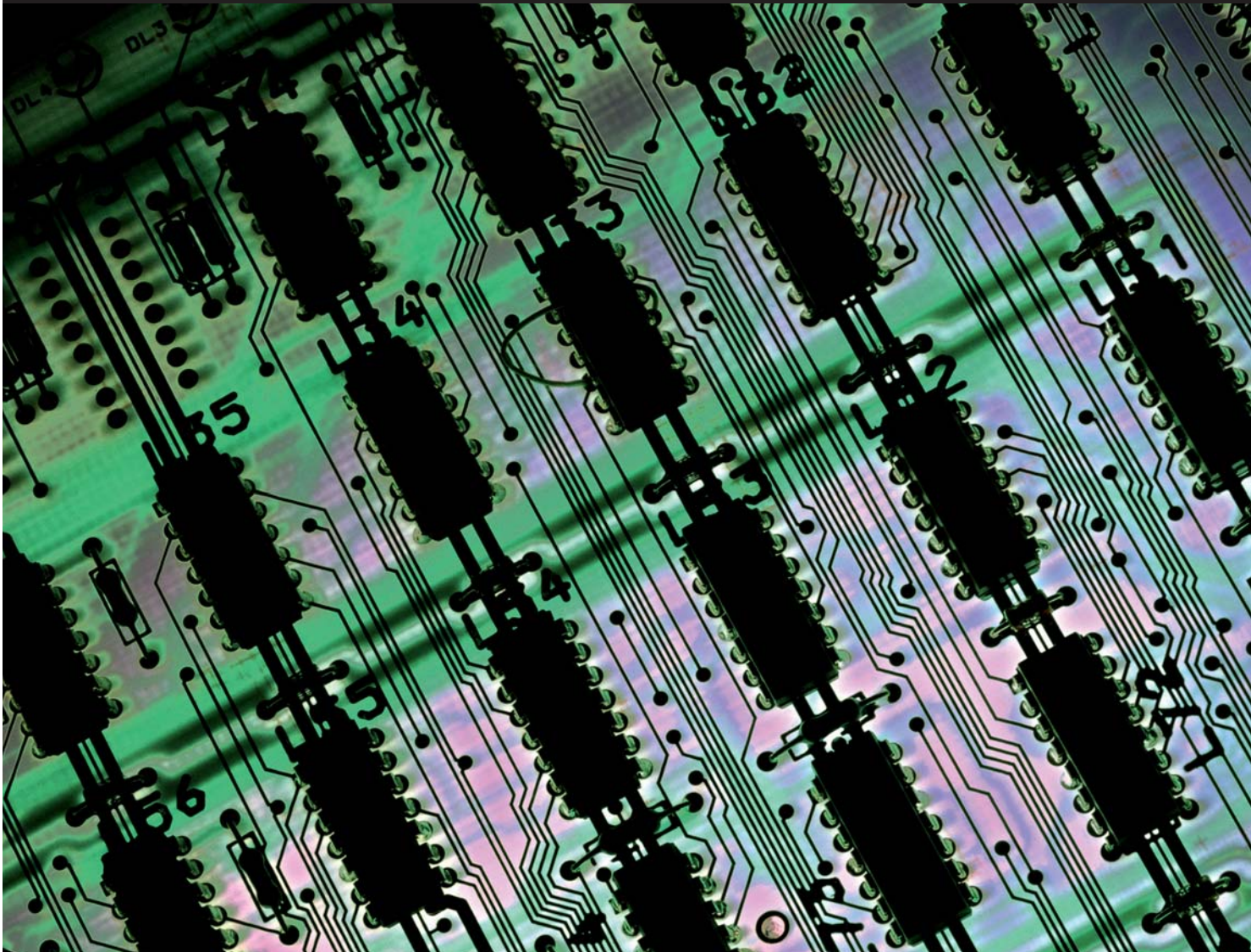
As a quality provider of safety-relevant systems for the truck and trailer industry, SAF-HOLLAND will expand its share of the worldwide transport market. As a globally-positioned enterprise, we participate in the growth of markets in Latin America, India, and China. We are also responding to the sustained growth of trade flows by expanding our service network on all five continents. After all, our customers around the world count on us to be there for them, and this is true more than ever in economically uncertain times.

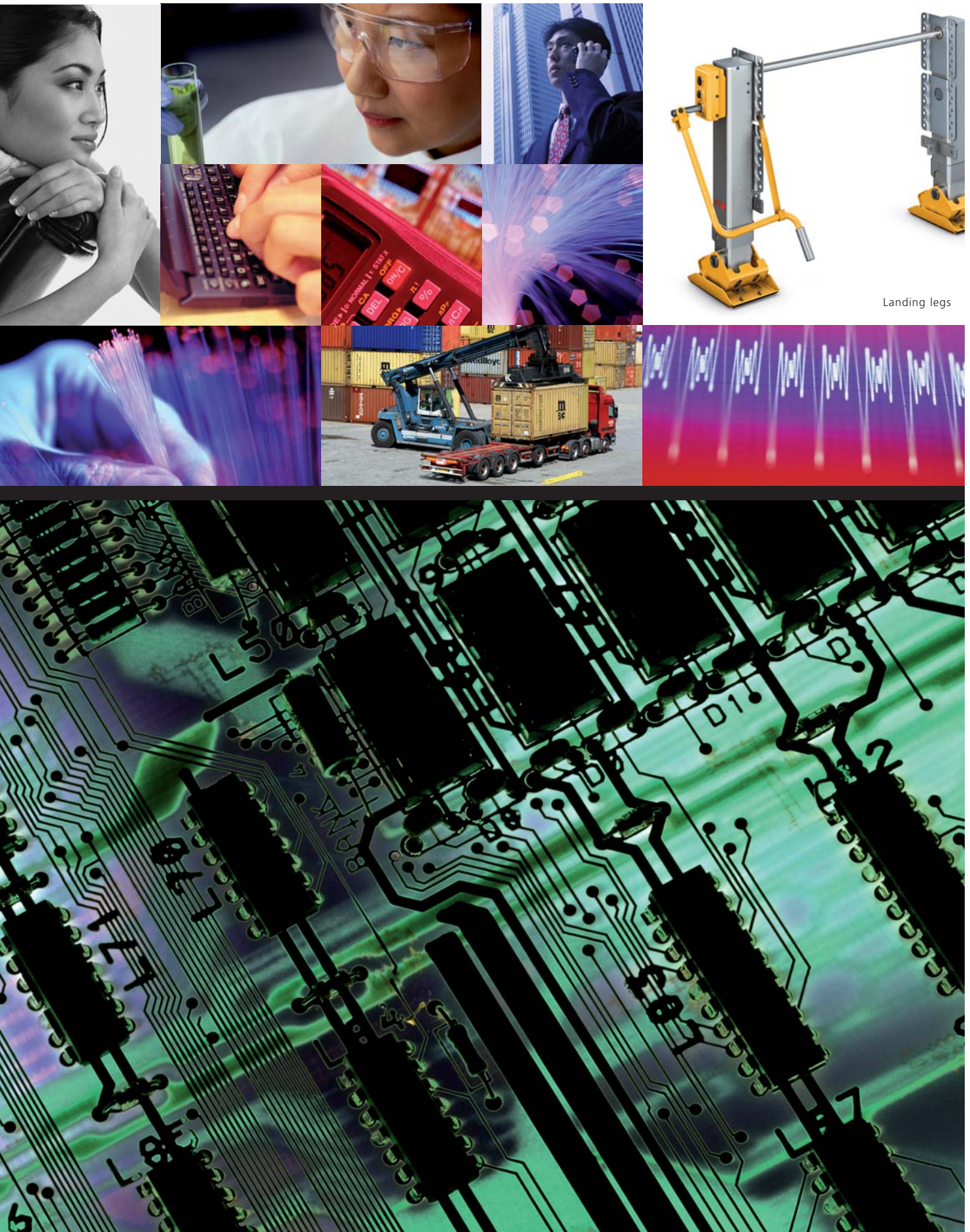
From Asia to the Living Room

Sometimes the economy is doing well, sometimes not so well. But however the growth rates may look, the trend of growing trade flows remains fundamentally intact. Consumption and production in the industrialized countries are inconceivable without supplies from Asia. And a country such as Germany benefits from the demand for its export products all over the world.

Thus, many goods must be transported around the globe. Our customers – manufacturers of trucks and other commercial vehicles, freight forwarders, and fleet operators – come into play where the reach of ships, airplanes, and trains ends.

There is scarcely a household today that doesn't have a television or a computer. One example among many: sales of Blu-ray products – the next-generation DVD format – are expected to double by 2011. However, numerous transportation steps are necessary before a semi-conductor – the core component of flat screens, laptops, microwaves, and the like – becomes a finished product. The manufacturing centers that have been set up primarily in Asia are of course located near coastlines or airports. Nevertheless, trucks play an essential role in the logistics chain prior to loading cargo onto ships and airplanes and later for delivery to the final destination. And these trucks perform their function quickly, punctually, economically, and in an environmentally-friendly manner thanks to technology from SAF-HOLLAND.





Landing legs

Particularly the IT industry, which is subject to considerable margin pressure, relies on well-oiled logistics, and SAF-HOLLAND plays a vital role.

Our Strategy: Larger Markets, More Innovation, Higher Productivity

SAF-HOLLAND S.A. has a clear business strategy geared at profiting from global markets, while simultaneously bracing itself for economic volatility. The strengthening of our market position, innovativeness, and productivity serves our paramount goal – to be a valuable and reliable partner for our customers over the long term.

SAF-HOLLAND is one of the worldwide leading manufacturers of premium systems and components for trailers as well as trucks, buses, and recreational vehicles. The product range encompasses axle and suspension systems, fifth wheels, couplers, kingpins, and landing legs. The Company has 20 production sites in Europe, North America, Brazil, Australia, China, and India as well as a well-developed service network. As such, SAF-HOLLAND is one of the globally active manufacturers which provides an extensive, integrated range of products as well as a worldwide service network.

SAF-HOLLAND's strategy is designed to take advantage of opportunities in all markets around the world. At the same time, we can respond to the changed framework conditions and keep the Company on course. Our strategy is founded on four main elements:

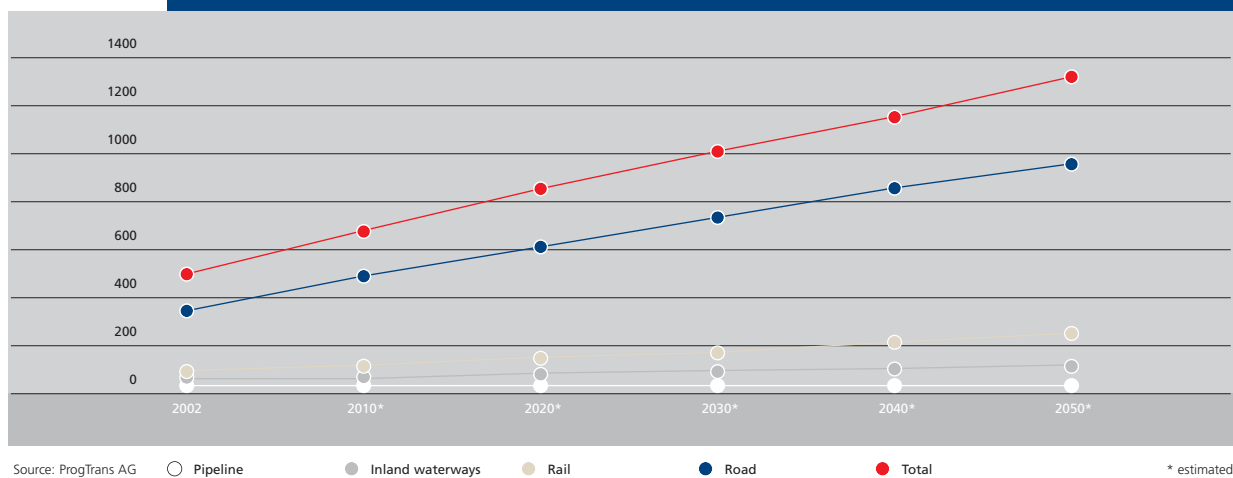
Tapping New Markets

Just one year after the integration of the German SAF and the American Holland Group, during fiscal year 2008 we continued to lay the groundwork for rounding out our product range. With the purchase of the landing leg business of Austin-Westran, SAF-HOLLAND was not only able to expand its market position in this area but also to acquire a production site in China. This site will serve both as a gateway to the Asian market and as a manufacturing facility for sales to other markets.

As one of the few system providers to the trailer and truck industry, SAF-HOLLAND is represented in all promising markets. Whether in Brazil, India, or China, we operate in markets that offer us attractive opportunities. We have closed a strategic gap in Europe, too: in the fall of 2008, SAF-HOLLAND acquired the second-leading producer of fifth wheels in Europe,

Georg Fischer Verkehrstechnik GmbH. The new subsidiary manufactures fifth wheels, Trilex wheels, and kingpins. As part of our consolidated Group, we will now be able to leverage additional synergies. Through the acquisition, SAF-HOLLAND has solidified its position in the European markets and is now positioned as an international partner and supplier to the worldwide truck industry. Therefore, despite the gloomy economic outlook, we have established the fundamentals for further growth.

Freight Movement in Germany In billion ton kilometers (tkm)



Based on SAF-HOLLAND's current technological and regional positioning, we will profit from the long-term growth of transport demand. After all, the global division of labor requires that prior to assembly of the final product, parts or supplies must be transported from one continent to another. In addition, consumers in the dynamic regions of Asia and Latin America are creating more and more demand for goods. Lastly, the economic and consumption dynamics of industrialized countries such as Germany now also depend to a considerable extent on imports, primarily from Asia.

Where ships and planes exhaust the limits of their reach and infrastructure, where no rail system is accessible or falls short of customer requirements, road transportation comes to the fore. This is the case at the beginning and end of almost every transport chain – in all sectors, on all continents. This is why SAF-HOLLAND is focused on maintaining an international presence – in production as well as service.

Leadership in Technology and Quality

Our mission is to provide technologically and qualitatively superior products and solutions to manufacturers, freight forwarders, and fleet operators around the world so that they can effectively meet their customers' needs: reliability and punctuality at a predictable cost. This is precisely what we offer: products that make a decisive contribution toward the success of freight forwarders and fleet operators. And we invest continually in research and development to ensure it stays that way. In 2008, at the IAA Commercial Vehicles international trade fair held in Hanover, Germany, SAF-HOLLAND presented its complete product range for the truck and trailer industry for the first time. In addition to the new landing leg program, the range of fifth wheels and axles encountered significant interest from customers, focusing in particular on the new generation of fifth wheels. The "Holland FWAL Lightweight" fifth wheel also generated much enthusiasm. This product exemplifies the fact that SAF-HOLLAND first and foremost develops innovative and economical solutions for the end customer. Through the use of aluminum, the fifth wheel, which is now available in Europe as well as in North America, is considerably lighter than conventional solutions made from cast iron or steel. For a truck, this translates to lower fuel consumption or potentially higher payloads. It is precisely this focus on premium, valued-adding and cost-reducing products that creates competitive advantages for SAF-HOLLAND. In recent years, innovative products have brought us significant market share gains in North America and Europe, and in other markets our technologies are also becoming the standard.

More Productivity

The combination of SAF and Holland has already facilitated growth potential driven by technology transfer, one example being the start of own axle production in North America. The networking of SAF and Holland will continue to be promoted. Our reorganization program is designed to enable SAF-HOLLAND to be better able to withstand market volatility and challenging overall economic conditions, such as those expected to shape 2009. Our goal is to reduce expenses for materials and personnel substantially and to increase the Group's flexibility. We will strive to limit the amount of capital tied up in inventories, to achieve procurement synergies, to focus investments on growth areas, to reduce transportation and storage costs through a new logistics concept, and to consolidate production sites worldwide.

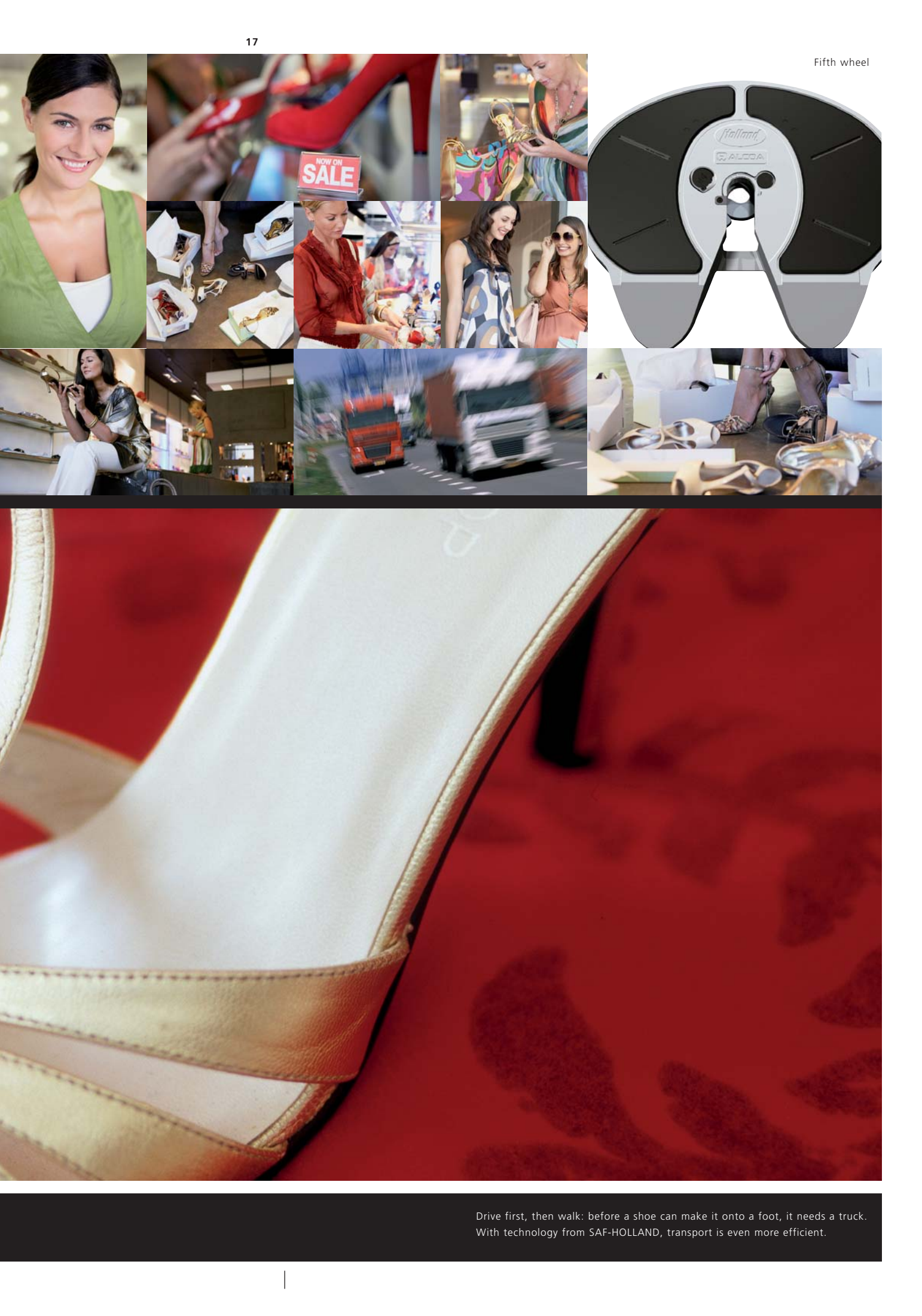
High Heels on Big Wheels

When women stroll along the streets of New York, Paris, Berlin, or Milan with their feet in stylish shoes, this is usually a product of fast machines and industrious hands. Of the ten billion pairs produced each year worldwide, seven billion come from Asia.

In 2008, Germany alone imported almost 600 million pairs, half of them from China. Production in the EU is negligible, accounting for less than 10 percent.

However, many steps are necessary before sandals, boots, and pumps can find their way from Asian factories to shoe closets around the world. Ships and airplanes carry the freight to and from harbors and airports, but trucks are primarily responsible for delivering it to the wholesalers' warehouses and ultimately to the stores. And since shoes are a product with a thin profit margin, transport cannot cost much. All the more important that trucks and trailers be equipped with technology from SAF-HOLLAND to enable efficient logistics.





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Fifth wheel

The collage consists of several panels. The top left shows a smiling woman in a green dress. Next to it are images of red shoes, a 'NOW ON SALE' sign, and a woman holding a gold shoe. Below these are images of shoes in boxes, a woman in a red dress, and two women looking at shoes. The bottom row includes a woman sitting on a bench, a store interior, a truck driving on a road, and a close-up of a woman's feet wearing high heels. A large, detailed image of a white leather shoe with gold stitching is shown on the right side of the collage.

Drive first, then walk: before a shoe can make it onto a foot, it needs a truck.
With technology from SAF-HOLLAND, transport is even more efficient.

Annual Stock Market Performance in the Wake of the Financial Crisis

The year 2008, during which the repercussions of the banking and financial crisis weighed heavily on the performance of the stock market and the global economy, will go down in history as one of the toughest years ever for shareholders.

Share Details

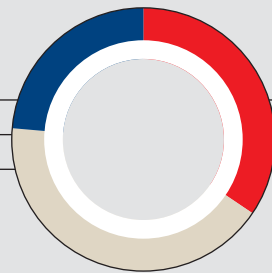
WKN / ISIN	A0MU70 / LU0307018795
Stock exchange code	SFQ
Number of shares	20,702,275
Average trading volume per day in 2008 (in units)	32,913
Designated sponsor	HSBC and Morgan Stanley
Highest/lowest price for the year	EUR 14.19/EUR 1.14
Earnings per share *	EUR 0.69

* The average number of shares issued was 19,438,287 for 2008.

Although the German benchmark index DAX was able to crack the 4,800 threshold on December 31, 2008, it had to absorb a loss of 40% for the year as a whole. The SDAX recorded similar losses. Bad news influenced international stock market performance from the very beginning of the year. As early as January, the real estate lender Hypo Real Estate troubled the market with unexpectedly high write-downs. This development was followed by news of risky transactions at Soci t  G n rale. Later, the US Federal Reserve lowered the prime rate in order to slow down the slide in equity markets around the world – in vain. In July, soaring oil prices shocked the global markets, and at the same time, record levels for the Euro made headlines and spurred fears regarding the possible impact on European exports. In September, the bankruptcy of the Lehman Brothers investment bank had a devastating effect on the financial sector and the stock market performance. This led to a spiral of additional catastrophe reports from the banking sector and fear-driven capitulation selling: institutional investors bailed out of risky securities and private investors unloaded their mutual fund shares on a large scale. As a result, the crisis spilled over into the real economy. By the end of the year, legitimate recession fears cast a pall on economic reports.

All of these developments placed increasing pressure on the value of the SAF-HOLLAND share in 2008. After ending the previous year at a price of EUR 13.75, our share reached its high for the year of EUR 14.19 as early as January 2. As a result of market conditions, the share declined to EUR 9.25 in March. In May, it went on to achieve an interim high of

Shareholder Structure Figures in %



Free float	41.4
Pamplona Capital Partners I, LP	34.5
Management and previous owners	24.1

As of 11/18/08

EUR 12.96. Reflecting bad news in September and October, our share price slid to its lowest level of the year at EUR 1.14 and ultimately closed at EUR 1.20 on December 30, 2008.

Capital Increase

Within the framework of a capital increase on September 4, 2008, SAF-HOLLAND placed 1,864,900 bearer shares with a par value of EUR 0.01 per share with European investors. This transaction helped to finance the acquisition of Georg Fischer Verkehrstechnik GmbH. It also led to an increase in free float from 39.8% to 41.4%. The number of shares rose by 9.9% from 18,837,375 to 20,702,275. As Pamplona Capital Partners I, LP maintained its ownership share of 34.5% during the capital increase, the proportion of shares belonging to management and the previous owners declined from 25.7% to 24.1%.

Dividend

On April 24, 2008, the Annual General Meeting approved a dividend of 42.47 Euro cents per share for fiscal year 2007. Relative to the closing share price for 2007, the dividend amounted to a yield of 3.1%. Based on the 18,837,375 dividend-eligible shares at the time, EUR 8 million was distributed to shareholders during the reporting year.

Financial Communication Intensified

Close contact with institutional and private investors as well as analysts and journalists is important to SAF-HOLLAND. Accordingly, we have once again intensified our investor relations activities in 2008 and participated in numerous road shows and capital markets conferences. Particularly in Great Britain, the Benelux countries, Scandinavia, Austria, Switzerland, and France, we have encountered significant interest in SAF-HOLLAND. We publish our investor relations activities along with the presentations for various events promptly on our homepage. The growing interest of analysts and securities firms was reflected in increasing coverage for our Company last year. At the end of the year, seven securities firms were covering SAF-HOLLAND. In 2009, we intend to continue to develop our investor relations activities further so that we can communicate an up-to-date picture of our Company at all times. Particularly during economically turbulent periods, this is essential for retaining the trust of investors.

From Safe Roads to Windy Heights

"A heavy truck that cannot be passed is traveling on the highway." Who hasn't heard this announcement during the traffic report? In fact, gigantic objects really are sometimes transported using roads – such as components for wind turbines that are many meters high.

Wind energy is one of the most rapidly growing areas of energy production. According to the World Wind Energy Association, in the year 2000, global installed capacity totaled around 18,000 megawatts, but by 2010 capacity is set to reach 160,000 megawatts.

For a truck, such cargo is literally heavy labor. Turbine blades have of course become lighter in recent years, but a rotor 70 meters in diameter easily weighs more than 30,000 kilograms. As a result, the demands placed on transport are correspondingly high. Therefore, manufacturers of heavy freight vehicles prefer to rely on technology from SAF-HOLLAND – so that, for example, the fifth wheel securely connects the semi-trailer to the tractor unit, the suspension compensates for street surface irregularities even when loaded with several tons of freight and thus guarantees the maneuverability of the truck. Our axles can handle total weights of up to 40 tons and are among the safest in the market.





Kingpin

So that everything runs smoothly even with heavy loads: the more demanding the goods to be transported, the more effective SAF-HOLLAND's technology is.

Report from the Board of Directors

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

The Board of Directors of SAF-HOLLAND S.A. has intensively supported the Group's progress during fiscal year 2008. The Group continued to benefit from the combination of SAF and HOLLAND, which was completed in 2006, among other things through the consolidation of sites, the integration of activities, and the introduction of established products to new markets. The Group has boosted productivity further and tapped additional synergies. For example, a subsidiary was sold in Great Britain, two plants in Europe were relocated, and production sites in North America were consolidated. SAF-HOLLAND has also expanded the consolidation and reorganization program that was already underway. The objectives are to reduce expenses for materials and personnel substantially and to enhance the Group's flexibility.

The Board of Directors contributed to the structuring and execution of two important acquisitions as well as a capital increase in fiscal year 2008. With the purchase of Austin-Westran's landing leg business, SAF-HOLLAND has expanded its market position in this area and acquired a production site in China. As one of the few system providers to the trailer and truck industry, SAF-HOLLAND is now represented in all promising growth markets. An important strategic gap was also closed in Europe: with the purchase of the former Georg Fischer Verkehrstechnik GmbH, a subsidiary of Georg Fischer AG, the Group has added an established fifth wheel line to its European product range and expanded its business to the truck sector in Europe.

Unchanged from June 18, 2007 until December 31, 2008, the Board of Directors has had the following members: Dr. Rolf Bartke (Chairman), Ulrich Otto Sauer (Vice Chairman), Dr. Siegfried Goll, Rudi Ludwig, Richard Muzzy, Gerhard Rieck, Bernhard Schneider, and Martin Schwab. Changes occurred in the composition in 2009; these are described on page 48. Details of the directors' terms of office and their membership in other bodies are provided on pages 142 and 143. By the terms of the articles of incorporation, the Annual General Meeting elects Board members for a term of no longer than six years. Luxembourg law does not provide for employee representation on the Board of Directors. The Board of Directors meets regularly in Luxembourg five times a year – in part also with the participation of the Management Board. In addition, telephone conference calls were conducted routinely to discuss and decide about current developments expeditiously. To deal efficiently with special issues, the Board of Directors has set up two committees, the Audit and Compliance Committee and the Remuneration Committee.

Last year, the Board of Directors primarily discussed ongoing business development, risk management, the Company's financing, and company acquisitions. Furthermore, the organizational structure introduced after the merger of SAF and HOLLAND, which consists of the three Business Units Trailer Systems, Powered Vehicle Systems, and Aftermarket was subjected to a continual performance review. In our capacity as the Board of Directors, we offered critical but constructive advice to the Management Board and support for its efforts to meet its responsibilities. The Management Board, which was appointed in 2007 and is

responsible for business operations, consisted of the following members: Rudi Ludwig (Chief Executive Officer), Sam Martin (Chief Operating Officer), Wilfried Trepels (Chief Financial Officer), Detlef Borghardt (Head of the Trailer Systems Business Unit), Jack Gisinger (Head of the Powered Vehicle Systems Business Unit), Tim Hemingway (Head of the Aftermarket Business Unit, until September 30, 2008), and Steffen Schewerda (Head of Group Operations). Details on the Management Board can be found on pages 144 and 145.

The annual financial statements and the consolidated financial statements were audited by Ernst & Young S.A., Luxembourg, and issued an unqualified audit certificate. At its meeting held on April 23, 2009, the Board of Directors discussed the audit findings; the auditors were present to answer any questions. The Management Board and the Board of Directors have suggested carrying the retained earnings forward in full.

After the year 2007 being devoted to completing the combination of SAF and Holland with core markets on various continents while also conducting operational business with success, 2008 was characterized by solidifying and expanding the new Group. SAF-HOLLAND has strengthened the foundation for future growth in its business areas and in regions around the world. Furthermore, productivity has been increased continuously. All of these factors are enabling the Company to remain on course even in the currently challenging economic environment and to adapt flexibly to changes in the order situation.

No forecast of sales and earnings is feasible for the current fiscal year. By the end of 2008, SAF-HOLLAND had modified its cost structures in response to the new market environment. The unavoidable reduction in the workforce was managed in as socially responsible a manner as possible. Thanks for all of their work are owed not only to the remaining employees, but also to those who are leaving or being transferred to a transitional company. I would also like to thank the employee representatives, the members of the Management Board, and my colleagues in the Board of Directors for their commitment and outstanding work.

SAF-HOLLAND is well positioned for 2009. We remain committed to our long-term growth strategy, even if we cannot achieve these goals in the originally envisioned period. Despite the muted outlook for 2009, we are confident that we will continue to benefit in the long term from the ongoing globalization of all economic sectors and the related increase in demand for transport capacity.

Luxembourg, April 23, 2009



Bernhard Schneider
Chairman of the Board of Directors

Corporate Governance

SAF-HOLLAND places a high value on responsible and transparent corporate governance. For us, good corporate governance is an important basis for the success of the Company – combined with the goal of a long-term increase in the enterprise value, from which the Company, shareholders, employees, suppliers, and customers should benefit equally.

The German Corporate Governance Code (the “Code”) – adopted by the Government Commission on February 26, 2002 and last amended on June 6, 2008 – contains essential statutory regulations for the management and supervision of German listed companies and includes internationally and nationally recognized standards for good and responsible corporate governance. While the recommendations of the Code are not mandatory, Section 161 of the German Stock Corporation Act (Aktiengesetz) requires that the executive boards and supervisory boards of companies listed on a stock exchange in Germany declare once a year that the Code’s recommendations have been and are being complied with or which of the Code’s recommendations have not been and are not being applied. This declaration of compliance shall be made permanently available to shareholders.

Since SAF-HOLLAND S.A. is a Luxembourg société anonyme (S.A.) which is listed solely on a stock exchange in Germany, the Group is not subject to either the Luxembourg or German corporate governance rules. Nevertheless, we have decided to follow, on a voluntary basis, the German corporate governance regulation. However, certain rules will apply to our Company only to the extent that they are consistent with Luxembourg corporate law and our corporate structure. In particular, the Luxembourg single board structure is contrary to the dual board system prescribed by law for German stock corporations.

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

- Clause 2.3.2 of the Code: The Company will, for the time being, not in all cases send notification of the convening of the Annual General Meeting together with the convention documents to all domestic and foreign financial services providers, shareholders, and shareholders’ associations by electronic means.
- Clause 3.8 of the Code: The liability insurance policies taken out for the Board of Directors and the members of management do not provide for a deductible.
- Clauses 4.2.3, 4.2.4, 4.2.5, and 5.4.6 of the Code: The total compensation of each member of the Board of Directors and the Management Board will neither be disclosed on an individual basis nor divided into non-performance-related, performance-related, and long-term incentive components. With the exception of one member, the members of the Board of Directors do not receive performance-related compensation. Accordingly, no disclosure in this regard will be made as part of the corporate governance report. The remuneration report will also not include information on the nature of the fringe benefits for the members of the Board of Directors and the Management Board provided by our Company. Payments made by the enterprise to the members of the Board of Directors or advantages extended for services provided individually, in particular advisory or agency services, will be not listed separately in the corporate governance report. Contracts for members of the Board of Directors have a term of two to four years and those

of the Management Board a maximum of three 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. However, payments always relate to the remaining term of the employment contract. In the case of service in the Management Board or 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.

- Clause 5.3.3 of the Code: The Board of Directors forms only with respect to its independent directors a nomination committee which proposes suitable candidates to the Board of Directors for recommendation to the Annual General Meeting.
- Clause 6.6 of the Code: Beyond the statutory obligation to report and disclose dealings in shares of the Company, no disclosure will be made in the corporate governance report of the ownership of shares in our Company or related financial instruments by the members of the Board of Directors or members of management if these directly or indirectly exceed 1% of the shares issued by our Company. If the entire holdings of all members of the Board of Directors or members of management exceed 1% of the shares issued by our Company, separate disclosure broken down by members of the Board of Directors or the members of management will not be made. Disclosure will be carried out according to the provisions of the Luxembourg act dated December 4, 1992 relating to the information to be published when acquiring or disposing of an important participation in a listed company, as amended.
- Clause 7.1.2 of the Code: The consolidated financial statements of our Company will, for the time being, not be made publicly accessible within 90 days of the end of the fiscal year and interim reports will not be made publicly accessible within 45 days of the end of the reporting period. However, these financial statements will be made available pursuant to the provisions of the Exchange Rules of the Frankfurt Stock Exchange, as amended (consolidated financial statements within four months, quarterly reports within two months of the end of the reporting period), and the provisions of the German Securities Trading Act (Wertpapierhandelsgesetz), as applicable.

All the aforesaid disclosures are to be included in the corporate governance report.

Luxembourg, February 2009



Bernhard Schneider
Chairman of the
Board of Directors



Ulrich Sauer
Vice Chairman of the
Board of Directors

Group Management Report

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SAF-HOLLAND S.A. Group Management Report

for the 2008 Fiscal Year

I BUSINESS ACTIVITIES AND GENERAL FRAMEWORK

I.1 Organizational Structure

These consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries, hereinafter referred to as SAF-HOLLAND, the Group, or the Company, have been drawn up in accordance with the International Financial Reporting Standards (IFRS) that were in force as of the reporting date. The Company's fiscal year ends on December 31. Important product-specific concepts are explained in the glossary on pages 146 and 147.

The Group is one of the world's leading manufacturers and providers of premium systems and components for commercial vehicles (trucks and trailers) as well as for buses and recreational vehicles. The product range encompasses axle and suspension systems, fifth wheels, coupling devices, kingpins, and landing legs. The Group, with its three Business Units – Trailer Systems, Powered Vehicle Systems, and Aftermarket – currently utilizes 20 production sites in Europe, North America, Brazil, Australia, China, and India. In addition, the Company operates a worldwide service network.

I.2 Origins

SAF-HOLLAND S.A. emerged in its current form in two stages: in March 2006, the SAF Group of Bessenbach, Germany, a European market leader in the development, manufacture, and distribution of axles and axle systems for the trailer industry, was acquired. In December 2006, the US-based Holland Group, an American market leader in components and systems for the truck and trailer industry, was acquired. Since July 26, 2007, the shares of SAF-HOLLAND S.A. have been traded on the Frankfurt Stock Exchange (Prime Standard). The shareholder structure is shown in the chapter entitled "The Share" on page 19 of this annual report.

I.3 Segments

Based on the "one face to the customer" principle, SAF-HOLLAND has been organized in three Business Units since July 1, 2007:

- **Trailer Systems.** This Business Unit produces axle systems, kingpins, and landing legs for the trailer industry.
- **Powered Vehicle Systems.** The Powered Vehicle Systems Business Unit generates its sales primarily with fifth wheels and axle suspension systems for manufacturers in the truck industry.
- **Aftermarket.** The third Business Unit covers the replacement parts business.

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

I.4 Management and Control, Remuneration Report

SAF-HOLLAND S.A.'s management is based on the Anglo-American board system with a Board of Directors, in addition to the Management Board that is in charge of operational activity. Half of the members of the Board of Directors have ties to the Company and are shareholders. The other half has no links to the Company. Except for Rudi Ludwig as CEO, no Board Director also exercised an operative function within the SAF-HOLLAND Group during fiscal year 2008.

Dr. Rolf Bartke was Chairman of the Board of Directors during fiscal year 2008 (until January 31, 2009) , and Ulrich Otto Sauer is Vice Chairman. Members of the Board of Directors receive remuneration for their work, plus additional fees for special functions, such as chairing the Audit Committee or the Remuneration Committee. Until February 28, 2009, Rudi Ludwig received no remuneration for his work on the Board of Directors. In addition to the Board of Directors, a Management Board was appointed as part of the new organizational structure beginning on July 1, 2007. During the period under review, the Management Board consisted of CEO Rudi Ludwig, CFO Wilfried Trepels, COO Sam Martin, and Steffen Schewerda as Head of Group Operations. The Management Board also includes the Business Unit Heads: Detlef Borghardt (Trailer Systems), Jack Gisinger (Powered Vehicle Systems), and Tim Hemingway (Aftermarket, until September 30, 2008). The CEO has assumed direction of the Aftermarket Business Unit since October 1, 2008.

For executives at the four uppermost management levels, including the Management Board, a performance-based remuneration system underpinned by target agreements was introduced. Up to five personal targets and two results targets at the enterprise level are defined. The higher the employee is in the corporate hierarchy, the greater the weighting of corporate performance as a whole. For fiscal year 2008, senior management and other members of management completely waived the bonus, thus contributing to efforts to overcome the challenging market situation.

I.5 Legal and Economic Factors

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

1. Economic cycle: In general, international economic trends are a key indicator of transport volume. High cost pressure can lead to more outsourcing and thus increase the demand for transport capacity.
2. Infrastructure: Growing globalization attracts investments in infrastructure, such as road networks. Conversely, inadequate infrastructure impairs the logistics sector. In Germany, for instance, the introduction of so-called megatrucks with a higher payload capacity and thus more weight was initially rejected due to fears of safety risks and concerns that the road network may not be able to cope with the extra stresses and strains. However, pilot projects were underway in 2008 in three states (Baden-Württemberg, Mecklenburg-West Pomerania, and Thuringia) where special licenses allow megatrucks to travel on selected roads. As a result of the initiative of several EU countries – particularly the Benelux countries and Scandinavia – these oversized trucks may soon be permitted across Europe.

3. Regulation: General legal framework conditions in the target markets influence customers' buying decisions and can also function as growth drivers for the Company's sales. The legislative focus around the world is on a trend toward reducing emissions, which may lead to an increase in demand for energy-efficient and low-emission trucks and trailers. Thus, stricter emission limits will apply in the European Union with the so-called Euro 5 standard beginning in 2011 and the Euro 6 standard beginning in 2015. Other factors worth mentioning are developments in safety standards such as shorter braking distances and securing the payload.

I.6 Corporate Controlling

The internal controlling system focuses on the development of business for each individual Business Unit. Customer demographics and customer satisfaction are the main focus, as well as market share development, sales, and profits of the Business Units. A key target figure is the gross margin, which is determined by prices, quantities, costs, and the mixture of the products sold.

The key parameter for controlling is EBIT or adjusted EBIT. The reason for adjustment is that in the course of the business combination, the IPO, and restructuring, many costs were incurred that cannot be allocated to the operating business and would therefore lead to a distorted picture of the actual earnings position. EBIT is adjusted for the following factors: depreciation and amortization arising from the purchase price allocation (PPA), impairment of goodwill and intangible assets, as well as restructuring and integration costs. Particular emphasis is placed on cash flow management in order to provide sufficient liquidity for on-going payment obligations.

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

In the context of non-financial controlling factors, the focus at SAF-HOLLAND is on delivery reliability and thus, customer loyalty and satisfaction.

I.7 Disclosure Pursuant to Article 11 (3) of the Law on Takeovers of May 19, 2006

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

1) Pamplona Capital Partners I, LP is a subsidiary of Pamplona Equity Advisors I Ltd. (UK), which itself is a subsidiary of Pamplona PE Investments (Cayman Islands). Pamplona PE Investments (Cayman Islands) is a controlled undertaking of Mr. Alexander Knaster.

2) ASAF Verwaltungs GmbH is a controlled undertaking of Mr. Ulrich Otto Sauer.

3) Luruna GmbH is a controlled undertaking of Mr. Rudi Ludwig.

Shareholder Name	Shares	% of voting rights
Pamplona Capital Partners I, LP ¹⁾	7,149,958	34.54 %
ASAF Verwaltungs GmbH ²⁾	1,884,775	9.10 %
Luruna GmbH ³⁾	1,131,141	5.46 %

- 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) 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) without any quorum requirement (please refer to article 18.12 of the Company's articles of incorporation and to article 67 of the law in respect of the requisite majority). Any vote of the General Meeting of the Shareholders on an item relating to an amendment of the articles of incorporation requires a quorum of at least 50% of the share capital eligible to vote and a majority of 66.67% of the votes cast at the meeting.
- i) Information regarding the powers of the Board of Directors to issue and buy back shares can be found on pages 43 and 106 of this annual report. The Board of Directors is equipped with extensive powers to conduct all administrative tasks in the interests of the Company.
- j) 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.

II OVERVIEW OF BUSINESS DEVELOPMENT

II.1 Overall Economic Conditions

Economic growth slowed dramatically around the world over the course of 2008 and declined particularly sharply in the fourth quarter. Germany and the USA have experienced negative economic growth since the summer. The primary contributing factors were the financial crisis, the reluctance of banks to lend to companies, and generally weaker consumer spending. In addition, raw material prices, which at times reached record levels – especially for crude oil – put pressure on companies. Consequently, the banking crisis has also spilled over into the real economy.

Last year, economic output in Germany rose only in the first quarter and has been on a downward path since the second quarter. The decline in the fourth quarter of 2.1% (compared to the previous quarter) represents the sharpest drop since reunification.¹⁾ For the entire year, however, growth of 1.5% is expected.²⁾ In the USA, the economic output is still supposed to have expanded by about 1.3% for the entire year, despite the preliminary decline of 6.2% in the fourth quarter.³⁾ Once again, Russia (plus 6.2%), Brazil (5.8%), and China (9.0%) were among the global drivers of growth, so that notwithstanding the crisis the global economy is still said to have expanded by 3.4% after 5.2% in 2007.⁴⁾

Machine building and vehicle construction were particularly affected by weaker economic growth. After several record years, the demand for trucks and trailers positively collapsed in the fourth quarter. In view of high sales figures, manufacturers had increased capacities to some extent in 2008, whereas by now production has been sharply curtailed. For example, in December roughly 15% fewer heavy trucks (16 tons and heavier) were registered throughout Europe than in December 2007.⁵⁾ Viewed over the course of the entire year, demand decreased only slightly by 2.2%.⁵⁾ In North America, around 3.3% fewer trucks (Class 8) were manufactured than last year, according to preliminary figures. In 2007, the drop had amounted to about 43.6%, driven by regulatory pull-forward effects.⁶⁾ As in the truck segment, demand and production also fell in the trailer market in particular at the end of the year. For the entire year, the number of registrations remained stable in western Europe, while production declined by 0.6%.⁷⁾ In the USA, trailer production decreased significantly by about 34%.⁶⁾

II.2. Major Events in the 2008 Fiscal Year

Demand for products from SAF-HOLLAND in fiscal year 2008 was influenced by various developments. Dynamic double-digit growth rates and optimistic forecasts in the first half of the year changed suddenly into startling slumps in sales and increasingly pessimistic outlooks for the future in the final months of the year. In the first and second quarters of 2008, SAF-HOLLAND still achieved sales growth of 11.3% compared to the previous year. Reflecting dynamic growth rates, particularly in the European trailer business, the Company's focus was on continually adjusting its capacities in response to the high demand. Through growth in the first half of the year, SAF-HOLLAND has further expanded and solidified its already strong international position as a leading partner for the truck and trailer industry. The Company was successful in rounding out the product range in its core markets in 2008 earlier than originally anticipated. Whether in North or South America,

1) German Federal Statistical Office,
February 2009

2) Kiel Institute for the World Economy,
December 2008

3) US Department of Commerce,
February 2009

4) IMF, January 2009

5) ACEA, January 2009

6) ACT, December 2008

7) Beecroft Report

China, or Europe, our customers in the truck and trailer industry now have access to a broad product range from a single source. Simultaneously, the Company continued to streamline internal structures and processes. In this regard, it was important to leverage additional potential synergies from the combination of the former SAF and Holland companies. When the markets deflated surprisingly in the fourth quarter of 2008, these measures turned out to be decisive factors enabling SAF-HOLLAND to adapt rapidly to the changing market conditions (see Chapter III, Events After the Balance Sheet Date).

With the acquisition of the landing leg business of Austin-Westran in April, SAF-HOLLAND has decisively expanded its presence in one of the most dynamic regions of the world. As a result of the acquisition, the Company now has a production site in southern China, which is intended to serve as gateway for business in Asia. Existing manufacturing activities in China for axle systems are to be consolidated here. In addition, the plant serves as a starting point for supplying the European and North American markets with landing legs. As Austin-Westran was one of SAF-HOLLAND's competitors, this also serves to strengthen the Company's market position in North America.

In August, SAF-HOLLAND took a decisive step toward rounding out its product range in Europe. The Company announced the acquisition of the former Georg Fischer Verkehrstechnik GmbH (now SAF-HOLLAND Verkehrstechnik GmbH), the second-leading producer of fifth wheels in Europe. The former subsidiary of Georg Fischer AG manufactures fifth wheels, Trilex wheels, and kingpins – precisely the products in which the Company is already a leader in North America. Through the acquisition, the Company closed a strategic gap in Europe and positioned itself as an international partner to the similarly globally oriented truck industry. The acquisition became legally valid in October.

Customers recognize and approve of the strategy that has been embarked upon, as was demonstrated by the IAA Commercial Vehicles international trade show held at the end of September in Hanover, Germany. In addition to the new landing legs for the European market, the new assortment of fifth wheels and the axle program also enjoyed significant international interest.

The performance of SAF-HOLLAND's Aftermarket Business Unit has been gratifying. For the purpose of providing end-user customers with replacement parts and service quickly and competently, the Company has expanded its service network significantly. With the conclusion of three cooperative agreements with DAF Parts in the second quarter and Volvo and MAN in the fourth quarter, the number of service centers worldwide has continued to grow.

SAF-HOLLAND has assigned a high priority to its program for streamlining and improving the efficiency of its production units. Above all, this includes the consolidation of sites where there has been overcapacity since the combination of the SAF and Holland companies at the end of 2006. The Company always endeavors to reduce infrastructure costs and to benefit from a better use of its production space. For example, at the beginning of the year the operations of the former Holland Group in Great Britain were transferred to Industrial Machinery Supplies Ltd. (IMS). In Germany, the closure and sale of a site in Schloss-Holte, East Westphalia, followed in July, the production of which was moved to an existing plant

in Wörth, northern Bavaria. This trend continued with the closure of a plant in Michigan, USA, in September. Here, too, the production was relocated to other existing sites.

After very strong sales and earnings in the first half of 2008, the consequences of the financial market crisis significantly compromised SAF-HOLLAND's business in the last three months of the year. Prior to the normally subdued summer period in August, the daily European production of axles reached 1,600 units. At this level, production even lagged behind actual demand by about 200 units per day. The bankruptcy of the American investment bank Lehman Brothers in mid-September initially put pressure on the financial markets. However, the ramifications quickly spilled over into the real economy as the readiness to consume or invest declined. In October, the consequences reached the Company in the form of order cancellations and markedly lower order entry. SAF-HOLLAND's management responded expeditiously and systematically to the first indications of risks to sales in the coming months. The goal was to make rapid adjustments to cost structures and secure the Company's liquidity. It was vital to achieve both an immediate impact as well as to create sufficient stability for the coming years. In the process, the Company has relied on sales forecasts from respected market research institutes for 2009 and 2010 as well as its own information derived from direct customer contacts.

The following steps have already been taken:

- Reduction of personnel expenses. Cumulatively over the period from September to December 2008, about 592 positions (excluding acquisitions but including contractors) were eliminated with a focus on Germany and North America. Both production and administration were affected. Following the relocation of a plant in North America in September, the Company closed a facility in Slovakia in December. In December 2008, reduced working hours were introduced in Germany. In addition, executives have waived vacations and bonuses.
- Reduction of capital lockup.
- Lowering transportation and storage costs based on a logistics concept that had already been developed in the first half of the year and will have a lasting impact. This is aimed at a sustained reduction of both internal and external costs.
- Agreement with suppliers for longer payment periods (see Chapter III, Events After the Balance Sheet Date).
- Preparing the consolidation of operations in China to one site.

Furthermore, SAF-HOLLAND intends to focus future investments on the growth market in China.

In February 2008, SAF-HOLLAND negotiated a new credit agreement with a bank consortium led by Dresdner Kleinwort and UniCredit. The agreement includes a credit line of EUR 325 million based on the Euro/Dollar exchange rate as of February 19. The agreement, which provides for a term of five years, reduces financing costs by 1 to 1.25 percentage points from those previously in effect. In exchange, the Company committed itself to maintaining certain financial covenants, which were based on the assumption that markets would continue to grow in 2008 and 2009. As a result of the decline in sales beginning in October

2008, management initiated discussions with the responsible representatives of the bank consortium. The goal was to adopt a joint approach to the corporate financing in view of the rapidly changing market environment. As of December 31, 2008, the negotiations were still underway and were complicated by the increasingly weaker visibility of the markets (see Chapter III, Events After the Balance Sheet Date).

II.3. Sales Development

Against the backdrop of the developments described above, the Group generated sales of EUR 798.8 million in fiscal year 2008 (previous year: EUR 812.5 million). Of that amount, EUR 530.2 million (previous year: EUR 519.7 million) was attributable to Europe and EUR 239.7 million (previous year: EUR 271.4 million) was attributable to North America, while the remaining regions accounted for EUR 28.9 million (previous year: EUR 21.4 million). Adjusted for exchange rate effects, Group sales in the reporting period totaled EUR 817.2 million (previous year: EUR 812.5 million). The weighted average Euro/US-Dollar exchange rate for the fiscal year was 1.46325 (previous year: 1.36832).

The decline in sales resulted primarily from the collapse in demand in the fourth quarter 2008 and reflects the impact of the financial crisis on the Company's markets. Particularly business in western and eastern Europe recorded substantial losses. The already weakened American market also suffered an additional setback in the last months of the year.

Sales Development by Region

EUR million	2008		2007	
Europe	530.2	66.4 %	519.7	64.0 %
North America	239.7	30.0 %	271.4	33.4 %
Others	28.9	3.6 %	21.4	2.6 %
Total	798.8	100.0 %	812.5	100.0 %

Sales Development by Region (Exchange Rate-adjusted)

EUR million	2008		2007	
Europe	530.2	64.8 %	519.7	64.0 %
North America	256.3	31.4 %	271.4	33.4 %
Others	30.7	3.8 %	21.4	2.6 %
Total	817.2	100.0 %	812.5	100.0 %

Sales Development by Business Unit

EUR million	2008		2007	
Trailer Systems	527.9	66.1%	551.1	67.8%
Powered Vehicle Systems	102.3	12.8%	81.3	10.0%
Aftermarket	168.6	21.1%	180.1	22.2%
Total	798.8	100.0%	812.5	100.0%

Sales Development by Business Unit (Exchange Rate-adjusted)

EUR million	2008		2007	
Trailer Systems	534.0	65.3%	551.1	67.8%
Powered Vehicle Systems	107.7	13.2%	81.3	10.0%
Aftermarket	175.5	21.5%	180.1	22.2%
Total	817.2	100.0%	812.5	100.0%

II.3.1 Earnings Development

Income Statement

EUR million	2008		2007	
Sales	798.8	100.0%	812.5	100.0%
Cost of sales	-680.3	-85.2%	-670.9	-82.6%
Gross profit	118.5	14.8%	141.6	17.4%
Other income	4.7	0.6%	3.2	0.4%
Selling expenses	-48.5	-6.1%	-45.5	-5.6%
Administrative expenses	-38.6	-4.8%	-48.8	-6.0%
Research and development costs	-13.5	-1.7%	-11.8	-1.5%
Impairment of goodwill and intangible assets	-19.0	-2.4%	0.0	–
Operating profit	3.6	0.5%	38.7	4.8%
Finance result	-26.3	-3.3%	-32.6	-4.0%
Share of investments accounted for using the equity method	0.5	0.1%	0.7	0.1%
Profit/loss before taxes on income	-22.2	-2.8%	6.8	0.8%
Taxes on income	-2.8	-0.4%	4.4	0.5%
Profit/loss for the period	-25.0	-3.1%	11.2	1.4%
Number of shares ¹⁾	19,438,287		75,523,006	
Earnings per share in EUR ¹⁾	-1.29		0.15	

1) Weighted average number of ordinary shares (see Note 25)

The gross profit totaled EUR 118.5 million (previous year: EUR 141.6 million). The gross margin narrowed to 14.8 % during the period under review compared to 17.4 % in 2007. The primary reason was the underutilization of capacity: in the fourth quarter, the Company recorded a decline in production of up to 70 %. The Company compensated for this by reducing the number of employees substantially and introducing reduced working hours in the German plants.

At EUR 4.7 million, other income slightly exceeded the previous year's level of EUR 3.2 million. Through the acquisition of the company now known as SAF-HOLLAND Verkehrstechnik GmbH and expenses for the 2008 IAA Commercial Vehicles trade fair in Hanover, selling expenses increased slightly to EUR 48.5 million (previous year: EUR 45.5 million). In contrast, administrative expenses decreased to EUR 38.6 million (previous year: EUR 48.8 million). Higher administrative expenses in 2007 reflected the IPO and the integration of the Holland and SAF companies. Research and development costs totaled EUR 13.5 million after EUR 11.8 million in the previous year.

Investment income of EUR 0.5 million (previous year: EUR 0.7 million) primarily includes the earnings contribution from the investment in Jinan SAF AL-KO Axle Co., Ltd. in China, which improved from the previous year. The company, in which SAF-HOLLAND has a 48.5 % interest, is focused on the production and sale of axle systems for China and for export. Lower earnings at our joint venture partners in France and India had a negative impact on investment income.

The finance result amounting to EUR -26.3 million (previous year: EUR -32.6 million) was influenced by the improved interest rate conditions of the new financing agreement, which had been concluded in February 2008. The recognition of changes totaling EUR 5.0 million (previous year: EUR 0.6 million) in the market values of existing interest rate hedges, however, put pressure on the result.

Exchange rate effects play only a minor role in the operating business of SAF-HOLLAND. The primary reason is that for the most part, the Company manufactures only in its regional markets. This results in an advantage through real hedging, combined with reduced logistics expenses. Significant effects only occurred in the course of consolidation from translating the annual financial statements of the companies outside the Euro zone. An additional effect in 2008 stemmed from the credit line agreement negotiated in February (for more details see Note 24).

Amortization and depreciation increased during the period under review to EUR 39.0 million (previous year: EUR 18.7 million), of which EUR 6.5 million (previous year: EUR 6.7 million) were attributable to the purchase price allocation and EUR 19.0 million (previous year: EUR 0.0 million) to impairment allowances. The decisive factor for the development was the investments in 2007 and 2008, which were made for the expansion of production capacity in our European locations.

At EUR 41.2 million (previous year: EUR 60.5 million), adjusted earnings before interest and taxes (EBIT) were weaker than in the previous year. The decline resulted from the significant slump in sales in the fourth quarter; costs from capacity underutilization caused by the considerable market downturn were a particular burden.

EBIT was adjusted for several items that are not originally attributable to the operating business.

Reconciliation Statement for Adjusted Figures

EUR million	2008	2007
Profit/loss for the period	-25.0	11.2
Taxes on income	2.8	-4.4
Finance result	26.3	32.6
Depreciation and amortization from PPA ¹⁾	6.5	6.7
Impairment of goodwill and intangible assets	19.0	0.0
Step-up inventory from PPA ¹⁾	0.8	1.2
Restructuring and integration costs	10.8	13.2
Adjusted EBIT	41.2	60.5
as a percentage of sales	5.2	7.4
Depreciation and amortization	13.5	12.0
Adjusted EBITDA	54.7	72.5
as a percentage of sales	6.8	8.9
Depreciation and amortization	-13.5	-12.0
Finance result	-26.3	-32.6
Prepaid expenses as a result of refinancing	3.9	6.9
Profit/loss before taxes and adjustments	18.8	34.8
Taxes on income ²⁾	-5.4	-12.5
Adjusted profit/loss for the period	13.4	22.3
as a percentage of sales	1.7	2.7
Number of shares ³⁾	19,438,287	19,438,287
Adjusted earnings per share in € ³⁾	0.69	1.15

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

2) A uniform tax rate of 28.59 % (previous year: 36 %) was assumed for the adjusted net profit for the year.

3) Based on the assumption that the weighted number of shares issued had been unchanged in 2008 and 2007.

Overview: Purchase Price Allocation

EUR million	01/01/08	Additions	Disposals	Depreciation and amortization	Foreign currency differences	12/31/08
Intangible assets	115.6	33.5		7.1	2.5	144.5
Goodwill	69.1			16.0	1.2	54.3
Property, plant, and equipment	26.2	0.2		2.4	0.4	24.4
Inventories	0.0	0.8	0.8			0.0
Gross total	210.9	34.5	0.8	25.5	4.1	223.2
Deferred tax liabilities	43.0	1.0		2.9	0.6	41.7
Net total	167.9	33.5	0.8	22.6	3.5	181.5

Income taxes amounted to EUR -2.8 million during the reporting year (previous year: EUR -4.4 million); the tax rate was -12.59% (previous year: -65.1%). The tax rate deviated from the combined corporate tax rate of 28.6 % (previous year: 36.0 %) in 2008 primarily as a result of unrecognized loss carry-forwards and interest carry-forwards as well as write-downs on goodwill. The high tax rate in the previous year and high income tax earnings resulted largely from the one-time effect of the German corporate tax reform.

In 2008, SAF-HOLLAND achieved an annual result of EUR -25.0 million (previous year: EUR 11.2 million); the adjusted annual result was EUR 13.4 million compared to EUR 22.3 million in 2007. The decisive factors were the drop in sales and the underutilization of capacity in the fourth quarter.

Adjusted earnings per share totaled EUR 0.69 (previous year: EUR 1.15 per share), assuming 19,438,287 as the annual weighted average number of shares for 2007 and 2008.

In view of the challenging overall economic conditions, the Board of Directors proposes to the Annual General Meeting that no dividend be distributed for fiscal year 2008. The focus is currently on streamlining costs and corporate structures as well as securing refinancing for the Company.

II.4 Business Development in the Business Units

Business Unit Overview

	Business Unit Trailer Systems		Business Unit Powered Vehicle Systems		Business Unit Aftermarket		Adjust- ments	Total	
EUR million	2008	2007	2008	2007	2008	2007	2008	2008	2007
Sales	527.9	551.1	102.3	81.3	168.6	180.1	–	798.8	812.5
Cost of sales	-477.5	-483.2	-87.2	-69.9	-109.0	-117.8	-6.6	-680.3	-670.9
Gross operating result	50.4	67.9	15.1	11.4	59.6	62.3	-6.6	118.5	141.6
As a percentage of sales	9.5	12.3	14.8	14.0	35.3	34.6	–	14.8	17.4

II.4.1 Trailer Systems

The Trailer Systems Business Unit produces axle systems, kingpins, and landing legs for the trailer industry. In contrast to other sectors, the trailer industry is characterized by a structure where a relatively small number of supplier companies serve a broad spectrum of customers. Compared to the truck sector, the trailer market is characterized on the demand side primarily by mid-sized, regionally oriented manufacturers.

In 2008, the Trailer Systems Business Unit generated sales of EUR 527.9 million (previous year: EUR 551.1 million), corresponding to 66.1% of total sales. Adjusted for exchange rate effects, Business Unit sales totaled EUR 534.0 million (EUR 551.1 million). In the first half of the past fiscal year, the Business Unit functioned as the growth engine of the Company. The ramifications of the financial crisis had a significant impact on sales in the fall and curbed demand through December with increasing intensity. The resulting underutilization of plant capacity put pressure on the Business Unit's earnings particularly in the last quarter. Consequently, the gross margin decreased from 12.3 % to 9.5 %. Thus, the Trailer Systems Business Unit generated an adjusted operating EBIT of EUR 12.3 million (previous year: EUR 31.0 million), slipping from 2007. The adjusted EBIT margin for the Business Unit amounted to 2.3 % (previous year: 5.6 %)

II.4.2 Powered Vehicle Systems

The Powered Vehicle Systems Business Unit generates its sales primarily with fifth wheels and axle suspension systems for the truck industry. In 2008, the Business Unit increased its sales to EUR 102.3 million (previous year: EUR 81.3 million), exchange-rate adjusted EUR 107.7 million (previous year: EUR 81.3 million), reflecting among other things the benefit of acquiring the company now known as SAF-HOLLAND Verkehrstechnik GmbH in October. In addition, in North America in 2008 the Unit was awarded a five-year government contract, which contributed to a sustained positive impact on the Business Unit. As a result of an improved customer-product mix, the Business Unit generated a gross margin of 14.8 % (previous year: 14.0 %). Adjusted EBIT totaled EUR 7.2 million (previous year: EUR 2.9 million). Accordingly, the adjusted EBIT margin was 7.0 % (previous year: 3.6 %).

II.4.3 Aftermarket

Aftermarket, the third Business Unit, covers the replacement parts business. In this Unit, it is important to ensure timely service via a worldwide network of service stations. In 2008, the Company expanded this network by 1,000 new service centers. Additional growth is planned for 2009. After a good start into 2008, weak demand in the final months of the year also negatively impacted the Aftermarket Business Unit. Unused trucks and trailers and large inventories of new vehicles weighed on areas of the usual replacement parts business in the fourth quarter. For the entire year of 2008, this Business Unit generated sales of EUR 168.6 million (previous year: EUR 180.1 million), which is equivalent to 21.1% of Group sales. Adjusted for exchange rate effects, the Unit's sales totaled EUR 175.5 million (previous year: EUR 180.1 million). The gross margin increased moderately to 35.3 % (previous year: 34.6 %), based on an adjusted product-customer mix. At EUR 25.6 million (previous year: EUR 24.6 million), adjusted EBIT improved compared with the previous year. The adjusted EBIT margin rose to 15.2 % (previous year: 13.6 %).

II.5 Financial Position

In the fourth quarter 2008, the financial position was heavily influenced by a reduction in the available credit line due to exchange rate effects as well as significant surpluses in monthly inventories in conjunction with lower order entry as a result of the weaker market situation in the fourth quarter.

II.5.1 Financing

In September 2008, the Company carried out a capital increase of 1,864,900 shares. The shares were placed with institutional investors in Germany and the rest of Europe at a price of EUR 7.50 per share. The Group used the gross proceeds of EUR 14 million to partially finance the acquisition of the company now known as SAF-HOLLAND Verkehrstechnik GmbH. The remainder of the purchase price was financed by borrowing from the existing credit line.

In February 2008, the Company arranged a new credit line of EUR 325 million. The agreement was designed to reduced long-term financing costs. The financing through a consortium led by Dresdner Kleinwort and UniCredit has a term of five years. The credit line consists of a Euro tranche in the amount of EUR 78 million, a Dollar tranche in the amount of USD 90 million, and a tranche consisting of various currencies totaling EUR 185 million. At the beginning of fiscal year 2009, a standstill agreement regarding the credit line was negotiated with the leaders of the bank consortium. Additional information can be found in the section "Events After the Balance Sheet Date" beginning on page 47.

Off-balance sheet obligations totaled EUR 8.7 million in the fiscal year and were therefore EUR 4.1 million above the previous year's EUR 4.6 million. These consist mainly of operating leases for vehicles and machinery as well as buildings. The increase is mainly due to the company acquisitions completed in 2008.

II.5.2 Investments

Investments totaled EUR 74.2 million (previous year: EUR 35.0 million). They were employed primarily for the acquisition of the landing leg business of Austin-Westran and the purchase of the company now known as SAF-HOLLAND Verkehrstechnik GmbH. Additional investments were made in setting up the Company's own axle production in North America, where previously it had been necessary to buy competitors' products, and the further automation of production at the sites in Wörth and Bessenbach, Germany. In addition, the Group invested in capacity expansion in the first half of the year in response to the high level of demand. In order to leverage synergies from the combination of SAF and Holland carried out in 2006, the Company has strived to consolidate production sites. The deterioration in the market in the last months of fiscal year 2008 has led us to accelerate these activities. The investment rate during the period under review thus totaled 9.3 % (previous year: 4.3 %) of sales.

The main criterion on which investment decisions are based is return on investment (ROI). As a target figure for assessing the ROI, SAF-HOLLAND aims for a period of less than three years. Investment to open up new markets is based on market studies and only undertaken after customer commitments, e.g. in the form of a letter of intent, have been made. In order to minimize risk when opening up new markets, initially only one product assembly plant is set up. Further steps to expand manufacturing depth and to intensify the commitment are not taken until noticeable sales successes have been recorded.

II.5.3 Liquidity

The Company's fundamental goal is to finance internal growth from cash flow in the form of investment and net working capital and to reduce the level of indebtedness. In addition, depending on the earnings position, shareholders should be able to profit from the success of the Company through a dividend payment.

The drop in sales resulting from the global economic crisis also burdened the Group's financial position. As of the balance sheet date, the Group had cash and cash equivalents of EUR 8.6 million (previous year: EUR 27.8 million) as well as unused credit lines amounting to EUR 15.0 million.

The net cash flow from operating activities before income tax payments during the period under review totaled EUR 41.9 million after EUR 51.7 million in the previous year. In view of the high level of investments – particularly in the acquisition of the company now known as SAF-HOLLAND Verkehrstechnik GmbH and the landing leg business of Austin-Westran – cash flow from investing activities was EUR -72.1 million (previous year: EUR -33.8 million). Cash flow from financing activities amounting to EUR 18.4 million (previous year: EUR -4.7 million) was influenced by cash inflows from the capital increase in September, the increased need for borrowing after the acquisition of the company now known as SAF-HOLLAND Verkehrstechnik GmbH in October, and the scheduled repayment of the credit line in November. In addition, a dividend of 42.47 Euro cents per share was distributed to shareholders for the first time in April.

Net working capital was reduced significantly over the course of the year, primarily as a result of a reduction in trade receivables and inventories after the latter had been built up at the beginning of the year in response to strong demand. Net working capital totaled EUR 86.7 million as of the balance sheet date (previous year: EUR 75.9 million), which corresponds to 10.9 % of sales (previous year: 9.3 %). The target for net working capital is 9.0 % of sales. One major contributing factor is inventories, for which a 30-day turnover rate is targeted. As of the balance sheet date, this rate was 48 days. As a matter of principle, the Company only manufactures to customer orders or in relation to a specific sales forecast. As a rule, no inventories are built up except in the Aftermarket Business Unit. This reduces capital lockup and eliminates the risk of producing goods for which there is no market demand as much as possible. Payables to suppliers are also taken into account in optimizing net working capital.

Strict receivables management is designed to reduce the day-to-day capital requirement and the risk of default. As of December 31, 2008, DSO was comparable to the previous year at 38 days (previous year: 39 days). In the context of receivables management, the Company defines insurance or house limits for each customer. Once these have been exceeded, no further shipments are permitted until the outstanding amount returns below the limit.

II.5.4 Assets

As of December 31, 2008, total assets were EUR 537.4 million after EUR 554.6 million in the previous year. Non-current assets increased as a result of the two acquisitions to EUR 350.5 million (previous year: EUR 333.8 million). For intangible assets with indefinite useful lives and for goodwill, impairment testing was carried out at the Business Unit level, most recently as of the balance sheet date. In view of the currently unpredictable nature of market development, reliable multi-year planning is not possible. As a result, the Company has developed a variety of future scenarios within the context of the impairment testing. These tests as well as estimates by the Management Board result in extraordinary write-downs totaling EUR 19.0 million for goodwill and intangible assets. Details regarding the impairment testing can be found in the Notes on page 97.

Current assets reached EUR 184.0 million after EUR 220.8 million in the previous year. Inventories were reduced over the course of the year – due to the slump in sales and the initiation of the efficiency program – to EUR 85.8 million (previous year: EUR 96.7 million). Trade receivables declined as a result of the decrease in sales to EUR 82.3 million (previous year: EUR 86.2 million). As of the balance sheet date, SAF-HOLLAND had cash and cash equivalents of EUR 8.6 million (previous year: EUR 27.8 million).

Equity totaled EUR 72.1 million (previous year: EUR 108.2 million), burdened by exchange rate fluctuations and fluctuations in the market values of interest rate hedges as of the balance sheet date. At the same time, equity benefited from a capital increase: 1,864,900 new shares were placed with qualified investors in Europe at EUR 7.50 per share, resulting in gross proceeds of EUR 14.0 million. The equity ratio was 13.4% compared with the previous year's 19.5%. The return on capital employed (ROCE) for fiscal year 2008 was 7.3% (previous year: 10.7%) and is expected to reach 15.0% over the medium term. However, achieving this goal will be perceptibly delayed by the global economic crisis, which also reached the truck and trailer industry in fall 2008.

According to the articles of incorporation of SAF-HOLLAND S.A., the Board of Directors is authorized to increase the share capital of the Company by EUR 112,000 represented by 11,200,000 shares with a par value of EUR 0.01 each. This authorization is limited until July 5, 2012. In 2008, in preparation for the acquisition of the current SAF-HOLLAND Verkehrstechnik GmbH, capital was increased through the issuance of 1,864,900 ordinary shares from authorized capital with a par value of EUR 0.01. Accordingly, as of December 31, 2008, the Company had authorized capital of EUR 93,351, corresponding to 9,335,100 shares. In accordance with statutory provisions in Luxembourg, the Company is authorized to acquire treasury stock.

Non-current liabilities decreased significantly as of the balance sheet date to EUR 66.2 million (previous year: EUR 329.2 million). The reason for this was the presentation of the total amount owed to banks as a current liability (previously as a non-current liability) since as of December 31, 2008, an extension of the credit line had not been secured and as a result, according to IFRS, reclassification is mandatory. As a result, current liabilities climbed to EUR 399.1 million (previous year: EUR 117.2 million). As of December 31, 2008, the amount owed to banks totaled EUR 312.4 million (previous year: EUR 262.9 million). The high amount of investment activity and the decline in the earnings position in the fourth quarter resulted in an increased need for capital. Pension provisions were EUR 14.5 million (previous year: EUR 13.6 million). Other provisions rose significantly to EUR 19.1 million from EUR 13.1 million in the previous year due to the formation of provisions for obligations resulting from the redundancy plan and expenses for the transitional company aimed at creating jobs. More detailed information can be found in the “Employees” section (below). Trade payables declined to EUR 60.4 million (previous year: EUR 90.9 million) due to the trend in sales and as a result of the reduction in inventories. Other current liabilities totaled EUR 6.4 million (previous year: EUR 6.2 million). Net indebtedness (bank loans minus cash and cash equivalents) came to EUR 303.8 million as of the balance sheet date (previous year: EUR 235.1 million).

II.6 Employees

At the end of 2008, SAF-HOLLAND had 2,421 employees (previous year: 2,974), with an average for the year of 2,799 employees (previous year: 2,996). Personnel expenses, not including restructuring measures, across the Group totaled EUR 125.6 million (previous year: EUR 131.1 million) in the reporting year, an average of approximately EUR 44,900 (previous year: EUR 43,700) per employee. Average sales per employee were approximately EUR 285,000 (previous year: EUR 271,000).

As a result of the demanding economic situation, in the second half of the year the number of employees was reduced in Europe by approximately 31.9 percent (not taking into account the acquisition of the company now known as SAF-HOLLAND Verkehrstechnik GmbH or contractors) from 1,349 to 918 and in North America by 18.0 percent from 1,393 to 1,142 (not including contractors). Initially, the Company had attempted to minimize the impact on personnel by cutting back on flexible overtime and vacation days. However, the sustained decline in demand made staff reductions unavoidable. As a result, in Germany in mid-September, approximately 140 contractor agreements and in October about 190 temporary labor contracts were not extended. In the fourth quarter of 2008, following the conclusion of a redundancy plan and a reconciliation of interests, further staff reductions for approximately 200 additional members of core personnel were implemented. The closure of a plant in Slovakia led to the elimination of a further 100 positions. Salaried staff reductions of roughly 100 employees in administrative areas also occurred in North America. As a result of the acquisition of the landing leg business of Austin-Westran and of the company now known as SAF-HOLLAND Verkehrstechnik GmbH, 256 new employees (not including contractors) joined the Group. Because the staff reductions became effective in part only as of December 31, 2008, the number of employees is expected to decline further to 2,417 (as

of the balance sheet date) by the end of March. Discussions with the Workers' Council, the union IG Metall, and the German Federal Employment Office took place in a constructive atmosphere. After personnel cutbacks, the Company is making use of reduced working hours in order to adjust capacity to the lower demand on the one hand and to preserve positions for as long as possible on the other.

As a result of the market environment, all members of management and exempt employees decided to forgo an annual bonus in 2008. Savings measures also included the waiver of three vacation days and certain salary components for executives beginning in 2009.

In order to address long-term requirements for specialists, the Company continues to invest in qualified trainees despite the challenging situation. In Germany, as of the end of 2008, a total of 72 young people (a ratio of about 9.5 %) were trained in various careers.

II.7 Research and Development

The focus of research and development (R&D) in 2008 was on adapting American and European products for their counter market. For example, the Company commenced axle production in the fourth quarter in the USA, where previously it had been necessary to buy other companies' products. Among the highlights was the presentation of a new generation of fifth wheel at the IAA Commercial Vehicles international trade show in Hanover, Germany. In addition, much attention was paid to the Holland FWAL Lightweight fifth wheel, which is now being marketed in Europe as well. This product is an example of how SAF-HOLLAND develops innovative and cost-saving solutions for the customer. By using aluminum, this fifth wheel is significantly lighter than conventional products made from cast iron or steel. SAF-HOLLAND will continue to position itself as a quality provider which assists its customers in reducing the costs over the entire service life.

Expenditures for research and development amounted to around EUR 13.5 million, compared with EUR 11.8 million in the previous year. Thus, the R&D ratio rose slightly to 1.7% (previous year: 1.5 %). Focal points of R&D are on reducing weight, improving energy efficiency, cutting the costs over the entire service life, and developing new technologies.

The Company's test facilities in North America and Europe set industry standards. New developments are frequently undertaken jointly with suppliers. SAF-HOLLAND strives in such cooperation arrangements to secure primary marketing rights. Important product components are protected by Company patents and licenses.

II.8 Sustainability Report

Even in times of trying economic conditions, SAF-HOLLAND is cognizant of, and remains committed to, its responsibility as a Company to society and the environment. For SAF-HOLLAND, sustainability means primarily a commitment to conserving natural resources. The Company seeks to do so by means of a comprehensive system of targets. Reducing product weight in particular can lead to greater transportation efficiency, less pollution and tire abrasion, and thereby to greater cost effectiveness. A case in point is a specially coated fifth wheel that no longer needs to be lubricated. That saves around 30 kilograms of

lubricating grease per truck per year that would otherwise pollute the environment. High product quality and a long service life reduce the need for replacement parts and thus save resources. SAF-HOLLAND is also working on a continuous reduction of noise, dust, and exhaust emissions during production.

In addition, SAF-HOLLAND as a socially responsible enterprise is involved in a large number of social, athletic, and cultural events. At the Bessenbach site in Germany, for example, SAF-HOLLAND established a nursery at the day care facility that can also be used by children whose parents are not SAF-HOLLAND employees.

III EVENTS AFTER THE BALANCE SHEET DATE

Since the balance sheet date of December 31, 2008, the following events of material importance for assessing the Company's position have occurred:

III.1 Credit Agreement

Discussions which were initiated in October with the leaders of a bank consortium, UniCredit and Dresdner Kleinwort, regarding the new agreement for a credit line of EUR 325 million adjusted to the current market situation continued as of the end of fiscal year 2008. When the weak market development became apparent in January, both negotiating parties, the Company and the leaders of the bank consortium, decided to immediately disregard the already drafted contract proposal. Instead, both parties concluded a standstill agreement. On February 27, 2009, it was accepted by the entire bank consortium. The agreement consists of the following elements:

- Increase in the interest margin from 1.6 % to 4.0 %.
- Suspension of the covenants as of December 31, 2008 and March 31, 2009.
- Preparation and presentation by May 5, 2009 of an expert restructuring opinion which describes the ability of the Company to restructure financially. The auditing firm KPMG has been commissioned to prepare the study.
- Development of a new financing concept until June 19, 2009 after submission of the expert restructuring opinion.
- Extensive granting of guarantees in the form of commercial real estate mortgages, pledging of Group bank accounts, and the assignment of other assets as security.

The expert restructuring opinion compiled by KPMG has been completed in a preliminary version as of April 20, 2009. The opinion states the Group is capable of restructuring financially under the conditions listed below. The restructuring opinion is based on corporate planning sensitized in such a way as to take into account the greatest possible negative development that is likely to occur within the planning timeline. The main conditions are as follows:

- The occurrence of the assumptions on which the restructuring opinion is based, in particular the implementation of the targeted restructuring measures.
- Continuation of the existing credit line until December 31, 2010 (EUR 322.6 million as of December 31, 2009; EUR 310.6 million as of December 31, 2010).
- Coverage of the additional liquidity requirement of at most EUR 30 million in November 2010.
- No negative effects on liquidity of more than EUR 5.0 million during the planning period from the reduction or cancellation of credit insurance limits for goods. A negative effect on liquidity of EUR 5.0 million has been taken into account.
- Maintaining the possibility for the transfer of liquid funds between Group companies as part of active cash management.

In addition, the restructuring opinion explicates that sustainable yield and competitive ability can be considered existent, based on the planning as presented and the market position of the SAF-HOLLAND Group.

The Management Board expects to be able to negotiate a new financing concept with the leaders of the bank consortium, UniCredit and Dresdner Kleinwort, until June 19, 2009 in accordance with the requirements of the standstill agreement (see also the Notes to the Consolidated Financial Statements, beginning on page 134).

III.2. Measures to Streamline Cost and Liquidity Structures

In 2009, the Company has proceeded with the measures initiated during the reporting year and has supplemented them with an additional program to reduce costs by a further EUR 35 million in the current fiscal year. This package encompasses cost savings for materials, production, and other non-personnel and personnel expenses. These include such measures as reduced working hours, shortened weekly work schedules, and a temporary reduction in exempt salaries. In addition, SAF-HOLLAND is continuing its program targeting the reduction of inventories, which was begun in 2008, with the aim of reducing the volume to 30 days' worth of inventories by the end of 2009.

III.3 Change in the Management Board and Board of Directors

Upon the expiration of his contract on February 28, 2009, CEO Rudi Ludwig withdrew from the day-to-day operations of the Company in accordance with his own wishes and for personal reasons. He remains a member of the Board of Directors. Dr. Reiner Beutel was appointed as his successor. Most recently, Dr. Reiner Beutel held several Supervisory Board seats, including for Haldex AB, KUKA AG, and Mirror Controls Int. Previously, as CEO and CFO of Schefenacker AG in Schwaikheim, Germany, he was responsible for the operational and financial restructuring of the internationally active automotive supplier. Dr. Beutel began his career after studying business administration in Germany and the USA and earning a doctorate in 1986 as a management consultant at A.T. Kearney GmbH with a focus on strategic planning and controlling. Beginning in 1989, Dr. Beutel spent 15 years at the Robert Bosch Group, where he served in a variety of positions with increasing management responsibility, his final position being Director and CEO of the Bosch Power Tools division in Illinois, USA.

Effective February 1, 2009, Dr. Reiner Beutel will be newly appointed to the Board. Effective February 2, 2009, Dr. Beutel will also assume the position of Chairman of the Management Board of SAF-HOLLAND Group GmbH. In addition, Dr. Rolf Bartke, until now Chairman of the Board of Directors of SAF-HOLLAND S.A., retired from the Board in accordance with his own wishes and for personal reasons with effect from January 31, 2009. His successor is Bernhard Schneider, who was already a member of the Board of Directors since July 16, 2006.

IV OPPORTUNITY AND RISK REPORT

As a player in the global economy, SAF-HOLLAND Group is exposed to a large number of risks of a general nature. The financial and economic crisis, which intensified significantly over the course of 2008 and will persist in 2009, has demonstrated that SAF-HOLLAND is also exposed to general market risks and can be negatively affected by a more restrictive lending policy on the part of banks. These are risks over which the Company naturally has no influence.

After the combination of SAF and Holland in December 2006 and the establishment of new Business Units in July 2007, a uniform and comprehensive risk manual was drawn up, which serves as a guideline for the entire Group. It is reviewed regularly and modified if necessary. Risk management is directed at the early detection and evaluation of potential risks and is voluntarily based on the applicable standards for risk management as defined by the German Corporate Governance Code. Potential risks are clustered in risk areas. For each risk area, a risk policy is defined, which represents a guideline for management, taking into account fundamental opportunities and risks. Within the risk areas, specific risks are evaluated, monitoring instruments are defined, and potential measures are delineated. These measures are designed to avoid risks and/or minimize the damage from risks. In the course of day-to-day operations, there are situations and events that can lead to a specific risk. When risks emerge, the members of the SAF-HOLLAND organization are obligated, under certain conditions, to report these risks immediately. In this way, risks can be systematized and evaluated, and the awareness of the Company can be sharpened.

IV.1 Overview of Risks

IV.1.1 Going Concern

The consolidated financial statements of SAF-HOLLAND S.A. for fiscal year 2008 are predicated on the assumption that business operations can be continued in the future ("going concern"). This assumption, however, is subject to one existential risk: as of the balance sheet date, the Group's long-term financing was not secured. Discussions with the leaders of a bank consortium were still underway as of the balance sheet date and initially led to a standstill agreement which secures financing only until June 19, 2009. By this date, the Company will develop a new financing concept with the leaders of the bank consortium based on an expert restructuring opinion prepared by the auditing company KPMG (see also Events After the Balance Sheet Date, Chapter III.1, and the Risk Report, Chapter IV.1.3).

IV.1.2 General Business Risks

As a rule, actual business development may deviate from plans. In order to evaluate business development, a budget and a medium-term plan with a time line of five years are prepared yearly. The budget is divided into monthly periods. Within the framework of current business developments, a monthly “rolling forecast” is prepared for the current fiscal year. Adherence to key figures is monitored based on this reporting system. However, in view of the currently challenging economic environment, which is characterized by a significant decline in demand for trucks and trailers, future market development is uncertain. Therefore, the risk exists that actual business development may deviate from previous estimates.

During entry into new regions, political and other risks may influence business development. Detailed business plans are prepared in order to counteract these risks.

IV.1.3 Financing Risks

In October 2008, against the backdrop of changing market conditions, the management of SAF-HOLLAND Group initiated discussions with the leaders of a bank consortium which had provided a credit line for EUR 325 million for the Company in February 2008. The covenants had been established during a period of still-expanding markets in order to secure low interest rates for the Company. The goal of the discussions was to negotiate a new financing agreement in view of the risks posed by the market downturn. As of December 31, 2008, the discussions were still underway at a time of deteriorating market visibility.

Ultimately, in January 2009, the Company and the leaders of the consortium had worked out a joint proposal. However, when at the beginning of the year a period of sustained market weakness at a very low level became evident, both sides – the banks and the Company – arranged an interim standstill agreement. This decision also resulted from the difficulty in forecasting further market developments. On February 27, 2009, the bank consortium signed an agreement which encompasses the following core points:

- Increase in the interest margin from 1.6 % to 4.0 %.
- Suspension of the covenants as of December 31, 2008 and March 31, 2009.
- Presentation of an expert restructuring opinion by May 5, 2009 which describes the ability of the Company to restructure financially. The auditing firm KPMG has been commissioned to prepare the study.
- Development of a new financing concept until June 19, 2009 after submission of the expert restructuring opinion.
- Extensive granting of guarantees in the form of commercial real estate mortgages, pledging of Group bank accounts, and the assignment of other assets as security.

The expert restructuring opinion compiled by KPMG has been completed in a preliminary version as of April 20, 2009. The opinion states the Group is capable of restructuring financially under the conditions listed below. The restructuring opinion is based on corporate planning sensitized in such a way as to take into account the greatest possible negative development that is likely to occur within the planning timeline. The main conditions are as follows:

- The occurrence of the assumptions on which the restructuring opinion is based, in particular the implementation of the targeted restructuring measures.
- Continuation of the existing credit line until December 31, 2010 (EUR 322.6 million as of December 31, 2009; EUR 310.6 million as of December 31, 2010).
- Coverage of the additional liquidity requirement of at most EUR 30 million in November 2010.
- No negative effects on liquidity of more than EUR 5.0 million during the planning period from the reduction or cancellation of credit insurance limits for goods. A negative effect on liquidity of EUR 5.0 million has been taken into account.
- Maintaining the possibility for the transfer of liquid funds between Group companies as part of active cash management.

In addition, the restructuring opinion explicates that sustainable yield and competitive ability can be considered existent, based on the planning as presented and the market position of the SAF-HOLLAND Group.

The Management Board expects to be able to negotiate a new financing concept with the leaders of the bank consortium, UniCredit and Dresdner Kleinwort, until June 19, 2009 in accordance with the requirements of the standstill agreement (see also the Notes to the Consolidated Financial Statements, beginning on page 134).

IV.1.4 Customer Structure

The principal risks include dependence on individual customers. At SAF-HOLLAND, sales distribution by customer roughly corresponds to the customers' market shares. Ten large customers account for 39 % of the original equipment business. There are also a large number of small and mid-sized customers who are highly significant in their respective niches. With its positioning in Europe and North America, the Company has improved its risk profile significantly and is an international partner of the commercial vehicle industry. The After-market 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.

Modern credit management also helps keep default risks to a minimum. In Europe, this is done in close cooperation with Atradius Kreditversicherungs AG, Cologne, Germany, which provides insurance coverage against default for the majority of existing third-party receivables via credit limits. In North America, there is no way to insure against the risk of default that makes economic sense. That is why the Company operates with so-called house limits in place of the credit limits through which the Company has insurance coverage in Europe.

There are also financing risks on the customer side, above all if – as can currently be observed – banking institutions provide less credit or the conditions become less favorable. In general, the current situation of the truck and trailer industry is negative. Plant closures and shutdowns as well as a dramatic decline in demand make a reliable forecast impossible at this time.

IV.1.5 Procurement Risks

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

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

IV.1.6 Personnel Risks

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

In the case of capacity underutilization, as is currently the case, fixed costs for personnel may put pressure on the Company's earnings position. The Company is responding to the weak market development through personnel adjustments and reduced working hours.

In principle, the risk exists of the departure of individuals who have particular expertise. The Company counteracts this risk through Group-wide knowledge management.

IV.1.7 Production Risks

SAF-HOLLAND's investment strategy concentrates on investments with a swift return on investment (ROI) that promote rationalization and capacity expansion. This can also involve reducing in-house production depth if it seems appropriate. SAF-HOLLAND aims to concentrate primarily on the production steps of welding, surface treatment, and assembly and thereby to reduce the complexity of the production process significantly. Insurance coverage has been taken out against the risk of production downtimes due to fire or other unforeseeable factors. Contingency plans have also been drawn up for external procurement to ensure continued ability to deliver.

IV.1.8 Information Technology Risks

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

IV.1.9 Interest Rate Risks

Risks arising from interest rate fluctuations are hedged by means of suitable financial instruments in such a way that the instruments themselves cannot have an incalculable impact on the earnings or assets position of the Company.

SAF-HOLLAND has concluded swap agreements to hedge against interest rate fluctuations. As of December 31, 2008, approximately 44.0% of existing interest rate commitments was covered in this way. Swaps provide for the Company paying a fixed interest rate, the swap rate, to the bank in question in return for a floating reference rate (Euribor/Libor). In this way, a floating rate is converted into a fixed rate. As of the balance sheet date, the Libor swap rate was 4.69%. Due in part to the global economic crisis, the Libor rate has fallen and the market value of the US-Dollar swaps that the Company holds was negative as of December 31, 2008. The Euribor swap rate is 3.9% and had a negative market value as of December 31, 2008. In the event of further changes in Libor or Euribor rates, market values may change either positively or negatively.

In addition to its existing swap agreements, the Group has negotiated Euribor and Libor interest rate options. These provide for the obligation to renew existing swap agreements for a further two years starting in 2010. As of December 31, 2008, these options had a negative market value as a result of the financial market's interest rate expectations for the exercise period. The market value of options adjusts continuously to financial market players' interest rate expectations and can develop either positively or negatively.

As part of the standstill agreement, new margins were agreed upon that lead to an increase in the future average interest rate from 5.75% to most likely 7.0%, taking into account existing hedges. However, the higher margin is partially offset by lower refinancing rates (Euribor/Libor).

All interest rate hedging transactions are stated in the balance sheet at their current market values as of December 31, 2008 and cover the risk of future interest rate changes in line with current market expectations.

IV.1.10 Exchange Rate Risks

Risks associated with exchange rate fluctuations arise only in connection with consolidation and the translation of annual financial statements for companies outside of the Euro zone.

During the period under review, the Company generated 30.0 % of its sales in North America. Exchange rate effects play only a minor role in the operating business. The Group's strategy is to buy and manufacture in its regional sales markets, thereby achieving real hedging.

IV.1.11 Quality Risks

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

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

Quality is monitored constantly, and the response to problems is immediate. Suppliers are incorporated intensively into this process on a partnership basis, even when it comes to absorbing the resulting costs. In rare cases, however, product recalls can prove necessary. In fiscal year 2008, there was a recall action in Brazil that reduced earnings by EUR 0.7 million. Product replacements in the field and recalls can occur in spite of all care and attention and comprehensive quality assurance right from the product development state. Dealing with problems swiftly and consistently is, however, appreciated by customers.

IV.1.12 Legal and Regulatory Risks

Legal and regulatory risks can lead to volatility in business development. Insurance coverage has been taken out against risks from legal regulations, such risks arising from product liability.

Statutory changes, especially regarding regulations to reduce exhaust emissions, can exert an influence on the demand behavior of customers in the truck sector. Because engines with lower emission ratings may be more expensive, financially strong customers in particular tend to order vehicles in excess of their actual requirements before new emission regulations come into force. This leads in the following year to a significant decline in demand, as would be expected. This effect occurs mainly in the United States, as government subsidies tend to ease this effect in Europe. The Company was not impacted by such effects in 2008. However, the Group follows the development of and forecasts for new vehicle registrations on the basis of external statistics on a monthly basis in order to be able to react promptly and appropriately.

IV.1.13 Conclusion

The consolidated financial statements of SAF-HOLLAND S.A. are predicated on the assumption that business operations can be continued in the future (“going concern”). This assessment, however, is subject to one significant uncertainty factor, which cannot currently be conclusively assessed. As of the balance sheet date, the Group’s long-term financing had not yet been secured (see also Events After the Balance Sheet Date, Chapter III.1, and the Risk Report, Chapter IV.1.3). Despite this uncertainty, the Company assumes that SAF-HOLLAND S.A. will be able to continue its business operations and satisfy its payment obligations. The Company has taken numerous measures in order to adapt itself and its cost situation to the new economic conditions. As of now the Group can implement the steps required by the preliminary expert opinion on restructuring. Thus, the Company is fulfilling important prerequisites for the successful conclusion of talks with the leaders of the bank consortium regarding a new financing concept.

All additional 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 write-downs, value adjustments, and risk provisions. In addition to Company-specific risks, the Group’s business is dependent not only on the cyclical development of prices and sales but on the economic development of large customers as well. The preservation of liquidity is the current focus of risk management.

IV.2 Opportunities Report

The current global financial and economic crisis is influencing the business development of SAF-HOLLAND S.A. However, the Company has numerous opportunities, which remain steadfast despite current market developments and assure the long-term growth of the Group.

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

- Development of new products and the further development of the existing range of products
- Two-way technology transfer between North America and Europe
- Expansion of business in Brazil
- Growth in China due primarily to rising investment in infrastructure

As a result of numerous cost-reduction and efficiency-enhancing measures, the Group is well positioned to achieve profitable growth once demand recovers.

SAF-HOLLAND has positioned itself in its markets as a quality provider which offers its customers cost as well as competitive advantages. With this sustainable business approach, the Company can benefit from the increasing cost, quality, and environmental consciousness on the part of OEMs and fleet operators, which also require continual efficiency improvements, for example by reducing procurement and operating costs.

In addition, rising diesel prices, as they were encountered in the first half of 2008 and are expected again in the medium term, should stimulate demand for the Company's premium products since they frequently lead to weight reduction and thus less fuel consumption. The Company provides economically attractive solutions for the high expectations of its customers in the commercial vehicles industry. With its extensive product range, the Company will be able to profit from the demand for products which increase efficiency.

Furthermore, SAF-HOLLAND can build upon its good market position: in the trailer market, the Group benefits from the subgroup SAF's expertise and has now established its own production of axle systems in North America. This eliminates the need to purchase from third-party providers. Through the acquisition of the company now known as SAF-HOLLAND Verkehrstechnik GmbH, the Powered Vehicle Systems Business Unit now has a solid foundation in Europe, in contrast to its previous US focus. In addition, the Unit can leverage technologies from the North American subgroup Holland and the service network of the European subgroup. The growth driver for the Aftermarket Business Unit is the installed base, in other words, the widespread distribution of axle systems, which has risen sharply in Europe in recent years.

V. OUTLOOK

The current financial and economic crisis will most likely put immense pressure on worldwide growth this year. Slight stabilization is anticipated only in the second half of the year. In total, gross domestic product worldwide is expected to grow by only 0.5 %.¹⁾ China and Brazil, however, remain among the economies still growing, while in Germany economic output is to fall by between 2.3 % and 2.7 %.²⁾ A decline of 1.8 % is forecast for the EU,³⁾ while the US economy is expected to shrink by 1.6 %.⁴⁾ In 2010, the growth dynamic should accelerate again, resulting in a gain of 3.0 % in global output.⁴⁾

1) IMF, January 2009

2) European Commission, economic forecast for 2009; Kiel Institute for the World Economy, December 2008

3) European Commission, economic forecast for 2009

4) IMF, January 2009

5) Global Insight/Supplier Business

6) ACT, December 2008

7) Beecroft Report

Cyclical weakness is expected to suppress demand in 2009 as well: in western Europe growth stimulus is anticipated for the truck sector through the introduction of new emissions standards (Euro 5 standard) beginning in 2011; initially demand is expected to drop by about 7.0 percent, but rise by about 5.0 percent in 2010.⁵⁾ In North America (Class 8), an additional decline of about 14.3 percent is assumed, whereas demand should increase due to a new generation of engines resulting from regulations taking effect in 2010.⁶⁾ In 2010, a market recovery is projected to boost production by 30.8 %.⁶⁾ In the western European trailer market in 2009, a decline of around 18.0 % is expected.⁷⁾ For the USA in 2009, an additional decline of about 14.9 % is forecast, but a dramatic rebound in production of about 46.0 % is anticipated for 2010.⁶⁾

SAF-HOLLAND will continue to pursue the path it has embarked upon and substantially improve the Group's efficiency in 2009 as well. At the beginning of the year, the Company put in place a second program of measures to reduce costs in 2009 by an additional EUR 35 million. The program includes not only the closure or consolidation of additional production sites in Europe, North America, and China, but also a reduction in costs for materials and production and other non-personnel and personnel expenses. The Company will make use of such potential measures as reduced working hours, shortened weekly work schedules, and a temporary reduction in exempt salaries. In order to stabilize liquidity, the Company will again reduce capital tied up in inventories, the goal being to reduce inventory to one month's worth of sales. With all of the programs already put in place, the Company has created the prerequisites for overcoming weak demand.

Against the backdrop of a weak overall economy, demand from customers is highly volatile. For the most part, orders are placed only on a short-term basis, which makes forecasting difficult. As a result, reliable planning for the entire year is not currently feasible. From today's perspective, the Company assumes that annual sales in 2009 will fall substantially below the level achieved in the previous year. Consequently, the Company expects significant pressure on earnings development, particularly as the measures that have been introduced can only have an effect on earnings over the course of 2009.

Over the long term, it can be assumed that the demand for transport services will continue to rise as a result of the globalized economy, although the growth rates of the period from the beginning of 2006 to mid-2008 will not be achievable for the time being. However, the demand for trucks and trailers should increase again from the currently extremely low level. For example, market research institutes are forecasting a market recovery for North America beginning in 2010. With its comprehensive product range and worldwide presence, SAF-HOLLAND will be a particular beneficiary after the Group completes its current restructuring and productivity improvements.

Luxembourg, April 23, 2009



Bernhard Schneider
Chairman of the Board of Directors



Dr. Reiner Beutel
Chief Executive Officer of
SAF-HOLLAND Group GmbH

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Consolidated Income Statement

For the period January 1 to December 31, 2008

kEUR	Notes	01/01/08–12/31/08	01/01/07–12/31/07
Sales	(4)	798,766	812,504
Cost of sales	(5)	-680,277	-670,938
Gross profit		118,489	141,566
Other income	(6.1)	4,772	3,230
Selling expenses	(6.2)	-48,523	-45,541
Administrative expenses	(6.3)	-38,599	-48,763
Research and development costs	(6.4)	-13,520	-11,831
Impairment of goodwill and intangible assets	(6.8)	-19,034	0
Operating profit		3,585	38,661
Finance income		965	1,348
Finance expenses	(6.5)	-27,193	-33,954
Share of net profit of investments accounted for using the equity method	(10)	453	709
Loss/profit before tax		-22,190	6,764
Income tax income/expense	(7)	-2,794	4,404
Loss/profit for the year		-24,984	11,168
Attributable to equity holders of the parent		-24,984	11,168
Basic earnings per share (EPS) EUR	(25)	-1.29	0.15
Diluted earnings per share EUR	(25)	-1.29	0.02

Consolidated Balance Sheet

As of December 31, 2008

kEUR	Notes	12/31/08	12/31/07
ASSETS			
Non-current assets		350,537	333,806
Goodwill	(8)	54,284	69,111
Intangible assets	(8)	148,321	118,580
Property, plant, and equipment	(9)	117,744	108,556
Investments accounted for using the equity method	(10)	11,046	13,842
Financial assets	(11)	140	1,674
Other non-current assets	(12)	2,738	2,617
Deferred tax assets	(7)	16,264	19,426
Current assets		183,948	220,760
Inventories	(13)	85,812	96,714
Trade receivables	(14)	82,348	86,191
Other current assets	(14)	4,880	4,949
Income tax assets		2,351	5,149
Cash and cash equivalents	(15)	8,557	27,757
Non-current assets classified as held for sale	(16)	2,887	0
Total assets		537,372	554,566
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	(17)	72,070	108,157
Subscribed share capital		207	188
Share premium		106,454	93,146
Legal reserve		19	0
Retained earnings		-20,686	12,317
Accumulated other comprehensive income		-13,924	2,506
Non-current liabilities		66,213	329,214
Pensions and other similar benefits	(18)	11,843	11,401
Other provisions	(19)	5,167	4,230
Interest-bearing loans and borrowings	(20)	0	261,293
Finance lease liabilities	(21)	508	821
Other financial liabilities	(24)	10,020	2,908
Other liabilities	(23)	499	237
Deferred tax liabilities	(7)	38,176	48,324
Current liabilities		399,089	117,195
Pensions and other similar benefits	(18)	2,712	2,221
Other provisions	(19)	13,892	8,899
Income tax liabilities		2,813	6,922
Interest-bearing loans and borrowings	(20)	312,396	1,627
Finance lease liabilities	(21)	475	443
Trade payables	(22)	60,443	90,877
Other liabilities	(23)	6,358	6,206
Total liabilities and equity		537,372	554,566

Consolidated Statement of Changes in Equity

For the period January 1 to December 31, 2008

kEUR	Attributable to equity holders of the parent					Total equity
	Subscribed share capital (Note 17)	Share premium (Note 17)	Legal reserve (Note 17)	Retained earnings (Note 17)	Accumulated other comprehensive income (Note 17)	
As of 01/01/2008	188	93,146	0	12,317	2,506	108,157
Foreign currency translation	–	–	–	–	-14,235	-14,235
Net loss on cash flow hedges	–	–	–	–	-2,195	-2,195
Total income and expense for the year recognized directly in equity	0	0	0	0	-16,430	-16,430
Loss for the year	–	–	–	-24,984	–	-24,984
Total income and expense for the year	0	0	0	-24,984	-16,430	-41,414
Issue of share capital	19	13,968	–	–	–	13,987
Transaction costs	–	-660	–	–	–	-660
Appropriation to legal reserve	–	–	19	-19	–	0
Dividends paid	–	–	–	-8,000	–	-8,000
As of 12/31/2008	207	106,454	19	-20,686	-13,924	72,070

For the period January 1 to December 31, 2007

kEUR	Attributable to equity holders of the parent					Total equity
	Subscribed share capital (Note 17)	Share premium (Note 17)	Retained earnings (Note 17)	Convertible preferred equity certificates (Note 17)	Accumulated other comprehensive income (Note 17)	
As of 01/01/2007	1,184	109	811	7,193	72	9,369
Foreign currency translation	–	–	–	–	3,323	3,323
Net loss on cash flow hedges	–	–	–	–	-889	-889
Total income and expense for the year recognized directly in equity	0	0	0	0	2,434	2,434
Profit for the year	–	–	11,168	–	–	11,168
Total income and expense for the year	0	0	11,168	0	2,434	13,602
Issue of convertible preferred equity certificates	–	–	–	40	–	40
Issue of share capital	51	97,229	–	–	–	97,280
Transaction costs	–	-4,192	–	–	–	-4,192
Redemption of preferred shares	-1,058	–	–	–	–	-1,058
Share-based payment compensation	–	–	338	–	–	338
Reclassification due to contractual arrangements	11	–	–	–	–	11
Redemption of convertible preferred equity certificates	–	–	–	-7,233	–	-7,233
As of 12/31/2007	188	93,146	12,317	0	2,506	108,157

Consolidated Cash Flow Statement

For the period January 1 to December 31, 2008

kEUR	Notes	01/01/08–12/31/08	01/01/07–12/31/07
Cash flow from operating activities			
Loss/profit before tax		-22,190	6,764
- Finance income		-965	-1,348
+ Finance expenses	(6.5)	27,193	33,954
- Share of net profit of investments accounted for using the equity method	(10)	-453	-709
+ Amortization and depreciation of intangible and property, plant, and equipment	(6.7)	38,995	18,707
+/- Allowance/write-up of current assets		1,164	-488
- Gain on disposal of property, plant, and equipment		-503	-283
+ Dividends from investments accounted for using the equity method		765	0
+ Expense for share-based payments		0	338
Profit before change of net working capital		44,006	56,935
+/- Change in other provisions and pensions		4,658	-2,193
+/- Change in inventories		20,478	-9,712
+ Change in trade receivables and other assets		14,302	1,495
-/+ Change in trade payables and other liabilities		-41,519	5,207
Cash flow from operating activities before income tax paid		41,925	51,732
- Income tax paid		-7,142	-8,249
Net cash flow from operating activities		34,783	43,483
Cash flow from investing activities			
- Acquisition of subsidiaries net of cash acquired	(3)	-50,599	-15,729
- Purchase of property, plant, and equipment	(9)	-21,915	-17,946
- Purchase of intangible assets	(8)	-1,702	-1,364
+ Proceeds from sales of financial assets		0	42
- Purchase of investments accounted for using the equity method		-325	-231
+ Proceeds from sales of property, plant, and equipment		1,948	520
+ Proceeds from sales of intangible assets		0	38
+ Interest received		486	866
Net cash flow from investing activities		-72,107	-33,804
Cash flow from financing activities			
+ Proceeds from capital increase net of transaction costs		12,513 ¹⁾	91,806
+ Payments from shareholders		0	40
- Repayments to shareholders	(17)	0	-56,908
- Dividend payments to shareholders	(17)	-8,000	0
- Payments for finance lease		-439	-476
- Interest paid		-20,459	-27,138
- Repayments of current and non-current financial liabilities	(20)	-265,160	-13,851
+ Proceeds from current and non-current financial liabilities	(20)	299,979	1,822
Net cash flow from financing activities		18,434	-4,705
Net decrease/increase in cash and cash equivalents		-18,890	4,974
Net foreign exchange difference		-310	845
Cash and cash equivalents as of 01/01/08	(15)	27,757	21,938
Cash and cash equivalents as of 12/31/08	(15)	8,557	27,757

1) The proceeds contain net cash flows from the capital increase on September 4, 2008 in the amount of kEUR 13,987 net of transaction costs (before income tax benefits) of kEUR 928. Furthermore, the proceeds include payments in the amount of kEUR 546 for expenses relating to the IPO in the prior year.

Notes to the Consolidated Financial Statements

For the period January 1 to December 31, 2008

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 registered with the Luxembourg Register of Commerce under the section B number 113.090. The shares of the Company are listed in the Prime Standard of the Frankfurt Stock Exchange under the symbol "SFQ" (ISIN: LU0307018795).

The consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries (the "Group") as of December 31, 2008 were authorized for issue in accordance with resolution of the Board of Directors on April 23, 2009. Under Luxembourg law, the financial statements have to 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 (IFRS), as adopted by the European Union and in effect as of the closing date.

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

The balance sheet presents current and non-current assets as well as current and non-current liabilities. The income statement is presented using the cost of sales method. Certain items in the income statement and the balance sheet are combined items. These are disclosed separately in the Notes to the consolidated financial statements.

The consolidated financial statements are presented in Euro and all values are given in thousand Euro (kEUR) unless otherwise indicated.

The consolidated financial statements of SAF-HOLLAND S.A. were prepared under the assumption that the Company is a going concern. In general, significant uncertainties exist concerning the Company's continued existence which cannot be assessed conclusively at this time. The assessment of the Company's continued existence is mainly subject to uncertainty as to whether a new long-term credit agreement can be negotiated with the lending banks upon the maturity of the standstill agreement. There is also uncertainty as to whether the conditions specified in the expert opinion on the Group's capacity for financial restructuring can be fulfilled. Further details regarding the current status of negotiations are given in Notes 20, 29, and 30.

2.2 Significant Accounting Judgments, Estimates, and Assumptions

In preparing the consolidated financial statements, management has made assumptions and estimates which affect the reported amounts of assets, liabilities, income, expenses, and contingent liabilities as of the reporting date. Actual amounts may deviate from these estimates. As a rule, any changes will be recognized in profit and loss as they become known.

Apart from the above mentioned uncertainties, the key assumptions concerning the future and other main sources of estimation uncertainties 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 fiscal year are discussed below.

Impairment of goodwill and intangible assets with indefinite useful lives

The Group determines whether goodwill or other intangible assets with indefinite useful lives are impaired on at least an annual basis or in the case of corresponding indications. The Group's impairment testing with respect to goodwill and intangible assets with indefinite useful lives as of December 31, 2008 is based on calculations of fair value less cost to sell and the application of the discounted cash flow method. The cash flows are derived from the financial planning for the next four years. Restructuring measures to which the Group has not yet committed itself are taken into account only to the extent that other market participants might include them in the valuation of assets. The recoverable amount is strongly dependent on the discount rate used in the discounted cash flow method, expected future cash flows, and growth rates used for purposes of extrapolation.

The assumptions are based on currently available information. In particular, expectations regarding business development reflect the situation at the time the consolidated financial statements are prepared as well as realistic assessments of the future development of the global and industry-specific environment. The corporate planning on which the impairment test is based was adjusted in recognition of the deterioration in earnings expectations as a result of the financial market crisis and the ongoing accompanying cyclical downturn. The main assumptions for this planning are based on projected unit volumes for the truck and trailer market as determined by market research companies. Although management believes that the assumptions used to calculate the recoverable amount are appropriate, unforeseen changes to these assumptions could lead to an impairment charge, which could negatively impact the assets, financial, and earnings position. The basic assumptions for

determining the recoverable amount of the various cash-generating units, including a sensitivity analysis, are discussed in more detail in Note 8. As of December 31, 2008, the carrying amounts of goodwill totaled EUR 54.3 million (previous year: EUR 69.1 million) and of intangible assets with indefinite useful lives EUR 28.1 million (previous year: EUR 29.8 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 involves the use of estimates for determining the fair value at the acquisition date, in particular in the case of such assets acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of the fair values of assets as well as of the useful lives of assets is based on management's judgment. The carrying amount of property, plant, and equipment as of December 31, 2008 was EUR 117.7 million (previous year: EUR 108.6 million) and of intangible assets with finite useful lives EUR 120.2 million (previous year: EUR 88.8 million). Further details are given in Notes 8 and 9.

Deferred tax assets

At every balance sheet date, the Group evaluates whether or not obtaining future tax advantages is sufficiently probable for the recognition of deferred tax assets. This requires management to, among other things, assess the tax advantages 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, which is prepared according to the above-mentioned principles. The reported amount of deferred tax assets could decline if estimates are lowered for projected taxable income and for tax advantages achievable through available tax strategies, or if changes in current tax legislation restrict the timing or amount of potential tax advantages.

Deferred tax assets are recognized for all unused tax loss carry-forwards to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Deferred tax assets for all unused interest carry-forwards are recognized to the extent it is probable that they can be used in the future to reduce taxable income. As of December 31, 2008, the carrying amount of deferred tax assets for tax loss carry-forwards amounted to EUR 3.0 million (previous year: EUR 5.9 million). Unrecognized tax loss carry-forwards amounted to EUR 17.6 million (previous year: EUR 13.6 million). In addition, as of December 31, 2008 the carrying amount of capitalized deferred tax assets for interest carry-forwards was EUR 8.2 million (previous year: EUR 2.4 million) and the amount of unrecognized taxable interest carry-forwards was EUR 11.4 million (previous year: EUR 0). Additional details are given in Note 7.

Pension and other similar benefits

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates, future pension increases, expected fluctuations, and health care cost trends. All assumptions are reviewed as of the balance sheet date. In determining the appropriate discount rate, management is guided by the interest rates on corporate bonds with an AAA- or AA- rating in a given country. These interest rates were subject to high volatility in 2008. Mortality rates are based on publicly available mortality rate 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, 2008, the carrying amount of pensions and similar obligations was EUR 14.6 million (previous year: EUR 13.6 million). Overfunded pension plans were recognized in the amount of EUR 1.2 million (previous year: EUR 0.8 million). Further details are given in Note 18.

Other provisions

The recognition and measurement of other provisions is based on an estimate of the probability of the future outflow of benefits, supplemented by past experience and the circumstances known as of the balance sheet date. As such, the actual outflow of benefits may differ from the amount recognized under other provisions. As of December 31, 2008, other provisions amounted to EUR 19.1 million (previous year: EUR 13.1 million). Further details are given in Note 19.

Derivative financial instruments

Where the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be derived from active markets, it is determined using valuation methods. The data input into these models is taken from observable markets where possible. If it is not possible, determining the fair values requires a certain degree of judgment on parameters such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The carrying amount of the financial liabilities as of December 31, 2008 was EUR 10.0 million (previous year: financial assets EUR 1.3 million and financial liabilities EUR 2.9 million). Further details are given in Note 24.

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, associated companies, and joint ventures are prepared for the same reporting period as the parent company using consistent accounting policies.

All receivables and liabilities, sales and income, expenses, and unrecognized results between Group companies are fully eliminated during consolidation.

Business combinations

Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date on which the Company obtained control. Control exists if SAF-HOLLAND S.A. possesses more than half of the voting rights or is otherwise able to determine the financial and business policies of a company so that it can benefit from its activities. Full consolidation continues until the date control by the parent company ceases.

All business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair values of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus any costs directly allocable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition, irrespective of the extent of any minority interest.

Investments in associates and joint ventures

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

An associate is an entity in which the Group can exercise significant influence on financial and business policies but 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 via jointly controlled entities, whereby the venturers have contractual arrangements which establish joint control over the economic activities of the entity.

Accounting for investments in associates and joint ventures in the consolidated financial statements using the equity method ends when the Group no longer exercises significant influence or no longer participates in joint control.

Whenever the Group conducts transactions with an associate or joint venture, the resulting unrealized profits or losses are eliminated to the extent of the Group's interest in the associated company or joint venture.

If shares in associates and joint ventures are to be classified as available for sale, the shares are no longer accounted for using the equity method and are presented as "Non-current assets classified as held for sale" in the balance sheet.

A comprehensive list of the Group's shareholdings is provided under Note 28.

Foreign currency translation

The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the period-end exchange rate. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial 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 exchange rate prevailing on the balance sheet date.

As of the reporting date, the assets and liabilities of subsidiaries are translated into Euro at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss.

Translation differences on borrowings denoted in a foreign currency accounted for as a hedge of a net investment in a foreign operation are taken directly to equity until the disposal of the net investment, at which time they are recognized in the income statement. Deferred taxes resulting from such translation 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 are EUR/USD = 1.40944 (previous year: 1.47284) and EUR/CAD = 1.72236 (previous year: 1.44640), respectively. The weighted average exchange rates for these currencies was EUR/USD = 1.46325 (previous year: 1.36832) and EUR/CAD = 1.55788 (previous year: 1.46919), respectively.

Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether or not other assets or liabilities of the acquired company are allocated to these cash-generating 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

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

The useful lives of intangible assets are either finite or indefinite. Intangible assets with finite lives are amortized over their useful lives and tested for impairment whenever there is an indication that the intangible asset may be impaired. 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 fiscal year. The amortization expense on intangible assets with finite useful lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized. The useful lives of these intangible assets are 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.

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

	Customer relationships	Technology	Brands	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	No amortization	Amortized on a straight line basis over the useful life	Amortized on a straight line basis over the period of the patent
Useful life	25–40 years	10–18 years	Indefinite	20 years	3–7 years
Remaining useful life	22–38 years	7–16 years	Indefinite	17–18 years	1–7 years

Gains or losses arising from 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 disclosed in the income statement when the asset is derecognized.

Property, plant, and equipment

Property, plant, and equipment is measured at historical cost, less accumulated impairment losses. Internally generated property, plant, and equipment include not only direct material and production costs but also any allocable material and production overhead costs. Administrative expenses are capitalized only if there is a direct connection to production. Ongoing maintenance and repair expenses are immediately recognized as expenses. Costs for the replacement of components or the general overhaul of plant and equipment are capitalized only if the recognition criteria are met.

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

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

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

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

	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	3–12 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. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Borrowing costs

Borrowing costs are recognized as an expense when incurred.

Leases

The basis for classifying leases is the extent to which the risks and benefits associated with the leased item are borne by the lessor or the lessee.

Leases for which the Group as the lessee bears substantially all the opportunities and risks incidental to ownership of the leased item are treated as financial leases. Accordingly, the Group capitalizes the leased property at fair value or, if lower, the present value of the minimum lease payments and subsequently depreciates the leased property over its estimated useful life or, if shorter, the contractual period. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized immediately in profit and loss.

All other leases for which the Group serves as the lessee are treated as operating leases. Operating lease payments are recognized as an expense in the income statement 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 income statement reflects the share of the results of operations of the associate or joint venture separately. Where there has been a change recognized in equity of the associate or joint venture, the Group recognizes its share of any changes and discloses it, when applicable in the statement of changes in equity. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment in the associates or jointly controlled entities and is not amortized or separately tested for impairment.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in its 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 being the difference between the fair value of the investment and the carrying amount of this investment and recognizes the amount in profit or loss.

Impairment of non-financial assets

An impairment test for goodwill and intangible assets with indefinite useful lives is conducted at least on an annual basis on October 1 of each fiscal year. In addition, whenever there are specific indications of impairment, an impairment test is carried out. An impairment test is conducted for other intangible assets with limited useful lives, property, plant, and equipment, and other non-financial assets only if there are specific indications of impairment.

An impairment is recognized 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 group of assets. The recoverable amount is the higher of the fair value less cost to sell and the 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 cashflows is used. To ensure the objectivity, these calculations are corroborated by valuation multiples, quoted stock prices for shares in publicly traded companies, or other available fair value indicators.

If the reason for impairment recognized in prior years no longer exists, 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 prior years. Such reversal is recognized through profit or loss.

Financial assets and liabilities

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

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

The Group determines the classification of its financial assets and liabilities on initial recognition and, where allowed and appropriate, reevaluates this designation at each fiscal year end.

Upon initial recognition, financial assets and liabilities are measured at fair value. Transaction costs that are directly attributable to the acquisition are similarly recognized for all financial assets and liabilities that are not subsequently measured at fair value through profit or loss.

Financial assets and liabilities are netted in the consolidated balance sheet only if a legal claim currently exists to offset the recognized values with the intention to either settle on a net basis or to realize a given asset and settle the related liability.

With the exception of derivative financial instruments, as of the balance sheet date financial investments were not classified as "financial assets measured at fair value through profit or loss" or as "held-to-maturity investments." Nor were financial liabilities classified as "financial liabilities measured at fair value through profit or loss."

Primary financial instruments

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables include the Group's trade receivables as well as cash and cash equivalents.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in another category. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses net of deferred taxes being carried in a separate equity item. At the date on which the investment is derecognized or determined to be impaired, the accumulated gain or loss previously recognized in equity is recognized with effect on net income. For financial assets that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is measured on the basis of valuation methods. If there is no active market and the fair value cannot be reliably determined, the investment is carried at cost.

Financial liabilities and interest-bearing loans are measured at amortized cost using the effective interest method. Gains and losses are recognized with effect on net income when the liabilities are derecognized, as well as through the amortization process.

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 interest rate swaps and prolongation options for these interest rate swaps as derivative financial instruments. The fair value of interest rate swaps is determined based on interest rates with matching maturities.

Derivative financial instruments which are used by the Group to hedge the risk of variability of cash flows are classified as cash flow hedges. Cash flow hedges secure future payment flows from balance sheet assets and liabilities and from planned transactions that are likely to occur from fluctuations.

At the inception of the hedging relationship, the Group formally designates both the hedging relationship and the strategy for undertaking the hedge within the framework of risk management objectives. The Group uses derivative financial instruments exclusively for hedging risks associated with interest rate changes where a specific relationship to an underlying transaction is present. Hedging relationships are assessed on an ongoing basis to determine if they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedging relationships which function as cash flow hedges and which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument, 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 the income statement in the period in which the hedged transaction affects profit or loss, such as when the 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, amounts previously recognized in equity are transferred to profit or loss.

Derivative financial instruments which do not meet the strict criteria for hedge accounting must be classified as held for trading and thus recognized in profit or loss at fair value. The prolongation options for interest rate swaps used by the Group do not meet the criteria for hedge accounting.

Impairment of financial assets

The Group assesses at each balance sheet date whether or not there is evidence of impairment of a financial asset or of a group of financial assets which are not measured at fair value through profit or loss. In case of equity investments classified as available for sale, objective evidence would include a significant and prolonged decline in fair value of the investment below its costs. Where there is objective evidence of impairment a loss previously recognized in equity is transferred to profit or loss.

Subsequent reversals with respect to equity instruments classified as available for sale are not recognized in profit or loss but are recognized directly in equity. Reversals of impairment losses on debt instruments which objectively occurred after the impairment loss was recognized are reversed through profit or loss.

Derecognition of financial assets and liabilities

A financial asset is derecognized when the Group loses control over the contractual rights pertaining to the asset. A financial liability is derecognized when the underlying obligation has been settled, cancelled, or it has expired.

Inventories

Inventories are valued 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 selling expenses.

Costs incurred for 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 labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs
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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 three months or less.

Non-current assets classified as held for sale

Non-current assets classified as held for sale are measured at the lower of the carrying amount and the fair value less cost to sell. Non-current assets are classified as held for sale if the corresponding carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset 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 complete sale within one year from the date of the classification.

Other provisions

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

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. Actuarial gains and losses are recognized as income or expense if the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded the higher of 10 % of the defined benefit obligation or of the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

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

The amount of 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, less past service cost not yet recognized and plus or minus actuarial gains and losses not yet recognized. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

In the North American subgroup, 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 assistance.

Defined contribution plans

The Group's obligations from defined contribution plans are recognized in profit and loss within the 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 so-called block model is used. A provision is recognized, with affect on net income, for the full amount of the obligation resulting from the phased retirement model amounting to the present value of expected payments from concluded and potential phased retirement agreements (existing legal claims of employees to the conclusion of phased retirement agreements).

Other long-term employee benefit plans

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

Share-based payment transactions

In the past, certain members of the key management personnel of the Group have received equity instruments which are to be classified under IFRS 2 as share-based payment transactions (equity-settled transactions). These shares were granted due to the limitation on managers as shareholders within the shareholders' resolution dated March 29, 2006.

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

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

In connection with the IPO in the previous year, the share-based payment plan was cancelled with affect on net income. Further details are given in Note 28.

Taxes

Current income tax

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

Deferred income tax

Deferred income tax 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 and where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are 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 year when the asset is realized or the liability is settled, based on the tax rates (tax laws) that have been enacted or are substantively enacted at 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 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 also recognized in equity and not in the income statement.

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 other sales taxes or other duties. The following specific recognition criteria must also be met before revenue is recognized.

Sale of goods

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

Interest income

Revenue is recognized as interest accrues (using the effective interest method). Interest income is reported in the income statement under finance income.

Dividends

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

2.4 Changes in Accounting Policy and Disclosures

The accounting principles applied are the same as in the previous year, with the following exception:

As of January 1, 2008, the Group applied the following interpretation for the first time.

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

This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit plan that may be recognized as an asset in accordance with IAS 19 Employee Benefits. The application of this interpretation did not have any effect on the assets, finance, or earnings position of the Group.

During the fiscal year 2008, the Group did not early adopt any revised or new standards or interpretations.

2.5 Future Changes in Accounting Policy

During fiscal year 2008, the International Accounting Standards Board (IASB) issued additional standards which are relevant for the business operations of the Group but are not yet mandatory to apply 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 published.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements in accordance with IFRS

The revised standards were published in January 2008 and become effective for annual periods beginning on or after July 1, 2009. The standard introduces changes in the accounting treatment of business combinations occurring after this date that will impact the initial recognition amount of goodwill, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest in a subsidiary (without loss of control) is to be accounted for as an equity transaction. Therefore, neither goodwill nor a profit or loss will arise from such a transaction. Furthermore, the guidelines for allocating losses to parent companies and investments without a controlling interest also change, as do the accounting rules for transactions leading to a loss of control. Subsequent changes resulted for IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects

of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates, and IAS 31 Interests in Joint Ventures. The changes in accordance with IFRS 3R and IAS 27R will affect future acquisitions, losses of control, and transactions with minority shares. The application of the full goodwill method can in particular lead to higher goodwill amounts.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were published in August 2008 and become effective for annual periods beginning on or after July 1, 2009. The amendment clarifies how the principles of hedge accounting contained in IAS 39 apply to the designation of a one-sided risk in a hedged item as well as to the designation of inflationary risks as a hedged item. It is clarified that it is permissible to designate only a part of the changes in the fair value or cash flow fluctuations of a financial instrument as a hedged item. Group accounting for hedging instruments is not affected by this change.

Improvements to IFRS 2008

In May 2008, the board published for the first time a comprehensive standard for improvements to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology. The standard includes amendments to 20 IFRS standards split into two parts. The first part contains amendments that can affect presentation, recognition, and measurement. The second part contains terminology or editorial changes. Unless otherwise specified in a given standard, the amendments become effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. The Group does not currently expect that the adoption of the revised versions will have a material impact on the presentation of financial statements.

3 BUSINESS COMBINATIONS

Acquisition of the landing leg business of Austin-Westran

On April 1, 2008, the Group acquired the landing leg business of Austin-Westran Machinery Co., Ltd. In addition to the acquisition of the North American company, the landing leg production in Xiamen in southern China was also acquired.

At the time of acquisition, the fair values and corresponding carrying amounts of the identified assets and liabilities were as follows:

kEUR	Fair value recognized on acquisition	Carrying amount
Technology	393	0
Customer relationships	6,921	0
Property, plant, and equipment	1,979	1,819
Other assets	116	116
Inventories	2,657	2,395
Trade receivables	2,539	2,539
Cash and cash equivalents	67	67
	14,672	6,936
Financial liabilities	644	644
Deferred tax liabilities	983	0
Other provisions	176	176
Trade payables	2,064	2,064
	3,867	2,884
Net assets	10,805	4,052

The total cost of the business combination was kEUR 10,805 and comprised the purchase price (kEUR 10,420) as well as other costs directly attributable to the combination (kEUR 385).

Cash outflow on acquisition:

kEUR	
Total cost of the combination	10,805
Net cash acquired of the subsidiary	-67
Net cash outflow	10,738

The landing leg business of Austin-Westran was included in the consolidated financial statements of SAF-HOLLAND S.A. for the first time on April 1, 2008. As a result of the acquisition of the landing leg business of Austin-Westran, consolidated sales rose by EUR 6.8 million.

Acquisition of SAF-HOLLAND Verkehrstechnik GmbH (previously: Georg Fischer Verkehrstechnik GmbH)

On October 6, 2008, the Group acquired all of the shares of SAF-HOLLAND Verkehrstechnik GmbH. Through the acquisition, SAF-HOLLAND S.A. will be able to internationally expand its market position in the fifth wheel sector.

At the time of acquisition, the fair values and corresponding carrying amounts of the identified assets and liabilities were as follows:

kEUR	Fair value recognized on acquisition	Carrying amount
Technology	1,728	0
Brands	940	0
Customer relationships	22,541	0
Licenses and software	1,015	0
Property, plant, and equipment	1,100	1,100
Other assets	677	677
Deferred tax assets	169	169
Inventories	9,356	8,826
Trade receivables	11,246	11,246
Cash and cash equivalents	119	119
	48,891	22,137
Pensions and other similar benefits	1,249	1,249
Deferred tax liabilities	20	0
Other provisions	166	166
Income tax liabilities	768	768
Trade payables	4,735	4,735
Other payables	1,627	1,627
	8,565	8,545
Net assets	40,326	13,592

The total cost of the business combination was kEUR 40,326 and comprised the purchase price (kEUR 39,172) as well as other costs directly attributable to the acquisition (kEUR 1,154).

Cash outflow on acquisition:

kEUR	
Total cost of the combination	40,326
Net cash acquired of the subsidiary	-119
Other liabilities	-346
Net cash outflow	39,861

A part of the purchase price amounting to kEUR 346 is to be paid as a variable purchase price component in fiscal year 2009.

SAF-HOLLAND Verkehrstechnik GmbH was included in the consolidated financial statements of SAF-HOLLAND S.A. for the first time on October 6, 2008. As a result of the acquisition of SAF-HOLLAND Verkehrstechnik GmbH, consolidated sales rose by EUR 16.3 million.

Assuming that the two business combinations described had been completed on January 1, 2008, Group sales would have been approximately EUR 52.8 million higher. This pro forma information is provided only for the purpose of comparability. It does not necessarily represent actual sales which would have been realized if the business combinations had been concluded as of January 1, 2008, and it does not serve as an indicator of future sales.

No business combinations took place in the previous year.

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 systems, 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 as well as the truck, bus, and recreational vehicle industry.

Aftermarket

This Business Unit focuses on the sale of components such as replacement parts for all available systems for trailers and powered vehicles as well as certain specialty products. The specialty products include agricultural non-powered soil aeration equipment based on patented designs and technology. These products are used by golf courses, athletic fields, vineyards, no-till farming, and for the disposal of liquid agricultural waste.

Management monitors the operating results of its Business Units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on adjusted operating profit before interest and taxes. Thus, the determination of operating profit 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 of goodwill and intangible assets, expenses relating to the IPO, and 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:

kEUR	01/01/08–12/31/08	01/01/07–12/31/07
Operating profit	3,585	38,661
Share of net profit of investments accounted for using the equity method	453	709
EBIT	4,038	39,370
Additional depreciation and amortization from PPA	6,542	6,678
Impairment	19,034	0
Step-up inventory from PPA	809	1,168
Restructuring and integration costs	10,753	2,787
Expenses relating to the IPO	0	10,458
Adjusted EBIT	41,176	60,461

Segment information for the period January 1 to December 31, 2008:

	2008				
	Business Units				
KEUR	Trailer Systems	Powered Vehicle Systems	Aftermarket	Adjustments and eliminations	Consolidated
Sales	527,873	102,311	168,582	–	798,766
Cost of sales	-477,484	-87,157	-109,050	-6,586 ¹⁾	-680,277
Gross profit	50,389	15,154	59,532	-6,586	118,489
Gross margin	9.5%	14.8%	35.3%	–	14.8%
Selling and administrative expenses, research and development costs, other income, share of net profit of investments accounted for using the equity method, and impairment	-54,246	-15,908	-36,233	-8,064 ²⁾	-114,451
Adjustments ³⁾	16,164 ³⁾	7,956 ³⁾	2,265 ³⁾	10,753 ⁴⁾	37,138
Adjusted EBIT	12,307	7,202	25,564	-3,897	41,176
Adjusted EBIT margin	2.3%	7.0%	15.2%	–	5.2%
Depreciation and amortisation	-25,531	-9,767	-3,697	–	-38,995
thereof impairment	-12,539	-6,495			-19,034
Assets					
Investments accounted for using the equity method	3,547 ⁵⁾	–	–	7,499 ⁵⁾	11,046
Capital expenditures	15,228	4,013	4,496	–	23,737
Operating assets	294,651	79,789	136,818	26,114 ⁶⁾	537,372

1) Restructuring and integration costs (kEUR -6,586) are not allocated to any Business Unit.

2) Restructuring and integration costs (kEUR -4,167), effects from the holdings (kEUR -3,530), the share of net profit of investments accounted for using the equity method not allocated to any Business Unit (kEUR -54), and other expenses (kEUR -313) are not allocated to any Business Unit.

3) Eliminations in the Business Units consist of additional amortization (kEUR 6,542) and step up on inventories (kEUR 809) arising from the purchase price allocation. Also included are impairment losses amounting to kEUR 19,034.

4) Restructuring and integrations costs (kEUR 10,753) are not allocated to any Business Unit.

5) The associated company Jinan SAF AL-KO is allocated to the Trailer Systems Business Unit. The investments in the associates or joint ventures FWI S.A. (kEUR 5,756), Lakeshore (kEUR 596), SAF-HOLLAND Nippon (kEUR 1,057), and Madras SAF-HOLLAND India (kEUR 90) are managed on a Group basis.

6) Business Unit assets do not include investments in the associates or joint ventures FWI S.A. (kEUR 5,756), Lakeshore (kEUR 596), SAF-HOLLAND Nippon (kEUR 1,057), and Madras SAF-HOLLAND India (kEUR 90), deferred tax assets (kEUR 16,264), and income tax assets (kEUR 2,351) as these are managed on a Group basis.

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

2) Expenses relating to the IPO (kEUR -10,458), restructuring and integration costs (kEUR -2,787), reduction of depreciation and amortization (kEUR 2,857), and other expenses (kEUR -887) are not allocated to any Business Unit.

3) Expenses relating to the IPO (kEUR 10,458) and restructuring and integration costs (kEUR 2,787) are not allocated to any Business Unit.

4) The reduction in depreciation and amortization (kEUR 2,857) is not allocated to any Business Unit.

5) The associated companies Jinan SAF AL-KO and SAF AL-KO Yantai are allocated to the Trailer Systems Business Unit. FWI S.A. (kEUR 5,938), Lakeshore (kEUR 489), SAF-HOLLAND Nippon (kEUR 812), and Madras SAF-HOLLAND India (kEUR 177) are managed on a Group basis.

6) Business Unit assets do not include investments in the associates or joint ventures FWI S.A. (kEUR 5,938), Lakeshore (kEUR 489), SAF-HOLLAND Nippon (kEUR 812), and Madras SAF-HOLLAND India (kEUR 177), derivatives (kEUR 1,269), deferred tax assets (kEUR 19,426), and income tax assets (kEUR 5,149) as these are managed on a Group basis.

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

kEUR	2007				Consolidated
	Business Units			Adjustments and eliminations	
	Trailer Systems	Powered Vehicle Systems	Aftermarket		
Sales	551,094	81,277	180,133	–	812,504
Cost of sales	-483,234	-69,891	-117,813	–	-670,938
Gross profit	67,860	11,386	62,320	–	141,566
Gross margin	12.3 %	14.0 %	34.6 %	–	17.4 %
Selling and administrative expenses, research and development costs, other income, and share of net profit of investments accounted for using the equity method	-41,318	-9,822	-39,781	-11,275 ²⁾	-102,196
Adjustments ¹⁾	4,465 ¹⁾	1,341 ¹⁾	2,040 ¹⁾	13,245 ³⁾	21,091
Adjusted EBIT	31,007	2,905	24,579	1,970	60,461
Adjusted EBIT margin	5.6 %	3.6 %	13.6 %	–	7.4 %
Depreciation and amortization	-14,259	-2,874	-4,431	2,857 ⁴⁾	-18,707
Assets					
Investments accounted for using the equity method	6,426 ⁵⁾	–	–	7,416 ⁵⁾	13,842
Capital expenditures	14,801	1,651	2,719	–	19,171
Operating assets	345,755	56,254	119,297	33,260 ⁶⁾	554,566

In addition, the geographical units "Europe" and "North America" were established for management purposes.

In its geographical segment Europe, the Group manufactures and sells axles and suspension systems for trailers and semi-trailers. In this segment the Group also provides replacement parts to the aftermarket for all trailer systems and commercial vehicles. As a result of the acquisition of SAF-HOLLAND Verkehrstechnik GmbH, the Europe segment's business also includes the manufacture and sale of fifth wheels.

In North America, the Group manufactures and sells key components for the semi-trailer, trailer, truck, bus, and recreational vehicle industries. In this segment the Group is a leading supplier of 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 powered vehicles industry.

Segment information by geographical market:

kEUR	01/01/08–12/31/08	01/01/07–12/31/07
Revenues from external customers		
Europe	530,168	519,742
North America	239,652	271,357
Others	28,946	21,405
Total	798,766	812,504

kEUR	12/31/08	12/31/07
Non-current assets		
Europe	200,698	187,857
North America	124,391	120,572
Others	7,795	3,518
Total	332,884	311,947

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

Revenues totaling kEUR 100,593 (previous year: kEUR 107,165) are attributable to a single customer. These sales are reported in the Trailer Systems Business Unit.

5 COST OF SALES

The cost of sales consists primarily of cost of materials of kEUR 523,938 (previous year: kEUR 526,877), personnel expenses of kEUR 82,327 (previous year: kEUR 83,647), depreciation of property, plant, and equipment of kEUR 12,002 (previous year: kEUR 10,797), restructuring and integration costs of kEUR 6,586 (previous year: kEUR 0), and amortization of intangible assets of kEUR 88 (previous year: kEUR 2).

6 OTHER REVENUES AND EXPENSES

6.1 Other Income

Other income mainly contains insurance compensation of kEUR 1,431 (previous year: kEUR 384) as well as gains on disposal of property, plant, and equipment of kEUR 503 (previous year: kEUR 283).

6.2 Selling Expenses

Selling expenses consist primarily of personnel expenses of kEUR 20,251 (previous year: kEUR 20,891), restructuring and integration costs of kEUR 689 (previous year: kEUR 0), depreciation of property, plant, and equipment of kEUR 599 (previous year: kEUR 562), and amortization of intangible assets of kEUR 2,507 (previous year: kEUR 2,183).

6.3 Administrative Expenses

Administrative expenses consist primarily of personnel expenses of kEUR 16,134 (previous year: kEUR 19,974), restructuring and integration costs of kEUR 3,320 (previous year: kEUR 2,787), depreciation of property, plant, and equipment of kEUR 1,979 (previous year: kEUR 2,045), and amortization of intangible assets of kEUR 647 (previous year: kEUR 1,269). In the previous year, general administrative expenses included expenditures relating to the IPO of kEUR 10,458.

6.4 Research and Development Costs

Research and development costs consist primarily of personnel expenses of kEUR 6,897 (previous year: kEUR 6,552), depreciation of property, plant, and equipment of kEUR 430 (previous year: kEUR 198), amortization of intangible assets of kEUR 1,709 (previous year: kEUR 1,651), and restructuring and integration costs of kEUR 158 (previous year: kEUR 0).

6.5 Finance Expenses

Finance expenses consist of the following:

kEUR	01/01/08–12/31/08	01/01/07–12/31/07
Loan and bank overdraft	-16,655	-24,591
Transaction costs	-4,491	-7,709
Finance expenses due to pensions and similar benefits	-347	-290
Finance expenses due to derivatives	-5,034	-562
Other	-666	-802
Total	-27,193	-33,954

Transaction costs of kEUR 4,491 (previous year: kEUR 7,709) include arrangement fees in connection with the refinancing in February 2008 and are recorded as an expense for the period according to the effective interest method. An additional charge has been recognized in the current year with effect on profit and loss to write off transaction costs according to the adjusted expected remaining term of the existing loans in view of the Group's refinancing, which is expected to occur in June 2009 as part of the standstill agreement. In the previous year, the accrued transaction costs from the refinancing in December 2006 were expensed as a result of the letter of intent signed by the Group at the end of 2007 to refinance all loan agreements after the IPO.

Finance expenses relating to derivative financial instruments reflect the change in the fair values of prolongation options for interest rate swaps of kEUR 3,757 (previous year: kEUR 562) as well as the ineffective portion of interest rate swaps used as hedging instruments of kEUR 1,277 (previous year: kEUR 0).

6.6 Employee Benefit Expenses

Employee benefit expenses consist of the following:

kEUR	01/01/08–12/31/08	01/01/07–12/31/07
Wages and salaries	-111,264	-117,013
Social insurance contributions	-13,451	-12,513
Pension expenses	-894	-1,538
Termination benefits	-7,878	0
Total	-133,487	-131,064

Employee benefit expenses include kEUR 5,813 (previous year: kEUR 5,461) for state-operated defined contribution plans.

Expenses for termination benefits are recorded separately as a component of restructuring and integration costs.

6.7 Depreciation and Amortization Expenses

In 2008, the depreciation and amortization expenses are included in the following captions:

kEUR	Depreciation	Amortization	Total
Cost of sales	-12,002	-88	-12,090
Selling expenses	-599	-2,507	-3,106
Administrative expenses	-1,979	-647	-2,626
Research and development costs	-430	-1,709	-2,139
Impairment of goodwill and intangible assets	0	-19,034	-19,034
Total	-15,010	-23,985	-38,995

Depreciation and amortization expenses arising from the purchase price allocation amount to kEUR 6,542 (previous year: kEUR 6,678).

In the previous year, the depreciation and amortization expenses were included in the following captions:

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

6.8 Impairment of Goodwill and Intangible Assets

The expenses include impairment of goodwill associated with the cash-generating unit “Trailer Systems” of kEUR 9,972 (previous year: kEUR 0) and “Powered Vehicle Systems” of kEUR 6,024 (previous year: kEUR 0) and on intangible assets with indefinite useful lives of kEUR 3,038 (previous year: kEUR 0). More details are illustrated in Note 8.

7 INCOME TAXES

The major components of income tax expense are:

kEUR	01/01/08–12/31/08	01/01/07–12/31/07
Current income taxes	-5,859	-11,135
Deferred income taxes	3,065	15,539
Income tax reported in the consolidated income statement	-2,794	4,404

The effective income tax rate for the Group for the year ended December 31, 2008 is -12.59% (previous year: -65.10%). The following table reconciles the actual to the expected income tax expense for the Group in 2008, computed by applying the Group's corporate income tax rate of 28.59% (previous year: 36.00%). For German entities, a corporate income tax rate of 27.10% (previous year: 36.58%) was used, which consisted of a corporation tax of 15.83% (including solidarity surcharge; previous year: 22.71%) and trade income tax of 11.27% (previous year: 13.87%), taking into account that the trade income tax is not deductible since the business taxation reform. For the North American subgroup, the 2008 income tax rate remained unchanged and included a federal tax rate of 35.00% and a state tax rate of 1.10%.

kEUR	01/01/08–12/31/08	01/01/07–12/31/07
Accounting loss/profit before income tax	-22,190	6,764
Income tax based on Group income tax rate of 28.59% (2007: 36.00%)	6,344	-2,435
Non-deductible interest	-3,295	-1,131
Unused tax loss carry-forwards	-1,468	0
Used tax loss carry-forwards from previous years, not recognized	535	-396
Impairment of goodwill	-4,573	0
Effect of decrease in German tax rate on deferred taxes	0	7,519
Effect of lower tax rates	0	630
Others	-337	217
Income tax based on effective income tax rate of -12.59% (2007: -65.10%)	-2,794	4,404

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

kEUR	Consolidated balance sheet		Consolidated income statement	
	12/31/08	12/31/07	01/01/08 –12/31/08	01/01/07 –12/31/07
Deferred tax liabilities				
Intangible assets	-34,163	-34,171	1,481	6,649
Property, plant, and equipment	-11,266	-11,245	-84	2,350
Inventories	-19	-66	47	415
Investments	-357	-359	13	14
Prepaid expenses	-601	-767	193	512
Other	-1,237	-1,716	198	-1,834
	-47,643	-48,324		
Deferred tax assets				
Inventories	1,449	1,175	229	-238
Pensions and other similar obligations	4,237	5,153	-1,224	1,355
Interest-bearing loans and borrowings	3,848	1,218	150	1,311
Other financial liabilities	1,660	743	288	0
Other provisions	1,220	120	-285	120
Tax loss carry-forwards	2,971	5,855	-2,974	4,267
Interest carry-forwards	8,241	2,424	4,190	2,611
Other	2,105	2,738	843	-1,993
	25,731	19,426		
Deferred income tax income			3,065	15,539

As of the balance sheet date, deferred tax assets and liabilities amounting to kEUR 9,467 (previous year: kEUR 0) have been offset, since the prerequisites for offsetting were fulfilled. The balance sheet includes items for deferred tax assets amounting to kEUR 16,264 (previous year: kEUR 19,426) and deferred tax liabilities amounting to kEUR 38,176 (previous year: kEUR 48,324).

In fiscal year 2007, a tax benefit of kEUR 7,519 from the reversal of deferred taxes resulted from the reduction in income tax rates in Germany following the business taxation reform.

The Group has tax loss carry-forwards amounting to kEUR 26,816 (previous year: kEUR 32,706) that are available indefinitely or with defined time limits to offset against future taxable profits of the companies in which the losses arose or elsewhere in the Group. Deferred tax assets have not been recognized with respect to tax loss carry-forwards of kEUR 17,614 (previous year: kEUR 13,587) due to insufficient taxable profits or possibilities for offsetting within the individual companies or other Group companies.

Unrecognized tax loss carry-forwards as of December 31, 2008 expire as follows:

kEUR	12/31/08	12/31/07
Expiry date		
Infinite	12,865	9,379
Within 10 years	4,749	4,208
Total	17,614	13,587

In addition to tax loss carry-forwards, the Group has interest carry-forwards of kEUR 35,054 (previous year: kEUR 6,929), which is available indefinitely to various Group companies for use in the future as a tax deduction. Interest carry-forwards results from the interest barrier rules introduced by the corporate 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 capitalized for carried interest amounting to kEUR 11,383 (previous year: kEUR 0).

As of December 31, 2008, deferred income taxes relating to changes in the fair value of cash flow hedges amounting to kEUR 880 (previous year: kEUR 560), transaction costs which are offset against the share premium amounting to kEUR 265 (previous year: kEUR 1,822), and foreign currency translation of intercompany balances which are part of a net investment amounting to kEUR 3,472 (previous year: kEUR 0) were recognized directly in equity.

Taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities have not been recognized amount to EUR 0.3 million, unchanged to prior year.

8 GOODWILL AND INTANGIBLE ASSETS

kEUR	Customer relationships	Technology	Brands	Service net	Licenses and software	Intangible assets	Goodwill
Historical cost							
As of 12/31/06	72,692	18,803	30,873	3,494	4,210	130,072	72,113
Additions	0	0	0	0	1,386	1,386	0
Disposals	0	0	0	0	38	38	0
Foreign currency translation	-2,580	-667	-1,096	-124	-150	-4,617	-3,002
Reclassification	0	0	0	0	-185	-185	0
As of 12/31/07	70,112	18,136	29,777	3,370	5,223	126,618	69,111
Additions from initial consolidation	29,462	2,121	940	0	1,015	33,538	0
Additions	0	0	0	0	1,702	1,702	0
Disposals	0	0	0	0	5	5	0
Foreign currency translation	1,929	250	436	0	-10	2,605	1,169
As of 12/31/08	101,503	20,507	31,153	3,370	7,925	164,458	70,280
Accumulated amortization							
As of 12/31/06	845	1,045	0	131	1,000	3,021	0
Additions	1,850	1,632	0	175	1,448	5,105	0
Foreign currency translation	0	0	0	0	-88	-88	0
As of 12/31/07	2,695	2,677	0	306	2,360	8,038	0
Additions	2,209	1,707	3,038	175	860	7,989	15,996
Disposals	0	0	0	0	4	4	0
Foreign currency translation	90	27	0	0	-3	114	0
As of 12/31/08	4,994	4,411	3,038	481	3,213	16,137	15,996
Carrying amount 12/31/07	67,417	15,459	29,777	3,064	2,863	118,580	69,111
Carrying amount 12/31/08	96,509	16,096	28,115	2,889	4,712	148,321	54,284

Acquisitions during fiscal year 2008

Additions of intangible assets acquired through business combinations comprise customer relationships, technology, and brands. The addition of brands relates to the "Trilex" brand, acquired with the acquisition of SAF-HOLLAND Verkehrstechnik GmbH.

Determining the useful life of an intangible asset requires estimates that are based on a number of factors, including competitive environment, market share, brand history, underlying product life cycles, operating plans, and the macroeconomic environment of the countries in which the brands are sold. As a result of these factors and the Group's plans to continue to support and develop the acquired brands, brands are assumed to have indefinite useful lives. However, a definite useful life is assumed for acquired intangible assets such as technology and customer relationships.

Impairment testing of goodwill and intangible assets

As of October 1, 2008 the Group carried out its annual impairment tests of goodwill and intangible assets with indefinite useful lives. No impairment requirement was identified. In fiscal year 2008, assumptions based on overall economic and industry-specific trends, such as discount rate and sales forecasts, were highly volatile. Sales in the truck and trailer market slumped particularly in the fourth quarter. As a result, the Group carried out all impairment tests again at the year end. In this context, corporate planning was adjusted in recognition of the deterioration in earnings expectations as a result of the financial market crisis and the ongoing accompanying cyclical downturn.

For the purposes of impairment testing, goodwill and brands acquired through business combinations have been allocated, as in 2007, to the following three cash-generating units, which are also reportable segments under IFRS 8:

- Trailer Systems
- Powered Vehicle Systems
- Aftermarket

The carrying amounts of goodwill and brands allocated to each of the cash-generating units are as follows:

kEUR	Trailer Systems 12/31/08	Powered Vehicle Systems 12/31/08	Aftermarket 12/31/08	Total 12/31/08
Goodwill	26,369	–	27,915	54,284
Brands	22,744	4,744	627	28,115

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

The recoverable amounts of the cash-generating units were assessed in the annual impairment test as of October 1, 2008 on the basis of a value-in-use calculation.

For the additional impairment test as of year end 2008, the Group calculated the recoverable amount on the basis of fair value less cost to sell. This was decided in view of the additional restructuring measures planned for 2009 to adjust the Group's cost structure to the low sales level. Fair values less cost to sell as of December 31, 2008 were higher than the respective values in use.

In addition, as a result of the deterioration in earnings expectations an impairment test of intangible assets with definite useful lives was performed. Since the assets do not generate cash flows that are largely independent from other assets or groups of assets, they were tested on the same level of cash generating unity as goodwill and brands.

Key assumptions for the calculation of fair value less cost to sell in the Business Units

To calculate fair value less cost to sell, a discounted cash flow method was used. The discounted cash flow method was based on a detailed four-year plan. The cash flows beyond the four-year period are extrapolated using a 0.5 % growth rate. The calculation of the fair value less cost to sell for goodwill and brands is based on the following assumptions:

Sales – Sales forecasts for the cash-generating units are based on generally available economic data as well as information specific to the industry sector, which takes into account the tense current market situation. Planning is based in part on projected unit volumes for the truck and trailer market as announced by market research companies.

EBITDA margin – Is determined based on the average EBITDA margins attainable in the respective Business Units, which are adjusted to take into account the negative effect on the EBITDA margin due to the decline in sales. Planned restructuring measures were taken into account as far as they would also be included in the valuation by other market participants.

Discount rates – For determination of discount rates, a weighted average cost of capital method (WACC) has been applied. For this, the yields on government bonds at the beginning of the budget period were taken into account as a risk-free interest rate. Furthermore, an objective surcharge has been determined, to reflect the risk of the Group in comparison with comparable companies ("peer group").

The results of the impairment testing of the cash-generating units can be summarized as follows:

Cash-generating unit "Trailer Systems"

The pre-tax discount rate applied to cash flow projections is 13.50 % as of December 31, 2008 (10/01/07: 13.38 %). The impairment test for the cash-generating unit "Trailer Systems" performed as of December 31, 2008 led to a kEUR 9,972 impairment of goodwill as the recoverable amount was lower than the carrying amounts for the unit. The impairment of goodwill allocated to the cash-generating unit was recognized with affect on net income.

Cash-generating unit "Powered Vehicle Systems"

The pre-tax discount rate applied to cash flow projections is 14.33 % as of December 31, 2008 (10/01/07: 14.62 %). The impairment test for the cash-generating unit "Powered Vehicle Systems" performed as of December 31, 2008 led to a kEUR 6,024 impairment of goodwill as the recoverable amount was lower than the carrying amounts for the unit. The impairment of goodwill allocated to the cash-generating unit was recognized with affect on net income.

Cash-generating unit "Aftermarket"

The pre-tax discount rate applied to cash flow projections is 13.99 % as of December 31, 2008 (10/01/07: 13.94 %). On the basis of what was known and expected of the market and competitive environment as of the balance sheet date, the recoverable amount of the cash-generating unit "Aftermarket" was higher than the carrying amount for the unit.

The recoverable amount for the "SAF", "Holland", and "Trilex" brands was determined on the basis of the fair value (less cost to sell) using the relief from royalty approach. This estimate is based on sales in the financial budgets approved by senior management covering a four-year period. The discount rate applied to cash flow projections was 9.75 % as of December 31, 2008 (10/01/07: 9.45 %) for the "SAF" brand, 8.85 % (10/01/07: 9.56 %) for the "Holland" brand, and 9.82 % for the "Trilex" brand. Cash flows beyond the four-year period are extrapolated using a 0.5 % growth rate. The discount rate was calculated using a weighted average cost of capital approach.

The impairment test of the "SAF" and „Holland" brands as of December 31, 2008 led to impairment of kEUR 2,027 and kEUR 1,011, respectively, which was recognized in the income statement. The recoverable amount for the "Trilex" brand was higher than its carrying amount as of the balance sheet date.

Impairment testing for intangible assets with definite useful lives did not lead to any impairment.

Sensitivity to changes in assumptions

A possible change in the key assumptions could have the following effects:

- **Trailer Systems:** If the pre-tax discount rate used of 13.50% increased by 100 base points, the recoverable amount would decrease by EUR 15.3 million.
- **Powered Vehicle Systems:** If the pre-tax discount rate used of 14.33 % increased by 100 base points, the recoverable amount would decrease by EUR 4.8 million.
- **Aftermarket:** No reasonably possible change in the key assumptions could lead to the unit's carrying amount exceeding the recoverable amount.

If the pre-tax discount rates used would have been 100 base points lower, the impairment loss, assumed all other variables are constant, would only have been approx. EUR 1.0 million.

9 PROPERTY, PLANT, AND EQUIPMENT

kEUR	Land and buildings	Plant and equipment	Other equipment, office furniture and equipment	Advances to supply and construction in progress	Total
Historical cost					
As of 12/31/06	57,857	41,502	6,595	4,311	110,265
Additions	1,254	11,310	1,571	6,210	20,345
Disposals	216	863	6	0	1,085
Foreign currency translation	-1,862	-2,345	-260	-115	-4,582
Reclassification	1,339	5,448	336	-6,938	185
As of 12/31/07	58,372	55,052	8,236	3,468	125,128
Additions from initial consolidation	571	2,357	151	0	3,079
Additions	1,642	12,181	2,086	6,125	22,034
Disposals	746	1,024	201	74	2,045
Foreign currency translation	223	532	75	175	1,005
Reclassification	236	1,930	41	-2,207	0
As of 12/31/08	60,298	71,028	10,388	7,487	149,201
Accumulated depreciation					
As of 12/31/06	727	2,074	967	0	3,768
Additions	1,905	9,660	2,037	0	13,602
Disposals	0	749	1	0	750
Foreign currency translation	-12	-24	-12	0	-48
As of 12/31/07	2,620	10,961	2,991	0	16,572
Additions	2,197	10,807	2,006	0	15,010
Disposals	36	409	108	0	553
Foreign currency translation	30	360	38	0	428
As of 12/31/08	4,811	21,719	4,927	0	31,457
Carrying amount 12/31/07	55,752	44,091	5,245	3,468	108,556
Carrying amount 12/31/08	55,487	49,309	5,461	7,487	117,744

The carrying amount of plant and equipment held under finance leases as of December 31, 2008 was kEUR 819 (previous year: kEUR 1,195). Additions during the year included kEUR 119 (previous year: kEUR 431) in plant and equipment held under finance leases. Depreciation during the year amounted to kEUR 449 (previous year: kEUR 511). Leased assets are pledged as security for the related finance lease liabilities.

Impairment testing of property, plant, and equipment

As of December 31, 2008, property, plant, and equipment were subjected to an impairment test reflecting the deterioration in earnings expectations as a result of the financial market crisis and the ongoing accompanying cyclical downturn. The assets were tested based on fair value less cost to sell using the discounted cash flow method. Since the individual assets do not generate cash flows that are largely independent of those from other assets or groups of assets, they were tested for impairment on the same level of cash-generating units as the goodwill and brand impairment test has been performed. Details regarding the process and the planning assumptions for the impairment testing of goodwill and intangible assets with indefinite useful lives are described in Note 8. The impairment testing did not lead to any impairment for property, plant, and equipment.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following investments were accounted for using the equity method:

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

The following table summarizes financial information of the Group's share of investments in associates and joint ventures:

Investments in associates

kEUR	12/31/08	12/31/07
Current assets	9,957	12,287
Non-current assets	4,539	7,112
Current liabilities	-4,152	-5,805
Non-current liabilities	-368	-772
Foreign currency translation	-77	31
Net assets = carrying amount of the investment	9,899	12,853
Sales	17,592	17,562
Profit for the period	725	720

At the end of fiscal 2008, the shares in SAF AL-KO Vehicle Technology Yantai Co., Ltd. were classified as non-current assets held for sale. The result of investments accounted for using the equity method until the data of reclassification to non-current assets held for sale was kEUR -219. See Note 16 for further details.

Investments in joint ventures

kEUR	12/31/08	12/31/07
Current assets	777	674
Non-current assets	398	308
Current liabilities	-37	-1
Non-current liabilities	0	-4
Foreign currency translation	9	12
Net assets = carrying amount of the investment	1,147	989
Sales	368	297
Loss for the period	-53	-11

11 FINANCIAL ASSETS

kEUR	12/31/08	12/31/07
Available-for-sale financial assets	140	405
Derivative financial assets	0	1,269
Total	140	1,674

All financial assets are non-current. Further details are provided in Note 24.

12 OTHER NON-CURRENT ASSETS

Other non-current assets consist mainly of deposits for workers' compensation and health insurance premiums amounting to kEUR 1,314 (previous year: kEUR 1,673) and defined benefit assets amounting to kEUR 1,249 (previous year: kEUR 759). Further details are given in Note 18.

13 INVENTORIES

kEUR	12/31/08	12/31/07
Raw materials	33,661	46,347
Work in progress	12,168	14,232
Finished goods	38,918	34,745
Goods in transit	1,065	1,390
Total	85,812	96,714

Included in the cost of sales are write downs of inventories of kEUR 3,880 (previous year: kEUR 1,267).

14 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

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

kEUR	Carrying amount	Of which:	Of which: not impaired on the reporting date and past due in the following periods					
		neither impaired nor past due on the reporting date						
			Less than 30 days	Between 30 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 12/31/2008	82,348	55,905	11,705	6,242	2,403	1,179	1,441	243
Trade receivables as of 12/31/2007	86,191	72,161	8,419	1,699	724	416	1,192	80

The allowances for trade receivables amounted to kEUR 1,164 (previous year: kEUR 246). The allowances on trade receivables are recorded in a separate allowance account and netted against the gross amount of trade receivables.

kEUR	Allowance account
As of 12/31/2006	146
Charge for the year	246
Utilized	22
As of 12/31/2007	370
Charge for the year	1,164
Utilized	233
As of 12/31/2008	1,301

With respect to trade receivables that are neither impaired nor overdue, there are no indications as of the reporting date that the debtors will not meet their payment obligations. In Europe, the Group has taken out commercial credit insurance coverage for the default risk.

Other current assets consist of the following:

kEUR	12/31/08	12/31/07
Prepaid expenses	2,410	2,036
VAT receivables	1,185	1,484
Insurance premiums	301	369
Claims for damages	350	0
Other	634	1,060
Total	4,880	4,949

15 CASH AND CASH EQUIVALENTS

kEUR	12/31/08	12/31/07
Cash at banks and on hand	7,926	10,938
Short-term deposits	631	16,819
Total	8,557	27,757

16 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In consideration of further consolidation and strategic development of activities in China, a letter of intent by SAF-HOLLAND GmbH, Bessenbach, Germany, and AL-KO Kober AG, Kötzing, Germany, stated that the associates SAF AL-KO Vehicle Technology Yantai Co., Ltd. and Jinan SAF AL-KO Axle Co., Ltd. were to be divided by the reciprocal sale of shareholdings, with the

Group continuing the business of Jinan SAF AL-KO Axle Co., Ltd. Completion of the transaction is anticipated in the course of 2009. The Group has reclassified SAF AL-KO Vehicle Technology Yantai Co., Ltd., from an investment accounted for using the equity method to a non-current asset held for sale. The shareholding is recognized as of December 31, 2008 at the lower of the amortized carrying amount or the fair value less cost to sell. This did not lead to any impairment in 2008.

The following table summarizes financial information of the associate SAF AL-KO Vehicle Technology Yantai Co., Ltd.:

	SAF Yantai 12/31/08 49 %
kEUR	
Current assets	1,939
Non-current assets	2,592
Current liabilities	-1,630
Foreign currency translation	-14
Net assets = carrying amount of the investment	2,887
Sales	1,199
Loss for the period	-219

The carrying amount and earnings contribution of the shares in SAF AL-KO Vehicle Technology Yantai Co., Ltd. are allocated to the Trailer Systems segment.

17 EQUITY

Subscribed share capital and share premium

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

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

Furthermore, on July 25, 2007, SAF-HOLLAND S.A.'s shareholders decided to redeem and repay all of the 145,118,750 preferred shares, with the par value of EUR 0.01 each.

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

In preparation for the acquisition of SAF-HOLLAND Verkehrstechnik GmbH, the Board of Directors decided on September 4, 2008 to issue an additional 1,864,900 ordinary shares with a par value of EUR 0.01 each from authorized capital. The shares were placed on September 4, 2008 at an offering price of EUR 7.50 each. The premium from the share issue, amounting to EUR 13,968,101, is included in the share premium.

As of December 31, 2008, the Company's subscribed share capital amounted to EUR 207,022.75, consisting of 20,702,275 ordinary shares with a par value of EUR 0.01 each, fully paid-in.

According to the terms of SAF-HOLLAND S.A.'s articles of incorporation, the Board of Directors is authorized to increase the Company's subscribed share capital by EUR 112,000, or 11,200,000 shares with a par value of EUR 0.01 each (authorized capital). This authorization is limited until July 5, 2012. Due to the capital increase as of September 4, 2008 the Company's authorized capital as of December 31, 2008 amounts to EUR 93,351, or 9,335,100 shares.

The share premium includes the premiums from the issuance of shares. Directly attributable transaction costs less associated income tax advantages are deducted from the share premium. As of December 31, 2008, the share premium amounted to kEUR 106,454 (previous year: kEUR 93,146).

Legal reserve

On April 24, 2008, the Annual General Meeting decided to transfer EUR 18,837.38 into the legal reserve.

Retained earnings

The retained earnings include the result for the year amounting to kEUR -24,984 (previous year: kEUR 11,168). In the prior period, expenses arising from equity-settled transactions granted to key management personnel amounting to kEUR 338 were recognized in accordance with IFRS 2. Further details are provided in Note 28.

Proposed dividends for fiscal year 2007 amounting to EUR 8,000,233.16 (42.47 Euro cent per share) were approved at the Annual General Meeting on April 24, 2008 and paid to the shareholders.

No dividend payment is proposed for 2008.

Convertible preferred equity certificates

On April 19, 2007, the Company issued further non-yield-bearing convertible preferred equity certificates (CPECs) for an aggregate amount of EUR 40,037.50 with each share having a par value of EUR 1.25, in addition to already existing CPECs totaling EUR 7,192,980. The CPECs carry the right to convert one CPEC into one Company share upon conversion events as defined in the terms and conditions of the CPECs. On July 25, 2007, the Company repaid all the issued CPECs for an aggregate amount of EUR 7,233,017.50.

No additional CPECs were issued during the current reporting period.

Accumulated other comprehensive income

Other comprehensive income exclusively comprises foreign currency translation adjustments less taxes amounting to kEUR -14,235 (previous year: kEUR 3,323) and the changes in value of the interest rate swap less taxes of kEUR -2,195 (previous year: kEUR -889) recognized in equity. Additional details are provided in Note 24.

18 PENSIONS AND OTHER SIMILAR OBLIGATIONS

In Germany, the Group provides defined benefit plans for the employees according to company agreements. On the one hand future pension payments depend on the years of service of the employees and on the other hand on individual commitments made for management. By reason of a Company agreement dated January 1, 2007, as a result of which the pension plans of SAF-HOLLAND GmbH were frozen, no further rights to pension benefits can be earned. As a result of the acquisition of SAF-HOLLAND Verkehrstechnik GmbH further defined benefits plans were added. Future pension payments for these plans depend on the years of service of the employees and the individual wages and salaries.

In North America, the Group has several defined benefit and defined contribution retirement plans covering substantially all employees. The benefits paid under the defined benefit plans depend on either years of service or the employee's compensation over the last several years of employment. In addition, the North American subgroup provides post-employment medical benefits to certain employees.

The following tables summarize the components of net benefit expense recognized in the consolidated income statement and the amounts recognized in the consolidated balance sheet for the respective plans.

2008				
kEUR	Pension plans			Post-employment medical
	German plan 01/01/08–12/31/08	US plan 01/01/08–12/31/08	Canadian plan 01/01/08–12/31/08	01/01/08–12/31/08
Current service cost	22	299	303	131
Interest expense on benefit obligation	351	2,044	401	350
Expected return on plan assets	–	-2,339	-460	–
Actuarial gain(-)/loss amortization	-4	–	–	74
Past service cost	8	61	–	–
Net benefit expense	377	65	244	555
Actual return on plan assets	–	-7,470	-1,525	–

2007				
kEUR	Pension plans			Post-employment medical
	German plan 01/01/07–12/31/07	US plan 01/01/07–12/31/07	Canadian plan 01/01/07–12/31/07	01/01/07–12/31/07
Current service cost	14	342	303	120
Interest expense on benefit obligation	311	1,852	399	281
Expected return on plan assets	–	-2,103	-450	–
Actuarial gain(-)/loss amortization	–	–	–	43
Charge for special termination benefits	–	–	–	548
Losses on curtailment	168	–	–	–
Net benefit expense	493	91	252	992
Actual return on plan assets	–	1,739	122	–

Expenses for defined benefit commitments are included in the costs of the functional areas. The interest expense and the expected return on plan assets are allocated to the finance expenses.

Defined benefit assets and liabilities as of December 31, 2008:

kEUR	2008			
	Pension plans			Post-employment medical
	German plan 12/31/08	US plan 12/31/08	Canadian plan 12/31/08	12/31/08
Defined benefit obligation	7,448	32,201	5,401	5,412
Fair value of plan assets	–	-21,151	-6,472	–
	7,448	11,050	-1,071	5,412
Unrecognized actuarial gains/losses(-)	641	-9,083	-178	-881
Unrecognized past service cost	-23	-9	–	–
Benefit assets(-)/liabilities	8,066	1,958	-1,249	4,531

The Canadian pension plan was overfunded by kEUR 1,249 as of December 31, 2008 (previous year: kEUR 759). This defined benefit asset is recognized under other non-current assets.

Pension payments totaling kEUR 2,297 are anticipated for the reporting period January 1 to December 31, 2009 (2008: kEUR 2,492).

Defined benefit assets and liabilities as of December 31, 2007:

kEUR	2007			
	Pension plans			Post-employment medical
	German plan 12/31/07	US plan 12/31/07	Canadian plan 12/31/07	12/31/07
Defined benefit obligation	6,303	29,933	8,373	5,493
Fair value of plan assets	–	-28,377	-8,671	–
	6,303	1,556	-298	5,493
Unrecognized actuarial gains/losses(-)	578	960	-461	-1,238
Unrecognized past service cost	-30	–	–	–
Benefit assets(-)/liabilities	6,851	2,516	-759	4,255

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

2008				
kEUR	Pension plans			Post-employment medical
	German plan	US plan	Canadian plan	
Defined benefit obligation as of 01/01/08	6,303	29,933	8,373	5,493
Additions from intial consolidation	1,249	–	–	–
Interest expense	351	2,044	401	350
Current service cost	22	299	303	131
Benefits paid	-370	-1,767	-182	-495
Unrecognized actuarial gains(-)/losses	-115	277	-2,197	-314
Past service cost	8	61	–	–
Foreign currency translation	–	1,354	-1,297	247
Defined benefit obligation as of 12/31/08	7,448	32,201	5,401	5,412

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

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

kEUR	2008		2007	
	US plan	Canadian plan	US plan	Canadian plan
Fair value of plan assets as of the beginning of the period	28,377	8,671	29,383	7,425
Expected return	2,339	460	2,103	450
Employer contribution	736	853	1,915	867
Actuarial losses	-9,810	-1,985	-364	-328
Benefits paid	-1,767	-182	-1,466	-168
Foreign currency translation	1,276	-1,345	-3,194	425
Fair value of plan assets as of the end of the period	21,151	6,472	28,377	8,671

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

in %	North American pension plans	
	2008	2007
Equities	61%	63%
Bonds	32%	30%
Cash and money market	4%	3%
Real estate	3%	4%
	100%	100%

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

kEUR	12/31/08	12/31/07	12/31/06
Defined benefit obligation	50,462	50,102	52,590
Fair value of plan assets	-27,623	-37,048	-36,808
Benefit liabilities	22,839	13,054	15,782

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

in %	2008	2007
Discount rate:		
– German plans	6.00 %	5.50 %
– US and Canadian plans	7.00 %	6.42 %
Expected rate of return on plan assets:		
– US and Canadian plans	7.00 %	7.53 %
Future salary increases:		
– German plans	0.00 % / 2.00 %	0.00 %
– US and Canadian plans	4.00 %	4.00 %
Future pension increases:		
– German plans	2.25 %	1.50 %
– US and Canadian plans	0.00 %	0.00 %
Turnover rates:		
– German plans	4.60 %	4.60 %
– US and Canadian plans	4.22 %	4.22 %
Healthcare inflation		
Initial rate (healthcare cost trend rate assumed for next year)	9.00 %	10.00 %
Ultimate rate (healthcare cost trend rate is assumed to decline)	5.00 %	5.00 %
Year of ultimate	2012	2012

The future salary increase for the plans of SAF-HOLLAND GmbH, Germany, is assessed to be 0.00 % because the defined benefit obligations under these plans are dependent on the period the respective employee works for the Group. The pension plan is also frozen such that no additional entitlements can be earned. The future salary increase for the plans of SAF-HOLLAND Verkehrstechnik GmbH is assessed to be 2.00%.

For the North American plans, pension increases are not taken into account as the pension payments remain constant. Therefore, only salary and wage increases up to retirement are considered in determining the defined employee benefits for this plan.

A 1.00% change in the assumed rate of increase in healthcare costs would have the following effects:

kEUR	2008		2007	
	Increase	Decrease	Increase	Decrease
Effect on the aggregate current service cost and interest expense	29	-43	30	-44
Effect on the defined benefit obligation	390	-358	426	-389

19 OTHER PROVISIONS

The main components of other provisions and their development is illustrated in the following table:

kEUR	Product warranty	Partial retirement	Environmental issues	Workers' compensation and health insurance benefits	Restructuring	Other	Total
As of 01/01/08	7,896	907	1,033	1,888	0	1,405	13,129
Additions from initial consolidation	256	86	0	0	0	0	342
Additions	2,237	391	414	1,502	7,878	520	12,942
Utilized	2,776	395	335	1,905	633	928	6,972
Release	0	0	0	0	0	169	169
Foreign exchange differences	-337	0	8	65	45	6	-213
As of 12/31/08	7,276	989	1,120	1,550	7,290	834	19,059
Thereof in 2008							
Current	4,651	418	275	733	7,116	699	13,892
Non-current	2,625	571	845	817	174	135	5,167
Thereof in 2007							
Current	6,990	380	295	154	0	1,080	8,899
Non-current	906	527	738	1,734	0	325	4,230

Product warranty

A provision is made 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 repair free of charge or, at the Group's discretion, replacement of components free of charge by an authorized partner workshop.

Partial retirement

In Germany, the Group offers phased retirement plans to employees taking early retirement. The model used is the so-called block model, dividing partial retirement into two employment periods. The first period involves working full working hours. It is followed by a second phase in which working hours are zero. The provision is discounted and treated as a deferred item at its present value. Partial retirement commitments are covered against possible insolvency.

Environmental issues

Provisions for environmental issues are made in connection with environment-related reductions and obligations based on past events, these being events that are probable and can be estimated reliably.

Workers' compensation and health insurance benefits

Workers' compensation and health insurance benefits are recognized on the basis of claims made. The Group estimates the overall liability for claims of this kind on the basis of past experience. The Group has insurance for workers' compensation and health insurance. In addition, it has taken out stop-loss insurance coverage to limit its exposure to damages claims.

Restructuring

To offset falling demand in the trailer market, the Group has agreed with its German Workers' Council a reconciliation of interests and a "Sozial Plan". This plan, drawn up in November 2008, which involves laying off 193 employees in Germany. By the terms of the plan, employees can choose between joining an employment company or leaving the Company without doing so. The Group has made a provision for the expected redundancy payments, layoff phases, and payments to the employment company. As a part of further restructuring, the Group also offered employees in North America an early retirement incentive program.

20 INTEREST-BEARING LOANS AND BORROWINGS

kEUR	Non-current		Current		Total	
	12/31/08	12/31/07	12/31/08	12/31/07	12/31/08	12/31/07
Interest-bearing collateralized loans	0	261,111	305,869	1,528	305,869	262,639
Bank overdrafts	0	0	4,539	99	4,539	99
Accrued interest	0	0	1,347	0	1,347	0
Other loans	0	182	641	0	641	182
Total	0	261,293	312,396	1,627	312,396	262,920

On February 19, 2008, an agreement was signed with a consortium of banks that replaced the previous LBO financing arrangement and ensured a supply of short- and long-term finance at more favorable interest rates. The credit line agreed originally had a total volume of EUR 325.0 million, which due to changes in the foreign exchange rates amounted to EUR 321.3 million as of the balance sheet date. It consists of a Euro tranche (the A1 facility), a US-Dollar tranche (the A2 facility), and a multi-currency revolving credit line (the B facility). The tranches are shown in the following table:

	Amount drawn under the term loans	Nominal value after deducting incidental financing costs	Available facility
kEUR	12/31/08	12/31/08	12/31/08
Facility A1	75,036	74,936	75,036
Facility A2	61,301	61,199	61,301
Facility B	169,974	169,734	185,000
	306,311	305,869	321,337

Against the background of changing markets, in October 2008, management entered into discussions with the lead banks in the consortium. The negotiations continued beyond December 31, 2008. In February 2009, a standstill agreement was agreed until June 19, 2009. For this reason, interest-bearing loans and borrowings were classified as current. Further details of the standstill agreement and resulting risks that pose a threat to the Group's continued existence as a going concern are given in Notes 29 and 30.

21 FINANCE LEASE LIABILITIES

The Group leases a large number of items of machinery and equipment such as driverless transportation systems, forklift trucks, and a CNC-lathe. Based on the terms and conditions with regard to the length of the leasing periods and the residual values agreed in the leasing contracts, these leases are classified as finance leases.

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

Minimum lease payments

kEUR	12/31/08		12/31/07	
	Lease payments	Present value including residual value and initial payments	Lease payments	Present value including residual value and initial payments
Within 1 year	507	475	496	443
After 1 year but not more than 5 years	453	508	791	821
More than 5 years	–	–	–	–
Total	960	983	1,287	1,264

kEUR	12/31/08	12/31/07
Present value of minimum lease payments in total	983	1,264
Present value of initial lease payments	-73	-209
Present value of the residual value	-112	-267
Present value of minimum lease payments excluding initial payments and residual value	798	788
Interest portion	162	499
Minimum lease payments	960	1,287
Lease payments of the year	439	583

22 TRADE PAYABLES

The trade payables recognized as of the reporting date are non-interest-bearing and are normally settled within two to six months.

23 OTHER LIABILITIES

Other current liabilities are non-interest-bearing. They consist mainly of other taxes and liabilities for salaries and social security contributions. Other non-current liabilities include mainly anniversary obligations totaling kEUR 230 (previous year: kEUR 237).

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Carrying amounts, amounts recognized, and fair values by category are as follows:

kEUR	Category in accordance with IAS 39	Carrying amount 12/31/08	Amounts recognized in balance sheet according to IAS 39		Amounts recognized in balance sheet according to IAS 17		Fair Value 12/31/08
			(Amortized) cost	Fair value recognized in equity	Fair value recognized in profit or loss		
Assets							
Cash and cash equivalents	LaR	8,557	8,557	–	–	–	8,557
Trade receivables	LaR	82,348	82,348	–	–	–	82,348
Other financial assets	AfS	140	140	–	–	–	140
Liabilities							
Trade payables	FLAC	60,443	60,443	–	–	–	60,443
Interest-bearing loans and borrowings	FLAC	312,396	312,396	–	–	–	312,396
Finance lease liabilities	n.a.	983	–	–	–	983	983
Other financial liabilities							
Derivates without a hedging relationship	FLHfT	5,303	–	–	5,303	–	5,303
Derivates with a hedging relationship	n.a.	4,717	–	3,440	1,277	–	4,717
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	90,905	90,905	–	–	–	90,905
Available-for-sale financial assets	AfS	140	140	–	–	–	140
Financial liabilities measured at amortized cost	FLAC	372,839	372,839	–	–	–	372,839
Financial liabilities held for trading	FLHfT	5,303	–	–	5,303	–	5,303

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

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

The fair values of interest-bearing loans and borrowings and finance lease liabilities are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and a credit spread curve for specific currencies.

Net gains or losses by category:

kEUR	From interest	From subsequent measurement			Net gain/loss 2008
		At fair value	Currency translation	Impairment/reversal of impairment	
Loans and receivables	434	–	–	-1,164	-730
Financial liabilities measured at amortized cost	-21,812	–	379	–	-21,433
Financial instruments held for trading	–	-3,757	–	–	-3,757
Total	-21,378	-3,757	379	-1,164	-25,920

kEUR	From interest	From subsequent measurement			Net gain/loss 2007
		At fair value	Impairment/reversal of impairment	From derecognition	
Loans and receivables	326	–	-246	–	80
Financial assets held for trading	–	–	–	512	512
Financial liabilities measured at amortized cost	-32,780	–	–	–	-32,780
Financial instruments held for trading	–	-233	–	–	-233
Total	-32,454	-233	-246	512	-32,421

The components of net gain or loss are recognized under finance income or finance expenses, except for impairments/reversals of impairments on trade receivables which are classified as loans and receivables, which are reported under cost of sales.

Interest from financial liabilities measured at amortized cost primarily consists of interest expenses on interest-bearing collateralized loans.

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.

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 monthly rolling liquidity plan for at least twelve months at a time is used. In addition, management continually evaluates adherence to key financial figures as required by the long-term credit agreement. Management's timely reaction also demonstrates this; in October 2008, management had already initiated discussions with representatives of the bank consortium to adjust the corporate financing agreement in view of slumping sales and the rapidly changing market environment.

The maturity structure of the Group's financial liabilities is as follows:

kEUR	12/31/08			
	Total	Due within 1 year	Between 1 year and 5 years	More than 5 years
Interest-bearing loans and borrowings	312,396	312,396	–	–
Finance lease liabilities	983	475	508	–
Trade payables	60,443	60,443	–	–
Derivative financial liabilities				
Derivates without a hedging relationship	5,303	–	5,303	–
Derivates with a hedging relationship	4,717	3,958	759	–
Financial liabilities	383,842	377,272	6,570	0

As a result of the standstill agreement from February 2009 outlined in Note 20, the interest-bearing loans must be shown as current because the agreement terminates on June 19, 2009. Further details of the standstill agreement and the resulting risks are given in Notes 29 and 30.

kEUR	Total	12/31/07		
		Due within 1 year	Between 1 year and 5 years	More than 5 years
Interest-bearing loans and borrowings ¹⁾	262,920	262,920	–	–
Finance lease liabilities	1,264	443	821	–
Trade payables	90,877	90,877	–	–
Derivative financial liabilities				
Derivates without a hedging relationship	1,390	–	1,390	–
Derivates with a hedging relationship	1,518	693	825	–
Financial liabilities	357,969	354,933	3,036	0

1) Due to the refinancing of the interest-bearing loans and borrowings in 2008 the whole amount is deemed to be payable in 2008. Nevertheless, the credit facility was classified as a non-current liability due to the refinancing agreement arranged in February 2008. The expected maturity of the new credit facilities provided in 2008 was: due within one year kEUR 5,569, due between one and five years kEUR 44,554, and due after five years kEUR 274,144.

The following tables show contractually agreed (undiscounted) interest payments and repayments of primary financial liabilities and derivative financial instruments with positive and negative fair values:

kEUR	12/31/08								
	Cash flows 2009			Cash flows 2010			Cash flows 2011–2013		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest-bearing loans and borrowings	-777	-1,072	-312,396	–	–	–	–	–	–
Finance lease liabilities	-93	–	-475	-60	–	-386	-9	–	-122
Derivative financial liabilities									
Derivates without a hedging relationship	–	–	–	–	-5,303	–	–	–	–
Derivates with a hedging relationship	–	-4,100	–	–	-775	–	–	–	–

kEUR	12/31/07								
	Cash flows 2008			Cash flows 2009			Cash flows 2010-2012		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest-bearing loans and borrowings	-1,089	-1,961	-262,920	-	-	-	-	-	-
Finance lease liabilities	-79	-	-364	-47	-	-392	-24	-	-358
Derivative financial liabilities									
Derivates without a hedging relationship	-	-	-	-	-	-	-	-1,390	-
Derivates with a hedging relationship	-	-1,480	-	-	-1,480	-	-	-1,480	-
Derivative financial assets									
Derivates with a hedging relationship	-	253	-	-	253	-	-	253	-

All instruments held as of 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 closing rates as of the reporting date. Variable interest payments arising from the financial instruments were calculated using the last interest rates fixed before 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 liabilities 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 prospective customers to credit verification procedures. To manage specific default risks, the Group also takes out commercial credit insurance coverage in Europe and defines house limits for each customer.

Any credit risks that still arise are covered by individual and collective value adjustments for receivables carried in the balance sheet. The carrying amounts of financial assets and derivative financial instruments 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 cash flow. To hedge this

cash flow risk, the Group holds interest swaps to transform certain variable cash flows into fixed cash flows and achieve the maximum interest rate possible. 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 commercial risk in this connection.

The Group is subject to interest rate risks mainly in the Euro zone and in North America.

In 2008, in accordance with the Group's risk strategy, cash flow hedges between variable yield loans and interest rate swaps totaling a nominal value of EUR 107.3 million and USD 86.4 million, respectively, were made (previous year: EUR 107 million and USD 137 million, respectively). The variable aspect of the swaps as well as the variable yield of loans are linked to the 3-month Euribor and 3-month USD-Libor, respectively. Due to interest rate swaps, the variable yield loans were transformed cost-effectively into fixed-interest loans with nominal interest rates of 3.90% and 4.69%, respectively. The swaps reduced their nominal amounts gradually. The coupon due dates of the swaps and loans match exactly. For the prospective effectiveness test, a critical term match was conducted. In line with the retrospective test, the hypothetical derivative method was used. In the reporting period, changes in the value of swaps (net of taxes) amounting to kEUR -2,195 (previous year: kEUR -889) were recorded in equity so that the cumulative amount of value changes recorded in equity (net of taxes) came to kEUR -3,084. Due to a change in utilization of the existing credit line, the nominal volume secured by the US-Dollar hedge exceeded the volume of loans raised in US-Dollars. The hedge volume was adjusted accordingly and changes in the value of the swap amounting to kEUR 1,277 were recorded with effect on net income.

Since as of the balance sheet date the inflow of all secured payments is still expected, the hedging measures will be sustained in 2009. Interest payments on swaps are included in finance expense along with interest payments on loans.

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

Start	End	Nominal volume	Reference rate
March 8, 2007	March 9, 2010	EUR 107.3 million to EUR 72.0 million	EURIBOR
March 8, 2007	March 9, 2010	USD 139.4 million USD to 117.0 million	LIBOR

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

Start	End	Nominal volume	Reference rate
March 9, 2010	March 9, 2012	EUR 68.3 million EUR to 64.5 million	EURIBOR
March 9, 2010	March 9, 2012	USD 112.1 million USD to 107.3 million	LIBOR

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

As of the balance sheet date, the market values of derivatives were as follows:

kEUR	12/31/08		12/31/07	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	–	4,717	1,269	1,518
Prolongation option for interest rate swaps	–	5,303	–	1,390
	0	10,020	1,269	2,908

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 to the previous year.

If the market interest rate level as of December 31, 2008 had been 100 base points lower (higher), the result would have been kEUR 1,444 (previous year: kEUR 591) higher (lower). All other variables are assumed to be constant.

Foreign currency risk

By virtue of the international nature of its business activities, the Group is exposed to foreign currency risks that arise from 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 low with regard to individual transactions. It is also why foreign currency risks that do not affect the Group's cash flow (such as risks arising from translating the assets and liabilities involved in an international transaction into the Group's reporting currency) are generally not hedged.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's functional

currency are not taken into consideration (translation risk). Relevant risk variables are generally all non-functional currencies in which the Group holds financial instruments.

Therefore, the Group is not exposed to any material currency risks as defined in IFRS 7.

25 EARNINGS PER SHARE

		12/31/08	12/31/07
Result for the period	kEUR	-24,984	11,168
Number of shares outstanding (weighted average)	thousands	19,438	75,523
Earnings per share			
Basic	EUR	-1.29	0.15
Diluted	EUR	-1.29	0.02

Basic earnings per share is calculated by dividing the result for the year attributable to shareholders of SAF HOLLAND S.A. by the average number of shares outstanding. Earnings per share can be diluted by potential ordinary shares. Newly issued or repurchased shares are taken into account on a pro rata basis during the period in which they are in circulation. Stock splits carried out during the fiscal year are taken into account as of the beginning of the year in accordance with IAS 33.

During fiscal year 2008, the weighted average number of shares increased as a result of the issuance of 1,864,900 new shares on September 4, 2008.

In preparation for the IPO, a shareholders' resolution from June 18, 2007 decided to split the 109,739 ordinary shares of the Company with a par value of EUR 1.25 each into 13,717,375 ordinary shares with a par value of EUR 0.01 each. Furthermore, the Company issued 5,120,000 ordinary shares with a par value of EUR 0.01 each, as determined in the shareholders' resolution from July 25, 2007. The number of ordinary shares in 2007 thus totaled 18,837,375, each with a par value of EUR 0.01. The calculation of earnings per share in accordance with IFRS assumed that the stock split had already taken place as of January 1, 2007.

Weighted average number of shares in 2008

	Par value (EUR)	Number	Days	Weighted number
Number of ordinary shares				
01/01/08–09/03/08	0.01	18,837,375	244	4,596,319,500
09/04/08–12/31/08	0.01	20,702,275	116	2,401,463,900
Total			360	6,977,783,400
Average		19,438,287		

Weighted average number of shares in 2007

	Number	Par value before split (EUR)	Par value after split (EUR)	Number
01/01/07–04/19/07				
Ordinary shares	100,688	1.25	0.01	12,586,000
Preferred shares	846,322	1.25	0.01	105,790,250
Total	947,010	1.25	0.01	118,376,250
04/19/07–07/25/07				
Ordinary shares	100,800	1.25	0.01	12,600,000
Preferred shares	846,322	1.25	0.01	105,790,250
Total	947,122	1.25	0.01	118,390,250
07/25/07–12/31/07				
Ordinary shares	18,837,375		0.01	18,837,375

	Par value (EUR)	Number	Days	Weighted number
Number of shares (as if stock split since 01/01/07)				
01/01/07–04/19/07	0.01	118,376,250	109	12,903,011,250
04/19/07–07/25/07	0.01	118,390,250	96	11,365,464,000
07/25/07–12/31/07	0.01	18,837,375	155	2,919,793,125
Total			360	27,188,268,375
Average		75,523,006		

For the calculation of diluted earnings per share, the average number of issued shares is adjusted by the number of all potentially dilutive shares.

Diluted earnings per share		12/31/08	12/31/07
Result for the year (basic and diluted)	kEUR	-24,984	11,168
Adjusted weighted average number of shares outstanding	thousands	19,438	75,523
Dilutive potential of ordinary and preferred shares (weighted average)	thousands	–	23,032
CPECs (weighted average)	thousands	–	410,668
Weighted average number of shares outstanding (diluted)	thousands	19,438	509,223
Diluted earnings per share	EUR	-1.29	0.02

There were no dilutive effects during 2008. Diluted earnings per share in 2007 take into account convertible preferred equity certificates (CPECs), which were repaid in full during the IPO.

The following table illustrates the weighted number of shares (diluted) for fiscal year 2007:

	Number	Par value before split (EUR)	Par value after split (EUR)	Number
01/01/07–04/19/07				
Ordinary shares	8,940	1.25	0.01	1,117,500
Preferred Shares	314,628	1.25	0.01	39,328,500
CPECs	5,754,384	1.25	0.01	719,298,000
Total	6,077,952	1.25	0.01	759,744,000
04/19/07–07/25/07				
Ordinary shares	8,940	1.25	0.01	1,117,500
Preferred Shares	314,628	1.25	0.01	39,328,500
CPECs	5,786,414	1.25	0.01	723,301,750
Total	6,109,982	1.25	0.01	763,747,750

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

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

During the period between the balance sheet date and the preparation of the consolidated financial statements, no additional transactions have taken place involving ordinary shares or potential ordinary shares.

26 CASH FLOW STATEMENT

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

The cash flow from operating activities is determined using the indirect method; the cash flow from investing activities is 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. The cash flow from financing activities is also calculated using the direct method. This cash flow comprises cash flows from transactions with shareholders and from the assumption or redemption of financial liabilities.

27 OTHER FINANCIAL COMMITMENTS

The Group as lessee has entered into rental and lease commitments mainly for commercial buildings, office equipment, computing equipment, and motor vehicles. The lease commitments have an average term of between three and five years.

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

kEUR	12/31/08	12/31/07
Within 1 year	2,956	1,906
After 1 year but not more than 5 years	5,637	2,598
More than 5 years	65	56
Total	8,658	4,560
Operate lease payments for the reporting period	3,068	1,760

The increase in obligations from leasing commitments is mainly due to the company acquisitions previously described.

28 RELATED PARTY DISCLOSURES

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

Subsidiaries	Country of incorporation	% Equity interest
SAF-HOLLAND GROUP GmbH	Germany	100.0
SAF-HOLLAND TECHNOLOGIES GmbH	Germany	100.0
SAF-HOLLAND GmbH	Germany	100.0
SAF-HOLLAND Polska Sp. z o.o.	Poland	100.0
SAF-HOLLAND France 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 Slovakia s.r.o.	Slovakia	100.0
SAF-HOLLAND Italia s.r.l. unipersonale	Italy	100.0
SAF-HOLLAND Romania SRL	Romania	100.0
SAF-HOLLAND Bulgaria EOOD	Bulgaria	100.0
SAF-HOLLAND do Brasil Ltda.	Brazil	100.0
SAF-HOLLAND Denmark ApS	Denmark	100.0
SAF-HOLLAND South Africa Ltd.	South Africa	100.0
SAF-HOLLAND Holdings (USA) Inc.	USA	100.0
SAF-HOLLAND Inc.	USA	100.0
SAF-HOLLAND USA Inc.	USA	100.0
SAF-HOLLAND Canada Ltd.	Canada	100.0
SAF-HOLLAND Equipment Ltd.	Canada	100.0
SAF-HOLLAND International Inc.	USA	100.0
Holland Pacific Investment Inc.	USA	100.0
SAF-HOLLAND (Aust.) Pty. Ltd.	Australia	100.0
SAF-HOLLAND (Malaysia) SDN. BHD	Malaysia	100.0
SAF-HOLLAND (Thailand) Co., Ltd.	Thailand	100.0
Holland Europe GmbH	Germany	100.0
SAF-HOLLAND Verkehrstechnik GmbH (previously: Georg Fischer Verkehrstechnik GmbH)	Germany	100.0
Holland Eurohitch Ltd.	UK	100.0
SAF-HOLLAND International de México S. de R.L. de C.V.	Mexico	100.0
SAF-HOLLAND International Services México S. de R.L. de C.V.	Mexico	100.0
SAF-HOLLAND Hong Kong Ltd.	Hong Kong	100.0
QSI Air Ltd.	USA	100.0
Xiamen Austin-Westran Machinery Co., Ltd.	China	100.0

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

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	
Rudi Ludwig	Chief Executive Officer (until January 31, 2009)
Dr. Reiner Beutel	Chief Executive Officer (since February 2, 2009)
Wilfried Trepels	Chief Financial Officer
Samuel Martin	Chief Operating Officer
Detlef Borghardt	Head of Trailer Systems Business Unit
Steffen Schewerda	Head of Group Operations
Jack Gisinger	Head of Powered Vehicle Systems Business Unit
Tim Hemingway	Head of Aftermarket Business Unit (until September 30, 2008) ¹⁾
Board of Directors	
Dr. Rolf Bartke	Member of the Board of Directors (Chairman) (until January 31, 2009)
Bernhard Schneider	Member of the Board of Directors (Chairman) (since March 27, 2009)
Ulrich Otto Sauer	Member of the Board of Directors (Vice Chairman)
Dr. Siegfried Goll	Member of the Board of Directors
Rudi Ludwig	Member of the Board of Directors
Richard W. Muzzy	Member of the Board of Directors
Gerhard Rieck	Member of the Board of Directors
Martin Schwab	Member of the Board of Directors
Dr. Reiner Beutel	Member of the Board of Directors (since February 1, 2009)

1) The CEO has assumed direction of the Aftermarket Business Unit since October 1, 2008.

The voting period and further functions of the members of the Board of Directors and the Management Board are illustrated on pages 142 and 143 of this annual report.

In accordance with the shareholders' resolution from March 29, 2006, certain managing directors of SAF-HOLLAND GmbH, who are also key management personnel of SAF-HOLLAND Group GmbH, received 10,000 ordinary shares and 351,920 preferred shares in SAF HOLLAND S.A. with a par value of EUR 1.25 per share without paying any cash consideration in exchange. These shares were granted due to the limitation within the shareholders' resolution with regard to the leaver condition. Based on the terms and conditions set out in the shareholders' resolution, these shares were classified as equity-settled transactions with an estimated vesting period of three years. The fair value of these instruments at grant date was estimated using a binomial pricing model, taking into account the terms and conditions upon which the instruments were granted. The total fair value of these instruments at grant date amounted to kEUR 452.

In connection with the IPO in 2007, the plan for compensation through equity instruments was dissolved with affect on net income. Expenses in the prior year arising from these equity-settled transactions granted to key management personnel amounted to kEUR 338.

As of December 31, 2008, members of the Management Board directly or indirectly held ordinary shares amounting to kEUR 10 (previous year: kEUR 21), while members of the Board of Directors directly or indirectly held ordinary shares amounting to kEUR 30 (previous year: kEUR 18). These figures take into account Mr. Rudi Ludwig's resignation from the Management Board.

Total remuneration of the members of the Management Board for the fiscal year amounted to kEUR 1,806 (previous year: kEUR 2,480), including termination benefits totaling kEUR 9 (previous year: kEUR 0). There are no further stock option plans or other compensation commitments. The total remunerations of the Board of Directors amounted to kEUR 360 (previous year: kEUR 217) and were recognized with affect on net income.

The interest on PECs for the management was paid in during the previous year in connection with the repayment of PECs. In fiscal year 2007, interest payments for members of the Management Board totaled kEUR 246 and for members of the Board of Directors kEUR 436.

Shareholders with a significant influence over the Group are:

1) Pamplona Capital Partners I, LP is a subsidiary of Pamplona Equity Advisors I Ltd.(UK), which itself is a subsidiary of Pamplona PE Investments (Cayman Islands). Pamplona PE Investments (Cayman Islands) is a controlled undertaking of Mr. Alexander Knaster.

- Pamplona Capital Partners I, LP¹⁾
- Mr. Ulrich Otto Sauer
- Mr. Rudi Ludwig
- Mr. Richard W. Muzzy

Pamplona received fees in the aggregate amount of EUR 0.4 million for advisory services relating to the capital increase. In 2007 advisory service fees in connection with the IPO totaling EUR 1.5 million were paid to Pamplona.

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

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

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

kEUR	2008			
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Jinan SAF AL-KO Axle Co., Ltd.	1,790	670	1,620	5
SAF AL-KO Vehicle Technology Yantai Co., Ltd.	2	325	555	350
SAF-HOLLAND Nippon, Ltd.	622	0	61	0
Lakeshore Air LLP	0	292	0	25
FWI S.A.	0	25,262	0	921
Irwin Seating Company	1,825	0	125	0
	4,239	26,549	2,361	1,301

kEUR	2007			
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Jinan SAF AL-KO Axle Co., Ltd.	798	1,152	562	167
SAF AL-KO Vehicle Technology Yantai Co., Ltd.	24	257	368	163
SAF-HOLLAND Nippon, Ltd.	100	0	8	0
Lakeshore Air LLP	517	529	0	49
FWI S.A.	0	24,042	0	325
Irwin Seating Company	1,564	0	240	0
	3,003	25,980	1,178	704

The Irwin Seating Company is a company in which a member of the Group's management 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, 2008 are unsecured, interest-free, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payments. For the year ended December 31, 2008 (also for 2007), the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each fiscal year by examining the financial positions of the related parties and the markets in which these parties operate.

29 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 the earnings figures EBIT and EBITDA, monitoring the development of net working capital and the return on capital employed (ROCE) in order to measure earnings power.

Net debt includes interest-bearing loans and borrowings less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent company.

kEUR	12/31/08	12/31/07
Interest-bearing loans and borrowings	312,396	262,920
Cash and cash equivalents	-8,557	-27,757
Net debt	303,839	235,163
Equity attributable to equity holders of the parent	72,070	108,157
Total equity	72,070	108,157
Equity and net debt	375,909	343,320

As a result of the refinancing agreement concluded on February 19, 2008, the Company is required to maintain the following Group key figures (financial covenants):

- Total net debt cover (net debt divided by adjusted consolidated EBITDA) – to be maintained within a bandwidth of between 3.75 in 2007 and 2.5 in 2013;
- Total interest cover (adjusted consolidated EBITDA divided by net finance expenses for loans and overdrafts) – to be maintained within a bandwidth of between 3.0 in 2007 and 4.5 in 2013;
- Equity cover (consolidated equity divided by consolidated balance sheet total) – to be maintained within a bandwidth of between 0.15 in 2007 and 0.2 in 2013.

Due to changing markets in the fourth quarter of 2008, the Group was unable to maintain these key figure requirements as of December 31, 2008. Failure to do so generally entitles the bank consortium to call in the loans. For this reason, management entered into discussions with the lead banks of the consortium in October 2008. These negotiations continued beyond December 31, 2008. In February 2009, a standstill agreement was reached, which covers the period until June 19, 2009. Further details of the standstill agreement and the resulting risks that pose a threat to the Group's continued existence as a going concern are given in Note 30.

30 EVENTS AFTER THE BALANCE SHEET DATE

Credit agreement

Discussions which were initiated in October 2008 with the leaders of the bank consortium, UniCredit and Dresdner Kleinwort, regarding the adjustment of the agreement for a credit line of originally EUR 325 million to the current market situation continued as of the end of fiscal year 2008. In January 2009, when market development remained at a very weak level, SAF-HOLLAND S.A. and the consortium leaders decided at short notice to disregard the already drafted contract proposal. Instead, in February 2009, they signed a standstill agreement with the following key elements:

- Increase in the interest margin from 1.6 % to 4 %
- Suspension of the financial covenants as of December 31, 2008 and March 31, 2009
- Extensive granting of guarantees in the form of commercial real estate mortgages, pledging of Group bank accounts, and the assignment of other assets as security
- Preparation and presentation of an expert restructuring opinion by May 5, 2009 that describes the Group's financial restructuring ability. The auditing firm KPMG has been commissioned to prepare the study.
- On presentation of the opinion, the Group has until June 19, 2009 to draw up a sustainable financing concept jointly with the financing banks.

The expert restructuring opinion compiled by KPMG has been completed in a preliminary version as of April 20, 2009. The opinion states the Group is capable of restructuring financially under the conditions listed below. The restructuring opinion is based on corporate planning sensitized in such a way as to take into account the greatest possible negative development that is likely to occur within the planning timeline. The main conditions are as follows:

- The occurrence of the assumptions on which the restructuring opinion is based, in particular the implementation of the targeted restructuring measures.
- Continuation of the existing credit line until December 31, 2010 (EUR 322.6 million as of December 31, 2009; EUR 310.6 million as of December 31, 2010).
- Coverage of the additional liquidity requirement of at most EUR 30 million in November 2010.

- No negative effects on liquidity of more than EUR 5.0 million during the planning period from the reduction or cancellation of credit insurance limits for goods. A negative effect on liquidity of EUR 5.0 million has been taken into account.
- Maintaining the possibility for the transfer of liquid funds between Group companies as part of active cash management.

In addition, the restructuring opinion explicates that sustainable yield and competitive ability can be considered existent, based on the planning as presented and the market position of the SAF-HOLLAND Group.

In view of the financing arrangement with the banks that has yet to be agreed, any assessment on the Group's continued existence as a going concern is characterized by uncertainties which currently cannot be assessed conclusively. If a new credit agreement cannot be concluded and inflows and outflows of funds from financial planning cannot take place as planned, the Group's continued existence will be threatened.

The management of SAF-HOLLAND S.A. expects that the forecast will be positive, enabling the Company in all probability to continue its business activities this year and in subsequent fiscal years, fulfilling its payment obligations. This positive forecast is based on a detailed financing plan comprising the financing of future business activity, planned investments, and other financing activities.

The SAF-HOLLAND S.A. management bases its assumptions mainly on the following assessments:

Conclusion of a credit agreement on expiration of the standstill period

Based on the results of the restructuring opinion and the negotiations with the financing banks, the management expects that a credit arrangement assuring the Company's continued existence can be agreed by June 19, 2009.

Implementation of other conditions stated in the restructuring opinion

Management assumes that the requirements of the preliminary restructuring opinion can be successfully implemented, particularly as the management has already promptly and consistently introduced the measures necessary for an operational restructuring of the Company. The assumptions on which the planning was based, such as market development, continuation of the existing credit line, as well as coverage of the additional liquidity requirement as determined by the sensitivity analysis and detailed in the restructuring opinion of at most EUR 30 million in November 2010 (for more details, see page 134), are a prerequisite for the successful fulfillment of the requirements of the restructuring opinion.

Changes to the Management Board and the Board of Directors

When his contract expired on February 28, 2009, CEO Mr. Rudi Ludwig resigned from operational business for personal reasons at his own request. He remains a member of the Board of Directors. Mr. Dr. Reiner Beutel was appointed to succeed him on the Management Board as CEO.

With effect from February 1, 2009, Mr. Dr. Reiner Beutel was newly appointed to the Board of Directors. In addition, Mr. Dr. Rolf Bartke, previously Chairman of the SAF-HOLLAND S.A. Board of Directors, resigned from the Board as of January 31, 2009 for personal reasons and at his own request. On March 27, 2009, Mr. Bernhard Schneider was elected as Chairman of the Board of Directors as the successor of Mr. Dr. Rolf Bartke.

Measures to reduce cost structures and stabilize liquidity

In 2009, the measures initiated in the reporting year were continued. In addition, the Group has launched a further cost reduction program aimed at saving up to EUR 35.0 million in the current fiscal year. The new package includes savings in materials and production costs as well as further non-personnel and personnel expenses. The latter include short-term work, temporary closure of a production site in Bessenbach, Germany, a reduction in weekly working hours, and temporary cuts in exempt salaries.

Furthermore, the Group put in place a program of measures to decrease the net working capital, the main focus being on inventories, in order to reduce capital tied up by approximately EUR 30.0 million.

With the goal of stabilizing liquidity, credit agreements were signed in February 2009 with members of management and a longstanding European customer that will provide the Group with additional liquid funds totaling EUR 9.7 million. The credit agreement with the customer is for an 18-month term. The management loans are for a 24-month term.

Luxembourg, April 23, 2009



Bernhard Schneider
Chairman of the Board of Directors



Dr. Reiner Beutel
Chief Executive Officer of
SAF-HOLLAND Group GmbH

LIST OF ABBREVIATIONS

AfS	Available for sale financial assets
CEO	Chief executive officer
CFO	Chief financial officer
COO	Chief operating officer
CPEC	Convertible preferred equity certificate
DAX	Deutscher Aktienindex (German stock index)
DIN	Deutsches Institut für Normung
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and depreciation/amortization
EURIBOR	Euro interbank offered rate
R&D	Research and development
FLAC	Financial liabilities measured at amortized cost
FLHfT	Financial liabilities held for trading
IAA	Internationale Automobil-Ausstellung
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPO	Initial public offering
ISIN	International securities identification number
ISO	International Organization for Standardization
IT	Information technology
LaR	Loans and receivables
LBO	Leverage buy out
LIBOR	London interbank offered rate
OEM	Original equipment manufacturer
PEC	Preferred equity certificate
PPA	Purchase price allocation
ROCE	Return on capital employed
ROI	Return on Investment
SDAX	Small-Cap-DAX
TS	Technical specification
WACC	Weighted average cost of capital
WKN	Wertpapierkennnummer (security identification number)

Independent Auditor's Report

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Following our appointment by the General Meeting of the Shareholders dated April 24, 2008, we have audited the accompanying consolidated financial statements of SAF-HOLLAND S.A., which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the Réviseur d'Entreprises

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of SAF-HOLLAND S.A. as of 31 December 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

Without qualifying our opinion we draw attention to Notes 2.1, 20, 29 and 30 to the consolidated financial statements which indicate that during the fourth quarter of 2008 the Company breached the financial covenants on their loan financing. The Company's continued existence is dependent upon the successful negotiation of a new long-term credit agreement together with the achievement of certain conditions as set out in Note 30. The Company has signed a standstill agreement with the lending banks for current financing facilities which is applicable until June 19, 2009. These conditions, along with other matters set forth in Note 30, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

Thierry BERTRAND

Luxembourg, April 23, 2009

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.

Luxemburg, April 23, 2009

SAF-HOLLAND S.A.



Bernhard Schneider

Chairman of the Board of Directors

Mandates of the Board of Directors/Management Board

Dr. Rolf Bartke

(election date: June 18, 2007; term of office: 4 years; resigned: January 31, 2009)

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

Chairman Supervisory Board, KUKA AG

Member Supervisory Board, EADS NV

Chairman Supervisory Board, SFC Smart Fuel Cell AG

Chairman Supervisory Board, Keiper-Recaro-Group

Member Supervisory Board, J&R Carter Partnership Foundation

Member Supervisory Board, SORTIMO North America Inc.

Ulrich Otto Sauer

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

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

Chairman Board of Directors, SAF-HOLLAND GmbH

Managing Director, ASAF Verwaltungs GmbH

Dr. Siegfried Goll

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

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

Vice Chairman Supervisory Board, Rohwedder AG

Member Advisory Board, VOSS Holding GmbH & Co. KG

Member Supervisory Board, Witzemann GmbH

Member Supervisory Board, Rheinmetall AG

Chairman of Administrative Council, Leuze Geschäftsführungs GmbH

Rudi Ludwig

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

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

Managing Director and CEO, SAF-HOLLAND GROUP GmbH (until January 31, 2009)

Managing Director, Luruna GmbH

Richard W. Muzzy

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

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

Member Supervisory Board, Besser Company

Member Supervisory Board, Die & Engineering Co.

Member Supervisory Board, Irwin Seating Holding Company

Gerhard Rieck

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

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

Member Supervisory Board, VOSS Automotive GmbH

Member Supervisory Board, KNORR-BREMSE Systeme für Nutzfahrzeuge GmbH

Managing Director, REACT GmbH - engineering and consulting - Ingenieure Rieck & Partner

Bernhard Schneider

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

election date: March 27, 2009 as Chairman Board of Directors, SAF-HOLLAND S.A.)

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

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

Managing Director, Mediaprint Zeitungs- und Zeitschriftenverlag GmbH

Managing Director, Krone Media Beteiligungsgesellschaft m.b.H.

Managing Director, Krone Media Aktiv Gesellschaft m.b.H.

Managing Director, Krone Hit Radio Medienunternehmen Betriebs- und Beteiligungsgesellschaft m.b.H.

Dr. Reiner Beutel

(election date: February 2, 2009; term of office: 3 years)

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

Managing Director and CEO, SAF-HOLLAND GROUP GmbH (since February 2, 2009)

Member Administrative Council, Mirror Controls International, the Netherlands

Vice Chairman Administrative Council, Haldex AB, Sweden (until April 16, 2009)

Member Supervisory Board, KUKA AG

Chairman Advisory Board, Fischer Maschinenbau GmbH

Member Administrative Council, Key Plastics Corp., USA

Martin Schwab

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

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

Detlef Borghardt

Managing Director, SAF-HOLLAND GROUP GmbH

Managing Director, D+MB GmbH

Jack Gisinger

Managing Director, SAF-HOLLAND GROUP GmbH

Tim Hemingway

Managing Director, SAF-HOLLAND GROUP GmbH (until September 30, 2008)

Sam Martin

Managing Director and COO, SAF-HOLLAND GROUP GmbH

Steffen Schewerda

Managing Director, SAF-HOLLAND GROUP GmbH

Managing Director, EGAL GmbH

Wilfried Trepels

Managing Director and CFO, SAF-HOLLAND GROUP GmbH

Managing Director, Via Montana GmbH

Member Board of Directors, VBM and BayMe (until December 31, 2008)

Members of the Management Board



Dr. Reiner Beutel

Chief Executive Officer (CEO) (since February 2, 2009)

Dr. Reiner Beutel was appointed Chief Executive Officer on February 2, 2009 and appointed to the Board of Directors on February 1, 2009. Most recently, Dr. Reiner Beutel was a member of several Supervisory Boards, for Haldex AB, KUKA AG, and Mirror Controls Int., among others. Previously, he served as CEO and CFO at Schefenacker AG in Schwaikheim, Germany. Before that, Dr. Beutel was active in the Robert Bosch Group for 15 years. He is a business graduate (Dipl. Kfm.) and earned a doctorate with specialties in planning and controlling.



Rudi Ludwig

Chief Executive Officer (CEO) (until January 31, 2009)

Rudi Ludwig was active in the Company since 2003 as CEO and head of management. Additionally, he was appointed as a member of the Board of Directors of SAF-HOLLAND S.A. on June 18, 2007. Between 1992 and 2003, Mr. Ludwig served as a member of the management board of Behr GmbH. Prior to joining Behr, Mr. Ludwig worked for Henkel KGaA in Düsseldorf, Germany, and Knorr Bremse AG in Munich, Germany. Mr. Ludwig studied at Karlsruhe University of Applied Sciences and at the Freie Universität Berlin. He holds a Dipl. Wirtsch.-Ing. degree and a Dipl. Kfm. degree.



Sam Martin

Chief Operating Officer (COO)

Sam Martin was appointed Chief Operating Officer on June 29, 2007. Mr. Martin joined the Company in 1974, and since that time he has held the positions of Metallurgical Engineer, Acting Chief Engineer, Vice President Engineering, Executive Vice President Engineering, Executive Vice President, and President and Chief Administrative Officer. Prior to joining the Holland Group, Mr. Martin worked as a supervisor at the Materials Laboratory for FMC Corp. in Cedar Rapids, Iowa. Mr. Martin holds a B. S. from Lafayette College and a Ph. D. in metallurgical engineering from Ohio State University.



Wilfried Trepels

Chief Financial Officer (CFO)

Wilfried Trepels has been active in the Company since 2005 as Chief Financial Officer. Previously, from 2001 to 2005, Mr. Trepels was a member of the management board of Dürr Systems GmbH, a subsidiary of Dürr AG, and from 1998 to 2001, he was a member of the management board of Schenck Process GmbH, also a subsidiary of Dürr AG. In addition, he has worked for Dürkopp Adler in Bielefeld, Germany, as Director of Finance and Accounting. Mr. Trepels holds a Dipl. Kfm. degree in business administration from the University of Aachen.



Detlef Borghardt

Head of Trailer Systems Business Unit

Detlef Borghardt was appointed Head of the Trailer Systems Business Unit on June 29, 2007. Mr. Borghardt joined SAF in 2000 as Head of Sales, Services, and Marketing. Before joining SAF, Mr. Borghardt held various leadership positions with Alusuisse-Lonza in Singen, Germany, including: Director of Marketing, Sales, and Engineering; Sales Manager – Extruded Products for Sales Traffic Engineering and Applications, and Product Development Engineer. Mr. Borghardt is a certified engineer and holds a Dipl. Ing. degree in vehicle design from the University of Applied Sciences in Hamburg.



Jack Gisinger

Head of Powered Vehicle Systems Business Unit

Jack Gisinger was appointed Head of the Powered Vehicle Systems Business Unit and Head of Group Engineering on June 29, 2007. Mr. Gisinger joined the Company in 1980 and has held various engineering and management positions, including General Manager of Holland's European operations. Mr. Gisinger holds a B.S. in aeronautical engineering from the University of Illinois and an M.S. in mechanical engineering from the University of Michigan.



Tim Hemingway

Head of Aftermarket Business Unit (until September 30, 2008)

Tim Hemingway was appointed Head of the Aftermarket Business Unit on June 29, 2007. Mr. Hemingway joined the Company in 1977 and initially held the positions of Vice President and General Manager of both the Holland Texas and Holland Michigan locations as well as Vice President of Holland International, and since 1991 President of Holland USA. Mr. Hemingway holds a BSBA from Babson College and an MBA from Suffolk University.



Steffen Schewerda

Head of Group Operations

Steffen Schewerda was appointed Head of Group Operations on June 29, 2007. Mr. Schewerda joined SAF in 1997 and previously served as head of materials management, logistics, and production at our facility in Keilberg, Germany, and was given additional responsibility for production and industrial engineering in 2003. At SAF, Mr. Schewerda was also responsible for procurement, logistics, and projects. Mr. Schewerda studied engineering at the University of Aachen and holds a Dipl. Ing. degree. He holds an MBA from the University of Augsburg and an MBA from the University of Pittsburgh.

Financial Glossary

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 as well as restructuring and integration costs .

Average sales per employee: Sales / average employees

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

DSO: Average trade receivables / sales per day (= sales / 360 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.

Free float: The free float of a public company is an estimate of the proportion of shares that are not held by large owners.

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.

Inventory turnover rate: Average inventories / cost of sales per day

Investment rate: Investments / sales x 100

Net working capital: Current assets minus cash and cash equivalents minus other provisions minus income tax liabilities minus trade payables minus other current liabilities.

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 / sales x 100

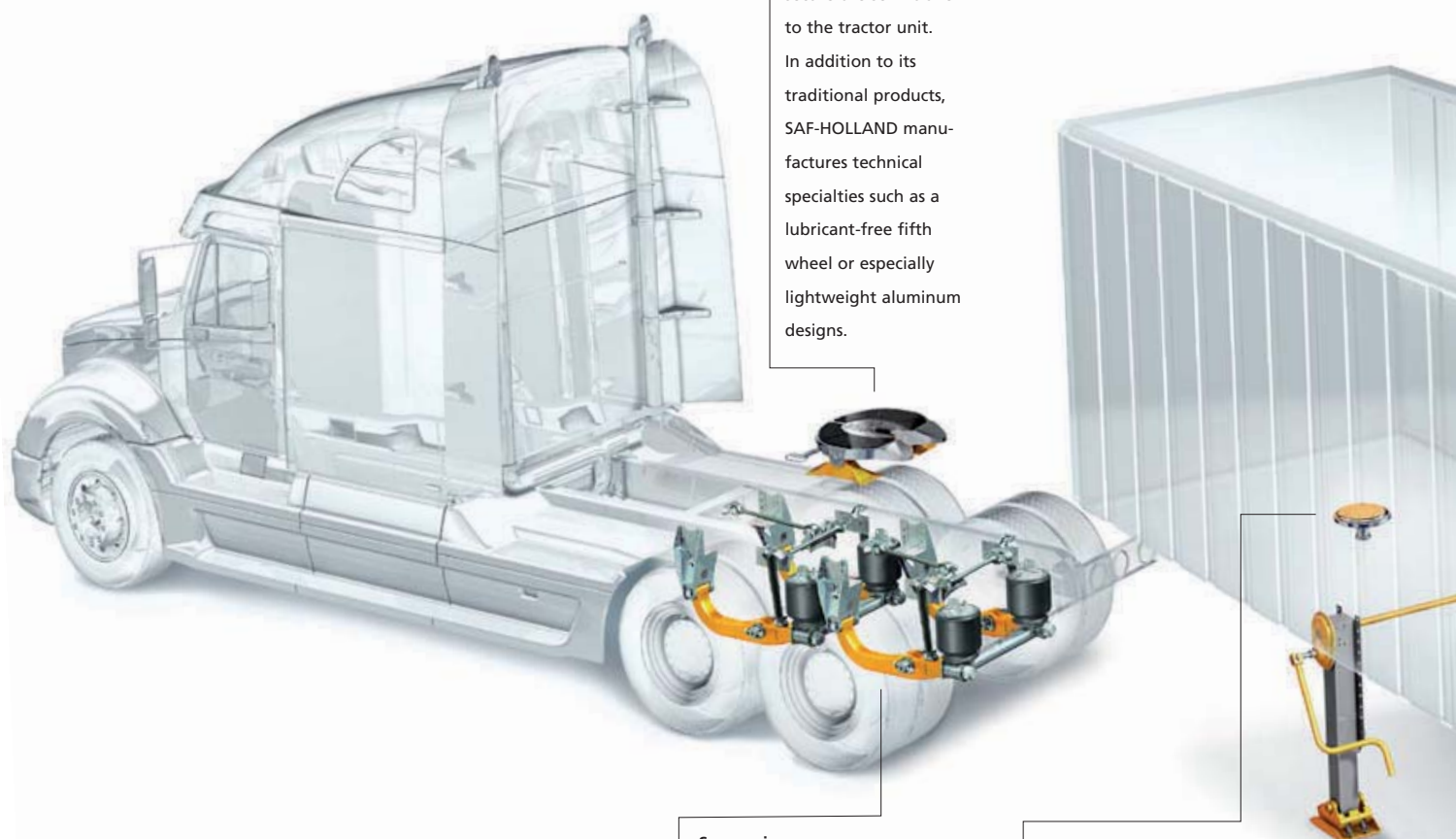
Recoverable amount: The recoverable amount is the higher of the fair value less cost to sell and the value in use.

Return on capital employed (ROCE): Adjusted EBIT minus income tax (= adjusted EBIT x group income tax rate) x capital employed (= capital assets plus deferred assets minus deferred tax liabilities plus net working capital)

SDAX: The SDAX is the selection stock market index for 50 smaller companies in Germany, so-called small caps.

Value in use: Present value of future cash flows.

Technical Glossary



Fifth Wheel

Mounts with the kingpin and serves to secure the semi-trailer to the tractor unit.

In addition to its traditional products, SAF-HOLLAND manufactures technical specialties such as a lubricant-free fifth wheel or especially lightweight aluminum designs.

Suspension

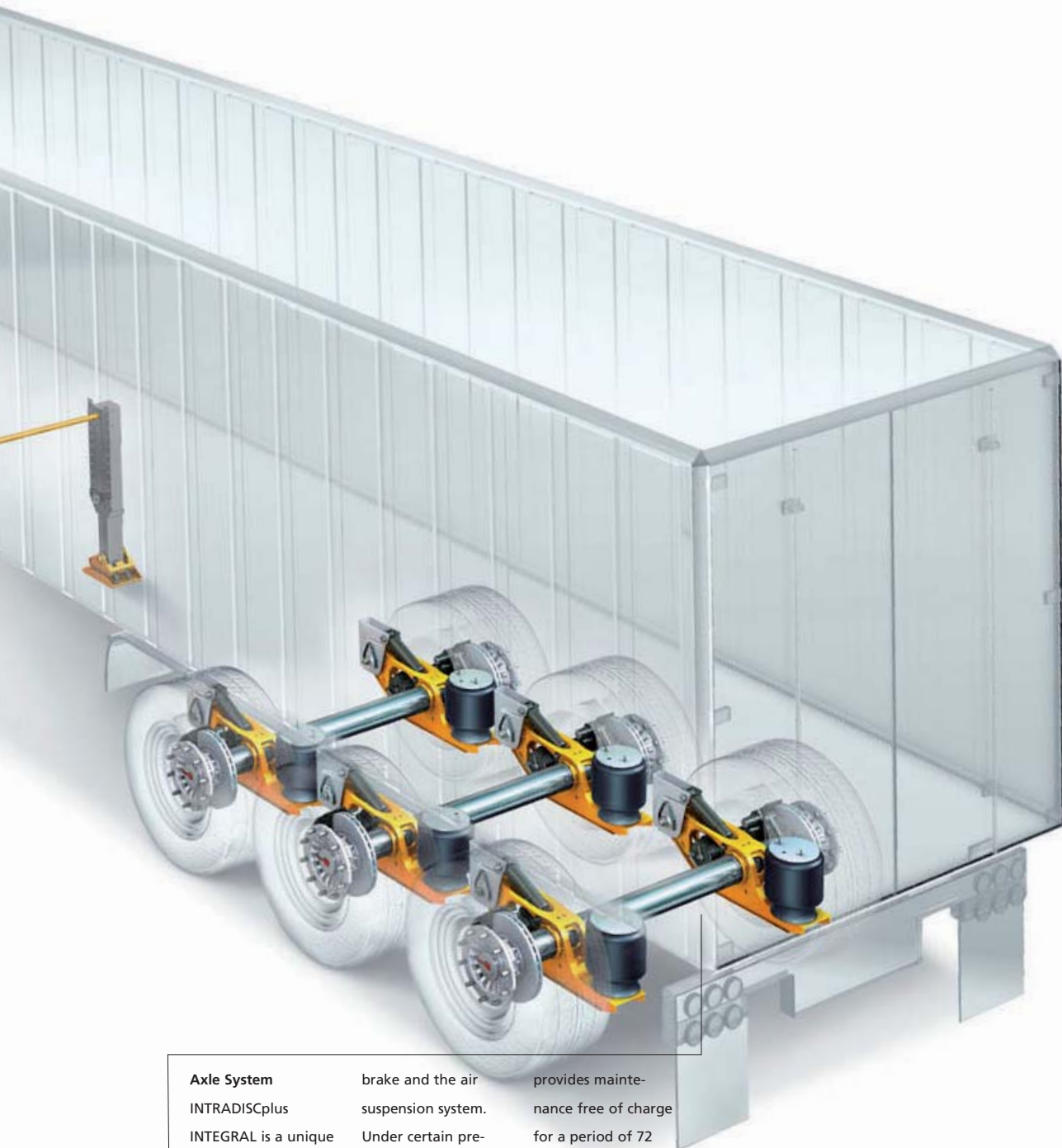
The suspension creates the link between the axle and the vehicle in order to compensate for road irregularities and improve maneuverability. The SAF-HOLLAND suspension system with its modular design can be used for up to three interlinked powered axles. Each axle is suspended individually. Suitable for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

Kingpin

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

Landing Legs

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

**Axle System**

INTRADISCplus
INTEGRAL is a unique
axle system for
trailers, which con-
sists of the axle itself
fitted with a disk

brake and the air
suspension system.
Under certain pre-
conditions, and
taking into account
the existing warranty
terms, SAF-HOLLAND

provides mainte-
nance free of charge
for a period of 72
months or 1 million
kilometers for the
INTRA ALL-IN axle
system.

Financial Calendar and Contact Information

Financial Calendar

May 14, 2009	Annual General Meeting
May 28, 2009	Report on Q1 2009 Results
August 25, 2009	Report on Half-Year 2009 Results
November 19, 2009	Report on Q3 2009 Results

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