

SAF-HOLLAND S.A.
Société anonyme

ANNUAL ACCOUNTS

and
INDEPENDENT AUDITOR'S REPORT
as of
December 31, 2007

TABLE OF CONTENT

	Pages
Independent Auditor's Report	1 - 2
Annual accounts	
- Balance sheet	3
- Profit and loss account	4
- Notes to the annual accounts	5 - 11

INDEPENDENT AUDITOR'S REPORT

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

Following our appointment by the Shareholders dated June 18, 2007, we have audited the accompanying annual accounts of SAF-HOLLAND S.A., which comprise the balance sheet as at December 31, 2007 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts 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 annual accounts 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 annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "Réviseur d'Entreprises", including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of SAF-HOLLAND S.A. as of December 31, 2007, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

A handwritten signature in black ink, appearing to read 'Bertrand', with a large, stylized flourish extending downwards and to the right.

Thierry BERTRAND

(March 25, 2008)

SAF-HOLLAND S.A.
Société anonyme

BALANCE SHEET
December 31, 2007
(expressed in EUR)

<u>ASSETS</u>	December 31, 2007	December 31, 2006
Financial assets (Note 3)	16,450,013	6,447,088
Current assets		
Amounts owed by affiliated undertakings (Note 4)		
becoming due and payable within one year	18,390,946	3,388,356
becoming due and payable after more than one year	72,001,831	59,035,702
Other debtors becoming due and payable within one year	3,303	---
Cash at bank	1,451,896	170,940
	<u>91,847,976</u>	<u>62,594,998</u>
Prepayments	280,911	---
TOTAL ASSETS	<u>108,578,900</u>	<u>69,042,086</u>

The accompanying notes form an integral part of these annual accounts.

LIABILITIES**December 31, 2007****December 31, 2006****Capital and reserves (Note 5)**

Subscribed capital	188,374	1,588,223
Share premium	97,338,399	108,601
Result brought forward	(174,645)	(38,688)
Profit (Loss) for the financial period	8,682,104	(135,957)
	<u>106,034,232</u>	<u>1,522,179</u>

Creditors

Trade creditors	2,024,447	---
Amounts owed to affiliated undertakings (Note 6)		
becoming due and payable within one year	96,964	---
becoming due and payable after more than one year	---	67,453,476
Tax debts and social security debts	1,682	595
Other creditors becoming due and payable within one year	421,575	65,836
	<u>2,544,668</u>	<u>67,519,907</u>

TOTAL LIABILITIES**108,578,900****69,042,086**

SAF-HOLLAND S.A.
Société anonyme

PROFIT AND LOSS ACCOUNT
December 31, 2007
(expressed in EUR)

<u>EXPENSES</u>	From January 1, 2007 to December 31, 2007	From June 1, 2006 to December 31, 2006
Staff costs		
wages and salaries	8,602	---
social security costs	984	---
Other external charges (Note 7)	11,947,234	63,524
Interest payable and similar charges		
concerning affiliated undertakings (Note 6)	3,373,627	2,686,258
other interest payable and similar charges	4,572	62
Taxes (Note 8)	465	(1,605)
Profit for the financial year	8,682,104	---
	24,017,588	2,748,239
<u>INCOME</u>		
Income derived from affiliated undertakings (Note 3)	19,100,000	---
Other interest receivable and similar income (Note 4)		
derived from affiliated undertakings	4,840,946	2,608,303
other interest receivable and similar income	76,642	3,979
Loss for the financial period	---	135,957
	24,017,588	2,748,239

SAF-HOLLAND S.A.
Société anonyme

NOTES TO THE ANNUAL ACCOUNTS
December 31, 2007

NOTE 1 - ORGANISATION

SAF-HOLLAND S.A. (formerly Pamplona PE Holdco 3 S.A.) (the “Company”) is a commercial company incorporated in Luxembourg on December 21, 2005, under the legal form of a “Société Anonyme”. The registered office of the Company is at 68-70, boulevard de la Pétrusse, L-2320 Luxembourg and the Company is registered with the Register of Commerce of Luxembourg under the section B number 113.090.

On April 19, 2007 an Extraordinary General Meeting resolved unanimously to change the name from Pamplona PE Holdco 3 S.A. to SAF-HOLLAND S.A..

The Company’s purpose is to acquire directly or indirectly shareholdings (including but not limited by way of setting-up new companies) and interests, in any form whatsoever, in any connection with Group Companies and any other company being in the same line of business, to acquire any securities and rights through participation, contribution, underwriting firm purchase or option, negotiation or any other way in Group Companies or other companies being in the same line of business, and generally to hold, manage, develop, sell or dispose of the same, in whole or in part, for such consideration as the Company may think fit. The Company may further grant to, or for the benefit of, any holding company, subsidiary, or fellow subsidiary, or any other company associated in any way with Group Companies, any assistance such as pledges, loans, advances or guarantees. The Company may borrow and raise money in any manner for the purpose of its investment in Group Companies and secure the repayment of any money borrowed. The Company may further borrow funds and issue bonds and other securities to a limited number of subscribers. The Company can perform all commercial, technical and financial operations, connected directly or indirectly in all areas as described above in order to facilitate the accomplishment of its purpose.

The Company prepares consolidated accounts and files these accounts with the Luxembourg Trade Registry.

The current accounting year began on January 1, 2007 and ended on December 31, 2007. The prior accounting period began on June 1, 2006 and closed on December 31, 2006.

The Company listed on the Prime Standard of the Frankfurt Stock Exchange on July 25, 2007 and began trading on July 26, 2007 under the symbol “SFQ”.

SAF-HOLLAND S.A.
Société anonyme

NOTES TO THE ANNUAL ACCOUNTS (continued)
December 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company maintains its books in Euro (“EUR”) and the annual accounts have been prepared in conformity with legal and regulatory requirements in Luxembourg as well as with generally accepted accounting principles in Luxembourg including the following significant accounting policies:

a) Formation expenses

Formation expenses include costs related to the incorporation and further capital increases of the Company. As of December 31, 2007, formation costs have been fully expensed.

b) Financial assets and dividends

Financial assets are stated at historical acquisition cost. Write-downs are recorded if, in the opinion of management, a permanent impairment in value has occurred. Dividends receivable from affiliated undertakings are recognised in the period in which they are declared by the entity. However dividends receivable from affiliated undertakings may be recognised in the profit and loss account in the period in which the subsidiary proposes their allocation of profits, if the following conditions are met:

- the Company is the sole shareholder of the entity and controls it;
- the Company and the subsidiary entities form a group;
- the financial year ends of the two entities coincide;
- the annual accounts of the subsidiary for the financial year in question were approved by the Annual General Meeting before the approval of the annual accounts of the parent company;
- the annual accounts of the subsidiary, for the financial year in question, show that the subsidiary appropriated profits to the Company and;
- the annual accounts of the subsidiary show a true and fair view of the financial position and of the results of its operations for the financial year concerned.

c) Receivables, cash at banks and debts

Receivables, cash at banks, and debts are stated at their nominal value less allowance for doubtful accounts.

SAF-HOLLAND S.A.

Société anonyme

NOTES TO THE ANNUAL ACCOUNTS (continued)

December 31, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

d) Foreign currency translation

Monetary assets and liabilities stated in currencies other than EUR are translated at the exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Realised and unrealised exchange losses and realised exchange gains are recorded in the statement of profit and loss.

NOTE 3 - SHARES IN AFFILIATED UNDERTAKINGS (in EUR)

As of December 31, 2007, the Company held the following participation:

Name of the Company	Country	% ownership	Acquisition cost	Shareholders equity
SAF-HOLLAND GROUP GmbH	Germany	100%	16,450,013	39,297,881

The shareholders net equity includes the result for the period of EUR 23,556,903 which is for the period from January 1, 2007 to December 31, 2007 and is before the anticipated dividend distribution of EUR 19,100,000.

In August 2007, the Company made a capital contribution of EUR 10,002,925 to SAF-HOLLAND GROUP GmbH without being granted new shares.

SAF-HOLLAND S.A.

Société anonyme

NOTES TO THE ANNUAL ACCOUNTS (continued)

December 31, 2007

NOTE 3 - SHARES IN AFFILIATED UNDERTAKINGS (in EUR) - continued

Through a resolution of SAF-HOLLAND GROUP GmbH dated March 12, 2008, the Company's subsidiary decided to distribute a dividend to the Company for an aggregate amount of EUR 19,100,000, payable in two equal instalments on April 30, 2008 and April 30, 2009. The dividend receivable has been booked in the amounts owed by affiliated undertakings.

In the opinion of the management, no permanent diminution in value has occurred during the year ended December 31, 2007.

The shares in SAF-HOLLAND GROUP GmbH have been pledged as a security to guarantee a bank loan granted to its subsidiary.

NOTE 4 - AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

Included in this amount is a loan of EUR 42,600,000 granted by the Company to SAF-HOLLAND TECHNOLOGIES GmbH on March 29, 2006. This loan bears interest at a rate of 10.3% per annum and is repayable on March 29, 2036 at the latest.

On December 18, 2006, the Company granted a new loan facility of up to EUR 16,513,800 to SAF-HOLLAND TECHNOLOGIES GmbH. An amount of EUR 16,463,475 was drawn down as at December 31, 2007. This loan facility is interest free until December 31, 2007 and will bear interest at a rate of 10.3% per annum thereafter. This loan facility is repayable on December 18, 2036 at the latest.

On October 16, 2007 the Company granted a new loan of EUR 4,000,000 to SAF-HOLLAND GmbH. This loan bears interest at a rate of 5 % per annum and has no fixed repayment date.

As of December 31, 2007, the interest accrued on these loans amounts to EUR 8,229,302 (2006:EUR 3,388,356) of which an amount of EUR 3,388,356 (2006 : nil) was capitalised on January 1, 2007.

SAF-HOLLAND S.A.
Société anonyme

NOTES TO THE ANNUAL ACCOUNTS (continued)
December 31, 2007

NOTE 5 - CAPITAL AND RESERVES (in EUR)

a) Share Capital

As of December 31, 2006, the share capital of the Company amounted to EUR 1,588,222.50 represented by 109,628 ordinary shares and 1,160,950 preferred shares each with a par value of EUR 1.25.

On May 3, 2007 the shareholders decided to increase the share capital by EUR 138.75 through the issuance of 111 new ordinary shares with a par value of EUR 1.25 each together with the issuance of a share premium of EUR 998.25.

On June 18, 2007 the shareholders decided to split the existing 109,739 ordinary shares and 1,160,950 preferred shares each with a par value of EUR 1.25 into 13,717,375 ordinary shares and 145,118,750 preferred shares each with a par value of EUR 0.01.

On July 25, 2007 the shareholders of the Company decided to increase the share capital by an amount of EUR 51,200 through the issuance of 5,120,000 new ordinary shares with a par value of EUR 0.01 each. These newly ordinary shares were issued on the public market during July 2007, for a subscription price of EUR 19 each and converted into ordinary bearer shares.

The difference between the subscribed value of the newly issued shares (EUR 19) and the par value (EUR 0.01) was recorded in equity as share premium for a total amount of EUR 97,228,800.

In addition on July 25, 2007, the shareholders of the Company decided to redeem and repay all the preferred shares (145,118,750) and thus decrease the share capital of the Company by an amount of EUR 1,451,187.50.

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

During the year the Company did not acquire any of its own shares.

b) Legal reserve

Under Luxembourg law an amount equal to at least 5% of the net profit must be allocated annually to a legal reserve until such reserve equals to 10% of the share capital. This reserve is not available for dividend distribution.

NOTES TO THE ANNUAL ACCOUNTS (continued)
December 31, 2007

NOTE 6 - AMOUNTS OWED TO AFFILIATED UNDERTAKINGS (in EUR)

On March 31, 2006, the Company issued Non-Yield-Bearing Convertible Preferred Equity Certificates (CPEC's) for an aggregate amount of EUR 2,947,815. The CPEC's carried the right to convert one CPEC into one share of the Company upon conversion events as defined in the terms and conditions of the CPEC's. On the same day, the Company issued Preferred Equity Certificates (PEC's) for an aggregate amount of EUR 44,520,004. The PEC's carried the right to receive a yield of 10.00% per annum on the sum of the par value of the PEC's together with any accrued and unpaid yield. Unpaid yield is added to the par value of the PEC's on the last day of each period.

On December 18, 2006 the Company issued further Non-Yield-Bearing Convertible Preferred Equity Certificates (CPEC's) for an aggregate amount of EUR 4,245,165. The CPEC's carried the right to convert one CPEC into one share of the Company upon conversion events as defined in the terms and conditions of the CPEC's. On the same day, the Company issued Preferred Equity Certificates (PEC's) for an aggregate amount of EUR 4,574,534. The PEC's carried the right to receive a yield of 10.00% per annum on the sum of the par value of the PEC's together with any accrued and unpaid yield. Unpaid yield is added to the par value of the PEC's on the last day of each period.

On April 19, 2007, the Company issued further Non-Yield Bearing Convertible Preferred Equity Certificates (CPEC's) for an aggregate amount of EUR 40,037.50. The CPEC's carried the right to convert one CPEC into one share of the Company upon conversion events as defined in the terms and conditions of the CPEC's. On the same day, the Company issued Preferred Equity Certificates PEC's for an aggregate amount of EUR 52,738. The PEC's carried the right to receive a yield of 10,00 % per annum on the sum of the par value of the PEC's together with any accrued and unpaid yield. Unpaid yield is added to the par value of the PEC's on the last day of the period.

On July 25, 2007 the Company repaid all the issued Non-Yield-Bearing Convertible Preferred Equity Certificates (CPEC's) for an aggregate amount of EUR 7,233,018. On the same day, the Company repaid all the issued Preferred Equity Certificates (PEC's) for an aggregate amount of EUR 49,147,276 and related accrued interest amounting to EUR 6,452,658 out of which an amount of EUR 3,430,990 had been capitalised on January 1, 2007.

In addition, on December 18, 2006 the Company issued unsecured subordinated loan notes of EUR 1 each amounting in total to EUR 7,616,003 and bearing interest at a rate of 8% per annum. Interest is payable on a yearly basis through the creation and issue of Funding Bonds of EUR 1 each to the Noteholder. On April 19, 2007, the Company issued further unsecured subordinated loan notes of EUR 1 each amounting in total to EUR 27,773 and bearing interest at a rate of 8 % per annum. Interest is payable on a yearly basis through the creation and issue of Funding Bonds of EUR 1 each to the Noteholder.

SAF-HOLLAND S.A.
Société anonyme

NOTES TO THE ANNUAL ACCOUNTS (continued)
December 31, 2007

NOTE 6 - AMOUNTS OWED TO AFFILIATED UNDERTAKINGS (in EUR) - Continued

On July 25, 2007, the Company repaid, in full, the unsecured subordinated loan for an amount of EUR 7,643,776 and related accrued interest amounting to EUR 373,951 out of which an amount of EUR 22,002 had been capitalised on January 1, 2007.

The Company also received several advances from an affiliated undertaking to fund expenses for an amount of EUR 96,964. These advances bear no interest and have no fixed repayment date.

NOTE 7 - EXTERNAL CHARGES (in EUR)

Included within External Charges is an amount of EUR 11,156,353 of costs linked to the listing of the Company on the Prime Standard of the Frankfurt Stock Exchange on July 25, 2007

NOTE 8 - TAXES (in EUR)

The Company is subject to all taxes applicable to commercial companies in Luxembourg. During the period ending December 31, 2006, the Company reversed an overprovision amounting to EUR 2,200 which had been accrued in the previous period.

NOTE 9 - DIVIDENDS PAID AND PROPOSED (in EUR)

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

	2007	2006
Proposed for approval at AGM (not recognised as a liability as at December 31, 2007)	8,000,233	---

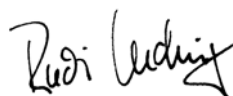
Equity dividends on ordinary shares:

Final dividend for 2007: 42.47 cents per share (2006: 0.00 cents per share)

March 25, 2008



Dr. Rolf Bartke
Chairman of the Board of Directors



Rudi Ludwig
Chief Executive Officer (CEO)