

SAF-HOLLAND S.A.
68-70, boulevard de la Pétrusse
L-2320 Luxembourg

RCS N° B 113090

Annual Accounts as of 31 December 2009
and
Independent Auditor's Report

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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 General Meeting of the Shareholders dated 14 May 2009, we have audited the accompanying annual accounts of SAF-HOLLAND S.A., which comprise the balance sheet as at 31 December 2009 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 31 December 2009, 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 'Thierry BERTRAND'. The signature is stylized and written over the printed name.

Thierry BERTRAND

Luxembourg, 30 March 2010

SAF-HOLLAND S.A.
Société anonyme

Balance sheet
December 31, 2009
(expressed in EUR)

ASSETS	December 31, 2009	December 31, 2008
Fixed assets		
Tangible assets		
Other fixtures and fittings, tools and equipment (Note 3)	778	1.136
Financial assets		
Shares in affiliated undertakings (Note 4)	79.096.381	16.450.013
	79.097.159	16.451.149
Current assets		
Amounts owed by affiliated undertakings (Note 5)		
becoming due and payable within one year	84.935	33.015.926
becoming due and payable after more than one year	10.550.000	67.254.421
Other debtors becoming due and payable within one year	6.408	4.500
Cash at bank	48.003	102.664
	10.689.346	100.377.511
Prepayments	173.278	269.889
TOTAL ASSETS	89.959.783	117.098.549

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

LIABILITIES**December 31, 2009****December 31, 2008****Capital and reserves (Note 6)**

Subscribed capital	207.023	207.023
Legal reserve	20.703	18.837
Share premium	111.306.500	111.306.500
Result brought forward	4.340.963	488.389
Profit (Loss) for the financial year	(27.476.120)	3.854.439
	<u>88.399.069</u>	<u>115.875.188</u>

Creditors

Trade creditors	59.375	224.564
Amounts owed to affiliated undertakings (Note 7) becoming due and payable within one year	96.964	96.964
Tax debts and social security debts	947.232	449.750
Other creditors becoming due and payable within one year	457.143	452.083
	<u>1.560.714</u>	<u>1.223.361</u>

TOTAL LIABILITIES**89.959.783****117.098.549**

SAF-HOLLAND S.A.
Société anonyme

Profit and loss account

December 31, 2009

(expressed in EUR)

<u>EXPENSES</u>	December 31, 2009	December 31, 2008
Staff costs		
wages and salaries	32.397	27.832
social security costs	3.470	3.176
Value adjustments in respect of tangible assets (Note 3)	358	299
Value adjustments in respect of financial assets (Note 4)	34.242.000	---
Other external charges	1.685.395	3.246.510
Other interest payable and similar charges	4.099	5.243
Taxes (Note 8)	497.120	447.920
Profit for the financial year	---	3.854.439
	<u>36.464.839</u>	<u>7.585.419</u>
 <u>INCOME</u>		
Other interest receivable and similar income (Note 5)		
derived from affiliated undertakings	8.988.550	7.546.670
other interest receivable and similar income	169	38.749
Loss for the financial year	27.476.120	---
	<u>36.464.839</u>	<u>7.585.419</u>

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

SAF-HOLLAND S.A.
Société anonyme

Notes to the annual accounts
December 31, 2009

Note 1 – Organisation

SAF-HOLLAND 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.

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 accounting year begins on January 1 and ends on December 31.

The Company is listed on the Prime Standard of the Frankfurt Stock Exchange and trades under the symbol "SFQ".

Notes to the annual accounts (continued)
December 31, 2009

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.

The annual accounts of SAF-HOLLAND S.A. are prepared under the assumption that the Company is a going concern. The Directors believe that this assumption is appropriate following the restructuring of the group financing as outlined in Note 11.

a) Tangible assets

Tangible assets are accounted for at their acquisition costs plus associated acquisition costs. The other fixtures and fittings, tools and equipment are depreciated on a straight-line basis over 4 years. Write-downs are recorded if, in the opinion of the directors, there is a permanent impairment in value.

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.

Notes to the annual accounts (continued)
December 31, 2009

Note 2 – Summary of significant accounting policies (continued)

c) Receivables, cash at banks and debts

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

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 – Tangible assets

On February 28, 2008, the Company acquired a computer for an amount of EUR 1,436.

During the year ended December 31, 2009, the tangible assets evolved as follows:

	2009	2008
Acquisition		
At the beginning of the year	1,435	-
Additions	-	1,435
Disposals	-	-
At the end of the year	<hr/> 1,435	<hr/> 1,435
Depreciation		
Accumulated depreciation at the beginning of the year	(299)	-
Depreciation charge for the year	(358)	(299)
Disposals	-	-
Accumulated depreciation at the end of the year	<hr/> (657)	<hr/> (299)
Net book value		
At the beginning of the year	1,136	-
At the end of the year	778	1,136

SAF-HOLLAND S.A.
Société anonyme

Notes to the annual accounts (continued)
December 31, 2009

Note 4 – Shares in affiliated undertakings (in EUR)

As of December 31, 2009 and 2008, the Company held the following participation:

Name of the Company	Country	% of ownership	Acquisition cost		Value adjustment		Shareholders equity	
			2009	2008	2009	2008	2009	2008
SAF-HOLLAND GROUP GmbH	Germany	100%	113,338,381	16,450,013	(34,242,000)	-	25,505,915	18,661,027

The shareholders net equity includes the loss for the period ended December 31, 2009 amounting to EUR 90,043,481 (2008: EUR 1,536,854).

On December 22, 2009, the Company increased the capital reserve in SAF-HOLLAND GROUP GmbH by a total amount of EUR 96,888,368 through a contribution of three loans assigned and transferred to SAF-HOLLAND GROUP GmbH(note 5).

In the opinion of the Directors, a permanent impairment in value occurred during 2009 on the investment in SAF-HOLLAND GROUP GmbH resulting in a value adjustment of EUR 34,242,000 being recorded. Due to the inherent uncertainties involved in valuation, the Directors' estimate may differ significantly from the recoverable amount if the investment were to be sold on the open market.

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

Note 5 – Amounts owed by affiliated undertakings

On March 29, 2006, the Company granted a loan of EUR 42,600,000 to SAF-HOLLAND TECHNOLOGIES GmbH bearing interest at a rate of 10.3% per annum and repayable on March 29, 2036 at the latest. On December 22, 2009, the Company assigned and transferred this loan to SAF-HOLLAND GROUP GmbH for an amount of EUR 42,600,000 together with accrued interest amounting to EUR 19,224,680 out of which an amount of EUR 13,509,605 was capitalised on January 1, 2009.

Notes to the annual accounts (continued)
December 31, 2009

Note 5 – Amounts owed by affiliated undertakings (continued)

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, 2008. This loan facility was interest free until December 31, 2007 and bore interest at a rate of 10.3% per annum thereafter. This loan facility was repayable on December 18, 2036 at the latest. On December 22, 2009, the Company assigned and transferred this loan to SAF-HOLLAND GROUP GmbH for an amount of EUR 16,463,475 together with related accrued interest amounting to EUR 3,576,495 out of which an amount of EUR 1,724,000 was capitalised on January 1, 2009.

On October 2, 2008, the Company granted a new loan of EUR 13,340,900 to SAF-HOLLAND TECHNOLOGIES GmbH bearing interest at a rate of 10.3% per annum with no fixed repayment date. On December 22, 2009, the Company assigned and transferred this loan to SAF-HOLLAND GROUP GmbH for an amount of EUR 13,340,900 together with related accrued interest amounting to EUR 1,682,818.

The total amount of loans plus interest assigned to SAF-HOLLAND GROUP GmbH amounted to EUR 96,888,368.

On October 16, 2007, the Company granted a new loan of EUR 4,000,000 to SAF-HOLLAND GROUP GmbH. This loan bears interest at a rate of 5% per annum and has no fixed repayment date. During the year 2009, the Company received several reimbursements for an aggregate amount of EUR 1,540,000 (2008: EUR 2,460,000). As of December 31, 2009, the outstanding principal amount of this loan was fully reimbursed and the balance of accrued but unpaid interest on this loan amounted to EUR 277.42.

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, the Company's subsidiary paid the first instalment of the dividend for an aggregate amount of EUR 8,550,000. The difference of EUR 1,000,000 between the first instalment approved and the amount paid was recorded as a loan granted by the Company to SAF-HOLLAND GROUP GmbH. This loan bears interest at a rate of 5% per annum and has no fixed repayment date. As of December 31, 2009, the outstanding principal amount of this loan amounted to EUR 1,000,000 (2008: EUR 1,000,000). As of December 31, 2009, the accrued interest on this loan amounted to EUR 84,658 (2008: EUR 34,658).

As of December 31, 2009, the balance of the dividend amounting to EUR 9,550,000 remained unpaid and is recorded as a receivable from SAF-HOLLAND GROUP GmbH.

Notes to the annual accounts (continued)
December 31, 2009

Note 6 – Capital and reserve (in EUR)

a) Share Capital

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

On September 4, 2008, the Board of Directors decided to increase the share capital by an amount of EUR 18,649 through the issuance of 1,864,900 new ordinary shares with a par value of EUR 0.01 each together with the issuance of a share premium of EUR 13,968,101.

As at December 31, 2009, the share capital of the Company amounted to EUR 207,022.75 represented by 20,702,275 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.

As of December 31, 2009, the legal reserve amounted to EUR 20,703 (2008: 18,837).

Note 7 – Amounts owed to affiliated undertakings (in EUR)

The Company 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 8 – Taxes (in EUR)

The Company is subject to all taxes applicable to commercial companies in Luxembourg.

Note 9 – Dividends paid and proposed (in EUR)

In 2009, no dividend was paid to the shareholders (2008: EUR 8,000,233)

Notes to the annual accounts (continued)
December 31, 2009

Note 10 – Subsequent events

Since September 19, 2008, the Company acts as a guarantor for a facility entered into between a Group Company, Xiamen Austin – Westran Machinery Co., Ltd. (China) and HSBC (China).

Under this guarantee, the Company irrevocably and unconditionally, waiving all rights of objection and defence, absolutely guarantees the punctual payment when due of all and any claims arising from the facility up to a maximum of USD 1.500.000,00.

On January 25, 2010, HSBC (China) declared the release of this corporate guarantee.

Note 11 – Group Refinancing

On November 29, 2009, the SAF-HOLLAND Group reached agreement with its banks on a restructuring and extension of the existing EUR 316 million credit line until 2014.

On December 18, 2009, the Shareholders approved the negotiated Loan Agreement in an extraordinary shareholder meeting.

The new financing consists of the following key elements:

- Increased interest Margin to 5.95 %;
- Introduction of a PIK structure related to the Margin with a scaling cash-component starting at 1.6 % until September 2010 and 3 % until February 2012;
- Payment at maturity of success fee accrued on a pro-rata basis;
- No scheduled repayments until February 2012;
- Additional prepayments if Liquidity improves significantly starting December 31, 2010;
- Financial covenants: absolute EBITDA covenant until June 30, 2011; thereafter a Covenant reset on the basis of actual figures as of June 30, 2011 will be processed; Covenant reset will comprise Total Net Debt Cover, Interest Cover and Equity Ratio;
- comprehensive security package;
- Call – option model to transfer all shares in SAF-HOLLAND Group GmbH to trustee companies being controlled by the banks in the following cases:
 - Minimum Total Liquidity of the Group falls below EUR 7 million;
 - Management of German Group companies being obliged to file for insolvency following legal standards set in Germany;
 - Group is not sold in one act or in part until August 15, 2014 and even a refinancing of the existing Bank Loans has not been successfully completed;
 - Reporting requirements with regards to the Liquidity Report are not fulfilled;
 - Significant Group companies are sold without approval of the bank consortium

Notes to the annual accounts (continued)
December 31, 2009

Note 11 – Group Refinancing (continued)

The amended Loan Agreement foresees the following security package:

- Pledge of the shares in SAF-HOLLAND Group GmbH, SAF-HOLLAND TECHNOLOGIES GmbH, SAF-HOLLAND GmbH, Holland Europe GmbH (65 % of shares only), SAF-HOLLAND Holdings (USA), Inc., SAF-HOLLAND Inc., SAF-HOLLAND USA, Inc., SAF-HOLLAND International, Inc., SAF-HOLLAND Canada Limited, SAF-HOLLAND Polska sp.z o.o., SAF-HOLLAND Verkehrstechnik GmbH, SAF-HOLLAND France S.A.S.;
- Pledge over all of the profit transfer agreements of SAF-HOLLAND GROUP GmbH, SAF-HOLLAND TECHNOLOGIES GmbH, Holland Europe GmbH;
- Pledge over all of the bank accounts of SAF-HOLLAND Group GmbH, SAF-HOLLAND TECHNOLOGIES GmbH, SAF-HOLLAND GmbH, Holland Europe GmbH, SAF-HOLLAND Holdings (USA), Inc., SAF-HOLLAND Inc., SAF-HOLLAND USA, Inc., SAF-HOLLAND International, Inc., SAF-HOLLAND Canada Limited, SAF-HOLLAND Polska sp.z o.o., SAF-HOLLAND Verkehrstechnik GmbH;
- Global security assignment (Sicherungsabtretung) of all present and future receivable claims, rights and benefits of SAF-HOLLAND GROUP GmbH, SAF-HOLLAND TECHNOLOGIES GmbH, Holland Europe GmbH, SAF-HOLLAND Verkehrstechnik GmbH;
- All assets-security agreement (including receivables, ancillary rights, claims, insurance claims, intellectual property rights, bank accounts, inventory and other personal property) of SAF-HOLLAND Holdings (USA), Inc., SAF-HOLLAND Inc. (excluding shares in QSI Air, Ltd.), SAF-HOLLAND USA, Inc., SAF-HOLLAND International, Inc. (excluding shares in FWI S.A.S), SAF-HOLLAND Canada Limited (excluding shares in SAF-HOLLAND Equipment Ltd.);
- Transfer of title (Sicherungsübereignung) in respect of the assets located at Werk Wörth and in respect of all its other assets of SAF-HOLLAND GmbH;
- Mortgages over any owned real estate in Keilberg, Hösbach, (both Germany), over any owned or leased real estate in the United States of America in the States of Michigan, Arkansas, Missouri, Texas, and in Canada;
- Registered pledge over the collection of moveable assets (including financial pledges over bank accounts) of SAF-HOLLAND Polska sp. z o. o.;
- Security assignment agreement of insurance claims of SAF-HOLLAND Polska sp. z.o.o.