

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

**R.C.S. Luxembourg B 113.090**

**Annual Accounts as of 31 December 2016**  
**and**  
**Independent auditor's report**

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## **Audit report**

To the Shareholders of  
**SAF-Holland S.A.**

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Following our appointment by the General Meeting of the Shareholders dated 28 April 2016, we have audited the accompanying annual accounts of SAF-Holland S.A., which comprise the balance sheet as at 31 December 2016, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

### *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, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 agréé", 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 agréé" 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 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 14 March 2017

Patrick Schon

RCSL Nr. : B113090

Matricule : 2005 2231 338

eCDF entry date : 08/03/2017

**BALANCE SHEET****Financial year from** <sup>01</sup> 01/01/2016 **to** <sup>02</sup> 31/12/2016 (in <sup>03</sup> EUR )

SAF-HOLLAND S.A.

68-70, Boulevard de la Pétrusse  
L-2320 Luxembourg**ASSETS**

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
<b>B. Formation expenses</b>	1107 _____	107 _____	108 _____
<b>C. Fixed assets</b>	1109 _____	109 <b>452.763.781,10</b>	110 <b>447.495.079,30</b>
I. Intangible assets	1111 _____	111 _____	112 _____
1. Costs of development	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 _____	116 _____
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____	117 _____	118 _____
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible assets under development	1123 _____	123 _____	124 _____
II. Tangible assets	1125 _____	125 _____	126 _____
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____

The notes in the annex form an integral part of the annual accounts

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	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	131	132
4. Payments on account and tangible assets in the course of construction	1133	133	134
<b>III. Financial assets</b>	1135	<b>452.763.781,10</b>	<b>447.495.079,30</b>
1. Shares in affiliated undertakings	1137 <u>Note 3</u>	137 <u>313.238.381,02</u>	138 <u>265.638.381,02</u>
2. Loans to affiliated undertakings	1139 <u>Note 4</u>	139 <u>139.525.400,08</u>	140 <u>181.856.698,28</u>
3. Participating interests	1141	141	142
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143	143	144
5. Investments held as fixed assets	1145	145	146
6. Other loans	1147	147	148
<b>D. Current assets</b>	1151	<b>34.684.907,66</b>	<b>37.412.348,72</b>
<b>I. Stocks</b>	1153	153	154
1. Raw materials and consumables	1155	155	156
2. Work in progress	1157	157	158
3. Finished goods and goods for resale	1159	159	160
4. Payments on account	1161	161	162
<b>II. Debtors</b>	1163	<b>34.483.284,89</b>	<b>36.866.144,54</b>
1. Trade debtors	1165	165	166
a) becoming due and payable within one year	1167	167	168
b) becoming due and payable after more than one year	1169	169	170
2. Amounts owed by affiliated undertakings	1171	171 <u>34.479.984,89</u>	172 <u>36.862.844,54</u>
a) becoming due and payable within one year	1173 <u>Note 5</u>	173 <u>34.479.984,89</u>	174 <u>36.862.844,54</u>
b) becoming due and payable after more than one year	1175	175	176
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177	177	178
a) becoming due and payable within one year	1179	179	180
b) becoming due and payable after more than one year	1181	181	182
4. Other debtors	1183	183 <u>3.300,00</u>	184 <u>3.300,00</u>
a) becoming due and payable within one year	1185	185	186
b) becoming due and payable after more than one year	1187	187 <u>3.300,00</u>	188 <u>3.300,00</u>

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	Reference(s)	Current year	Previous year
III. Investments	1189 _____	189 _____	190 _____
1. Shares in affiliated undertakings	1191 _____	191 _____	192 _____
2. Own shares	1209 _____	209 _____	210 _____
3. Other investments	1195 _____	195 _____	196 _____
IV. Cash at bank and in hand	1197 _____	197 <u>201.622,77</u>	198 <u>546.204,18</u>
<b>E. Prepayments</b>	1199 <u>Note 7</u>	199 <u>1.137.507,27</u>	200 <u>1.702.109,32</u>
<b>TOTAL (ASSETS)</b>		201 <u>488.586.196,03</u>	202 <u>486.609.537,34</u>

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**CAPITAL, RESERVES AND LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>			
	1301 <u>Note 6</u>	301 <u>308.333.521,86</u>	302 <u>306.519.613,96</u>
I. Subscribed capital	1303 _____	303 <u>453.611,12</u>	304 <u>453.611,12</u>
II. Share premium account	1305 _____	305 <u>276.455.231,13</u>	306 <u>276.455.231,13</u>
III. Revaluation reserve	1307 _____	307 _____	308 _____
IV. Reserves	1309 _____	309 <u>765.448,26</u>	310 <u>481.636,11</u>
1. Legal reserve	1311 _____	311 <u>45.361,11</u>	312 <u>45.361,11</u>
2. Reserve for own shares	1313 _____	313 _____	314 _____
3. Reserves provided for by the articles of association	1315 _____	315 _____	316 _____
4. Other reserves, including the fair value reserve	1429 _____	429 <u>720.087,15</u>	430 <u>436.275,00</u>
a) other available reserves	1431 _____	431 <u>720.087,15</u>	432 <u>436.275,00</u>
b) other non available reserves	1433 _____	433 _____	434 _____
V. Profit or loss brought forward	1319 _____	319 <u>10.700.878,65</u>	320 <u>10.428.817,88</u>
VI. Profit or loss for the financial year	1321 _____	321 <u>19.958.352,70</u>	322 <u>18.700.317,72</u>
VII. Interim dividends	1323 _____	323 _____	324 _____
VIII. Capital investment subsidies	1325 _____	325 _____	326 _____
<b>B. Provisions</b>	1331 _____	331 _____	332 _____
1. Provisions for pensions and similar obligations	1333 _____	333 _____	334 _____
2. Provisions for taxation	1335 _____	335 _____	336 _____
3. Other provisions	1337 _____	337 _____	338 _____
<b>C. Creditors</b>	1435 _____	435 <u>180.252.674,17</u>	436 <u>180.089.923,38</u>
1. Debenture loans	1437 <u>Note 7</u>	437 <u>179.103.133,50</u>	438 <u>179.101.445,35</u>
a) Convertible loans	1439 _____	439 <u>100.507.243,09</u>	440 <u>100.505.554,94</u>
i) becoming due and payable within one year	1441 _____	441 <u>307.243,09</u>	442 <u>305.554,94</u>
ii) becoming due and payable after more than one year	1443 _____	443 <u>100.200.000,00</u>	444 <u>100.200.000,00</u>
b) Non convertible loans	1445 _____	445 <u>78.595.890,41</u>	446 <u>78.595.890,41</u>
i) becoming due and payable within one year	1447 _____	447 <u>3.595.890,41</u>	448 <u>3.595.890,41</u>
ii) becoming due and payable after more than one year	1449 _____	449 <u>75.000.000,00</u>	450 <u>75.000.000,00</u>
2. Amounts owed to credit institutions	1355 _____	355 _____	356 _____
a) becoming due and payable within one year	1357 _____	357 _____	358 _____
b) becoming due and payable after more than one year	1359 _____	359 _____	360 _____

The notes in the annex form an integral part of the annual accounts



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	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks	1361 _____	361 _____	362 _____
a) becoming due and payable within one year	1363 _____	363 _____	364 _____
b) becoming due and payable after more than one year	1365 _____	365 _____	366 _____
4. Trade creditors	1367 _____	367 <u>180.224,56</u>	368 <u>213.295,11</u>
a) becoming due and payable within one year	1369 _____	369 <u>180.224,56</u>	370 <u>213.295,11</u>
b) becoming due and payable after more than one year	1371 _____	371 _____	372 _____
5. Bills of exchange payable	1373 _____	373 _____	374 _____
a) becoming due and payable within one year	1375 _____	375 _____	376 _____
b) becoming due and payable after more than one year	1377 _____	377 _____	378 _____
6. Amounts owed to affiliated undertakings	1379 _____	379 _____	380 _____
a) becoming due and payable within one year	1381 _____	381 _____	382 _____
b) becoming due and payable after more than one year	1383 _____	383 _____	384 _____
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385 _____	385 _____	386 _____
a) becoming due and payable within one year	1387 _____	387 _____	388 _____
b) becoming due and payable after more than one year	1389 _____	389 _____	390 _____
8. Other creditors	1451 _____	451 <u>969.316,11</u>	452 <u>775.182,92</u>
a) Tax authorities	1393 _____ <b>Note 8</b>	393 <u>687.422,43</u>	394 <u>461.798,05</u>
b) Social security authorities	1395 _____ <b>Note 10</b>	395 <u>1.893,68</u>	396 <u>1.001,31</u>
c) Other creditors	1397 _____	397 <u>280.000,00</u>	398 <u>312.383,56</u>
i) becoming due and payable within one year	1399 _____	399 <u>280.000,00</u>	400 <u>312.383,56</u>
ii) becoming due and payable after more than one year	1401 _____	401 _____	402 _____
<b>D. Deferred income</b>	1403 _____	403 _____	404 _____
<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>		405 <u>488.586.196,03</u>	406 <u>486.609.537,34</u>

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eCDF entry date : 08/03/2017

**PROFIT AND LOSS ACCOUNT****Financial year from** <sup>01</sup> 01/01/2016 **to** <sup>02</sup> 31/12/2016 (in <sup>03</sup> EUR )

SAF-HOLLAND S.A.

68-70, Boulevard de la Pétrusse  
L-2320 Luxembourg**PROFIT AND LOSS ACCOUNT**

	Reference(s)	Current year	Previous year
<b>1. Net turnover</b>	1701 _____	701 _____	702 _____
<b>2. Variation in stocks of finished goods and in work in progress</b>	1703 _____	703 _____	704 _____
<b>3. Work performed by the undertaking for its own purposes and capitalised</b>	1705 _____	705 _____	706 _____
<b>4. Other operating income</b>	1713 _____	713 <u>900,00</u>	714 <u>0,00</u>
<b>5. Raw materials and consumables and other external expenses</b>	1671 _____	671 <u>-2.959.144,00</u>	672 <u>-1.812.614,73</u>
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 _____	603 <u>-2.959.144,00</u>	604 <u>-1.812.614,73</u>
<b>6. Staff costs</b>	1605 _____	605 <u>-36.483,24</u>	606 <u>-31.655,06</u>
a) Wages and salaries	1607 _____ <u>Note 10</u>	607 <u>-31.005,60</u>	608 <u>-29.843,51</u>
b) Social security costs	1609 _____ <u>Note 10</u>	609 <u>-5.477,64</u>	610 <u>-1.811,55</u>
i) relating to pensions	1653 _____	653 <u>-4.134,11</u>	654 <u>0,00</u>
ii) other social security costs	1655 _____	655 <u>-1.343,53</u>	656 <u>-1.811,55</u>
c) Other staff costs	1613 _____	613 _____	614 _____
<b>7. Value adjustments</b>	1657 _____	657 _____	658 _____
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 _____	660 _____
b) in respect of current assets	1661 _____	661 _____	662 _____
<b>8. Other operating expenses</b>	1621 _____	621 <u>-655.615,52</u>	622 <u>-521.986,00</u>

The notes in the annex form an integral part of the annual accounts

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	Reference(s)	Current year	Previous year
<b>9. Income from participating interests</b>	1715	<u>22.459.872,00</u>	<u>18.500.000,00</u>
a) derived from affiliated undertakings	1717 <u>Note 5</u>	<u>22.459.872,00</u>	<u>18.500.000,00</u>
b) other income from participating interests	1719		
<b>10. Income from other investments and loans forming part of the fixed assets</b>	1721	<u>6.817.730,07</u>	<u>8.388.534,98</u>
a) derived from affiliated undertakings	1723 <u>Note 4</u>	<u>6.817.730,07</u>	<u>8.388.534,98</u>
b) other income not included under a)	1725		
<b>11. Other interest receivable and similar income</b>	1727	<u>740.824,26</u>	<u>738.800,15</u>
a) derived from affiliated undertakings	1729 <u>Note 5</u>	<u>740.824,26</u>	<u>738.800,15</u>
b) other interest and similar income	1731		
<b>12. Share of profit or loss of undertakings accounted for under the equity method</b>	1663		
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>	1665		
<b>14. Interest payable and similar expenses</b>	1627	<u>-6.254.337,03</u>	<u>-6.300.475,19</u>
a) concerning affiliated undertakings	1629		
b) other interest and similar expenses	1631 <u>Note 7</u>	<u>-6.254.337,03</u>	<u>-6.300.475,19</u>
<b>15. Tax on profit or loss</b>	1635 <u>Note 8</u>	<u>-7.385,54</u>	<u>-76.806,43</u>
<b>16. Profit or loss after taxation</b>	1667	<u>20.106.361,00</u>	<u>18.883.797,72</u>
<b>17. Other taxes not shown under items 1 to 16</b>	1637 <u>Note 8</u>	<u>-148.008,30</u>	<u>-183.480,00</u>
<b>18. Profit or loss for the financial year</b>	1669	<u>19.958.352,70</u>	<u>18.700.317,72</u>

**Notes to the annual accounts**  
31 December 2016

**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 its subsidiaries (the “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” (ISIN: LU0307018795). The shares of the Company have been included in the SDAX since 2010.

**Notes to the annual accounts**  
31 December 2016

***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.

*a) Formation expenses*

The formation expenses, which include the fees and costs for the incorporation and capital increases of the Company, are directly charged to the profit and loss account of the year in which they are incurred.

*b) 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.

*c) 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**  
31 December 2016

**Note 2 - Summary of significant accounting policies (continued)**

*d) Receivables, cash at banks and debts*

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

*e) 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 profit and loss account.

*f) Presentation*

The presentation of the annual accounts is that required by the Law of December 19, 2002, amended by the law dated December 18, 2015. The annual accounts of the Company have been established in accordance with the laws and regulations of the Grand-Duchy of Luxembourg and with generally accepted accounting principles.

The layout of the balance sheet and of the profit and loss account, particularly as regards the form adopted for their presentation, has been changed in order to respect the layout introduced by the law dated December 18, 2015.

Certain items of the balance sheet and profit and loss account as at December 31, 2015 have been reclassified to ensure the comparability with the figures as at December 31, 2016.

**Note 3 - Shares in affiliated undertakings (in EUR)**

As of December 31, 2016 and 2015, the Company held the following participation:

Name of the Company	Country	% of ownership	Acquisition cost		Shareholders' equity	
			2016	2015	2016	2015
SAF-HOLLAND GmbH	Germany	100%	313,238,381	265,638,381	172.641.648	100.818.256

The shareholders equity disclosed above includes the profit for the period ended December 31, 2016 amounting to EUR 42,723,393 (2015: profit amounting to EUR 24,135,762).

**Notes to the annual accounts**  
31 December 2016

***Note 3 - Shares in affiliated undertakings (in EUR) (continued)***

SAF-HOLLAND GmbH, having its registered office at Hauptstraße 26, D-63856 Bessenbach, Deutschland, decided to distribute a dividend for the year 2016 to the Company for an aggregate amount of EUR 22,459,872 (2015: EUR 18,500,000). The dividend receivable has been booked in the amounts owed by affiliated undertakings (note 5).

As of December 31, 2016, in the opinion of the Directors, no impairment is deemed to be necessary.

***Note 4 - Fixed assets – Loans to affiliated undertakings (in EUR)***

On October 31, 2012, the Company granted a loan amounting to EUR 73,660,417 to SAF-HOLLAND GmbH. The loan is repayable on April 26, 2018 but can be prepaid partially or fully before maturity date without penalty. During the year 2014, this loan was amended to reduce the annual interest rate from 8.3% to 4.62% starting from October 1, 2014. On October 31, 2013, the loan was partially reimbursed for an amount of EUR 42,893,803 under an assignment agreement entered into between the Company and SAF-HOLLAND GmbH. As of December 31, 2016, the outstanding nominal of the loan amounted to EUR 30,766,614 (2015: EUR 30,766,614).

On October 31, 2013, the Company granted a loan amounting to EUR 42,893,803 to SAF-Holland Inc. This loan is repayable on April 26, 2018 but can be prepaid partially or fully before maturity date without penalty. During the year 2014, this loan was amended to reduce the annual interest rate from 8.3% to 4.62% starting from October 1, 2014. As of December 31, 2016, the outstanding nominal of the loan amounted to EUR 42,893,803 (2015: EUR 42,893,803).

On January 29, 2015, the Company entered into an amendment agreement with SAF Holland Inc. in order to cancel the capitalization of the annual unpaid interest with effect on April 25, 2014 and to organise monthly payment of the interest with effect from January 1, 2015.

On October 1, 2014, the Company granted a loan amounting to EUR 99,448,500 to SAF-Holland GmbH, bearing an annual interest rate of 4.62% and repayable on September 12, 2020. This loan can be prepaid partially or fully before maturity date without penalty. On March 9, 2016, the Company decided to contribute into the free capital reserve of SAF Holland GmbH for an amount of EUR 47,600,000 by reduction of the principal of this loan (see note 3). As of December 31, 2016, the outstanding nominal of the loan amounted to EUR 51,848,500 (2015: EUR 99,448,500).

Interest income for the year on the above three loans amounting to EUR 6,817,730 (2015: EUR 8,388,535) has been classified in the line item "Income from other investments and loans forming part of the fixed assets - derived from affiliated undertakings".

**Notes to the annual accounts**  
31 December 2016

***Note 4 - Fixed assets – Loans to affiliated undertakings (in EUR) (continued)***

The accrued and unpaid interest amounting to nil as of December 31, 2016 (2015: EUR 2,366,637) are classified in the line item “Amounts owed by affiliated undertakings becoming due and payable within one year”. In addition, the interest in the amount of EUR 5,268,702 (2015, 2014 and 2013: EUR 8,747,781) have been capitalized during the year and added to the principal amount of the loans. The total capitalized interest as of December 31, 2016 amounted to EUR 14,016,483 (2015: EUR 8,747,781).

***Note 5 - Debtors - Amounts owed by affiliated undertakings (in EUR)***

On May 2009, the Company entered into a facility loan agreement with SAF-HOLLAND GmbH for a total amount of EUR 9,550,000. During the year 2014, this loan was amended to reduce the annual interest rate from 8.3% to 4.62% starting from October 1, 2014. This loan has no fixed repayment date. As of December 31, 2016, the outstanding nominal of the loan amounted to EUR 1,607,029 (2015: EUR 5,359,202).

On November 15, 2011, the Company granted a loan amounting to EUR 5,785,779 to SAF-HOLLAND GmbH. On September 13, 2012, the Company entered into an amendment agreement in order to increase the principal of the loan to an amount of EUR 10,413,083. During the year 2014, this loan was amended to reduce the annual interest rate from 8.3% to 4.62% starting from October 1, 2014. This loan has no fixed repayment date and can be paid back totally or in parts. As of December 31, 2016, the outstanding nominal of the loan amounted to EUR 10,413,083 (2015: EUR 10,413,083).

Interest income for the year on the above two loans amounting to EUR 740,824 (2015: EUR 738,800) has been classified in the line item “Other interest receivable and similar income - derived from affiliated undertakings”.

The accrued and unpaid interest amounted to nil as of December 31, 2016 (2015: EUR 223,921).

As of December 31, 2016, the Company recorded a dividend receivable for the year 2016 from SAF-HOLLAND GmbH in the amount of EUR 22,459,872 (2015: EUR 18,500,000) which is also included under the item “Income from participating interests - derived from affiliated undertakings ” of the profit and loss account.



**Notes to the annual accounts**  
31 December 2016

**Note 6 - Capital and reserves (in EUR)**

**Movements for the year on the capital and reserve items**

	Ordinary shares	Subscribed capital (in EUR)	Share premium (in EUR)	Legal reserve (in EUR)	Other reserve (in EUR)	Profit or loss brought forward (in EUR)	Profit or loss for the financial year (in EUR)
<b>As of 01.01.2016</b>	<b>45,361,112</b>	<b>453,611</b>	<b>276,455,231</b>	<b>45,361</b>	<b>436,275</b>	<b>10,428,818</b>	<b>18,700,318</b>
Appropriation of profit or loss							
- Allocation of prior year result	-	-	-	-		18,700,318	(18,700,318)
- Allocation to the special reserve					283,812	(283,812)	
- Dividend distribution in 2016	-	-	-	-	-	(18,144,445)	-
Profit for the year ended December 31, 2016	-	-	-	-	-	-	19,958,353
<b>As of 31.12.2016</b>	<b>45,361,112</b>	<b>453,611</b>	<b>276,455,231</b>	<b>45,361</b>	<b>720,087</b>	<b>10,700,879</b>	<b>19,958,353</b>

*a) Subscribed capital and authorised share capital*

As of December 31, 2016, the share capital of the Company amounted to EUR 453,611 (2015: EUR 453,611) represented by 45,361,112 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.

*c) Other reserves*

On April 28, 2011, the Annual General Meeting resolved to allocate an amount of EUR 232,525 to a special reserve in order to reduce the net worth tax liability of the Company for the year 2010.

On April 26, 2012, the Annual General Meeting resolved to allocate an amount of EUR 203,750 to a special reserve in order to reduce the net worth tax liability of the Company for the year 2011.

On April 28, 2016, the Annual General Meeting resolved to allocate an amount of EUR 283,812 to a special reserve in order to reduce the net worth tax liability of the Company for the year 2016.

**Notes to the annual accounts**  
31 December 2016

**Note 6 - Capital and reserves (in EUR) (continued)**

The special reserve is based on article 5, 1°, par. 8a of net worth tax law. The reserve amounts to five times the annual net worth tax deducted from the corporate income tax, and is not distributable for five years subsequent to the year in which the deduction was made.

As of December 31, 2016, the restricted position of “other reserves” is as follows:

	<b>Restricted reserve</b>
	<b>EUR</b>
Allocation for 2010 net worth tax reduction	232,525
Allocation for 2011 net worth tax reduction	203,750
Allocation for 2016 net worth tax reduction	283,812
<b>Restricted reserve as of 31.12.2016</b>	<b>720,087</b>

**Note 7 - Debenture loans (in EUR)**

*a) Convertible loans*

On September 12, 2014, within the scope of a private placement, the Company issued an unsecured senior convertible bond with SAF-HOLLAND S.A. share conversion rights. The convertible bonds have an original issue volume of EUR 100,200,000, a term of six years (maturity: September 12, 2020) and an interest coupon of 1.0% per annum, payable semi-annually in arrears on March 12 and September 12.

The conversion right can generally be exercised at any time within the period from October 23, 2014 to September 3, 2020 in accordance with the terms and conditions of the convertible bonds at a fixed conversion price in the amount of EUR 12.3706 initially.

The Company is entitled to cancel and make early repayment on all outstanding convertible bonds, if the aggregate principle amount of the outstanding convertible bonds at any time falls 15% below the aggregate nominal amount of the originally issued convertible bond. In addition, the Company is entitled, as from September 27, 2018, to repay the entire convertible bonds at the nominal amount including the interest accumulated to date, if the share price exceeds the respectively valued conversion price by at least 30% on at least 20 of 30 sequential trading days.

As of December 31, 2016, the principal of the issued bonds amounted to EUR 100,200,000 (2015: EUR 100,200,000) and the accrued and unpaid interest amounted to EUR 307,243 (2015: EUR 305,555).

The total interest for the year on the bonds amounting to EUR 1,003,688 (2015: EUR 1,002,837) has been classified in the line item “interest payable and similar expenses – other interest and similar expenses”.

**Notes to the annual accounts**  
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**Note 7 - Debenture loans (in EUR) (continued)**

*b) Non convertible loans*

On October 31, 2012, the Company issued bonds for a total amount of EUR 75,000,000 in the "Prime Standard" segment for corporate bonds of the Deutsche Börse (ISIN DE 000A1HA979/WKNA1HA97). The bonds have an annual coupon rate of 7% and will reach maturity on April 26, 2018.

The bonds are guaranteed by SAF-HOLLAND GmbH and SAF-HOLLAND USA, Inc.

As of December 31, 2016, the principal of the issued bonds amounted to EUR 75,000,000 (2015: EUR 75,000,000) and the accrued and unpaid interest amounted to EUR 3,595,890 (2015: EUR 3,595,890).

The total interest for the year on the bonds amounting to EUR 5,250,000 (2015: EUR 5,250,000) has been classified in the line item "interest payable and similar expenses – other interest and similar expenses".

The fees and expenses in connection with the above two bonds issued amounting to EUR 1,020,782 (2015: EUR 1,510,110) are recorded as prepaid expenses under the line item "Prepayments" and are amortized over the life of the bonds.

**Note 8 - Taxes (in EUR)**

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

**Note 9 - Dividends paid (in EUR)**

During the year 2016, the Company distributed a dividend of EUR 0.40 per share to its shareholders for an aggregate amount of EUR 18,144,445 (2015: EUR 14,515,555).

**Note 10 - Staff costs**

As of December 31, 2016, the Company had 2 permanent employees (2015: 1 employee).

**Notes to the annual accounts**  
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***Note 11 - Audit fees***

Art. 65 paragraph (1) 16° of the law of December 19, 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings (the “law”) requires the disclosure of the independent auditor fees. In conformity with the law these details have been omitted as the Company prepares consolidated accounts in which this information is disclosed and these consolidated accounts and the related consolidated management report and auditor’s report thereon have been lodged with the Luxembourg Trade Registry.

***Note 12 - Board of Directors’ remuneration***

The other operating charges included director’s fees for attendance at Board and Committee meetings for an amount of EUR 280,000 in 2016 (2015: EUR 312,384).

***Note 13 - Off balance sheet***

The Company guaranteed some loans granted by financial institutions to SAF Holland GmbH and guaranteed to reimburse the loans in the case of SAF Holland GmbH does not satisfied its commitments.

The first guarantee given is on a loan granted to SAF Holland GmbH in relation to a facilities agreement dated June 2016 for a total amount of EUR 120,000,000 and USD 35,000.000.

The second guarantee given is on a loan granted to SAF Holland GmbH in relation to a loan agreement dated October 2015 for a total amount of EUR 52,000.000.