

**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 2018**  
**and**  
**Independent auditor's report**

## Table of contents

	Pages
Independent auditor's report	1 - 5
Annual accounts	
- Balance sheet	6 - 10
- Profit and loss account	11 - 12
- Notes to the annual accounts	13 - 22



## Audit report

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

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## Report on the audit of the annual accounts

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### Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of SAF-Holland S.A. (the "Company") as at 31 December 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

#### *What we have audited*

The Company's annual accounts comprise:

- the balance sheet as at 31 December 2018;
  - the profit and loss account for the year then ended; and
  - the notes to the annual accounts, which include a summary of significant accounting policies.
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### Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

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### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud). These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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#### Key audit matter

#### How our audit addressed the Key audit matter

##### *Recoverability of investments in subsidiaries*

Investments in subsidiaries represent a significant amount of the Company's balance sheet (95% of total assets). Those investments are represented by shares held in SAF-Holland GmbH and loans granted to SAF-Holland GmbH and SAF-Holland Inc..

These investments are illiquid by nature, therefore significant judgement and estimates are required to be applied by the Board of Directors in its assessment of the recoverability of those investments. Inappropriate judgements made in relation to the methodology and inputs used or the assumptions taken by them may have a material impact on the valuation of the investments.

Investments in subsidiaries are stated at historical acquisition costs. Write-downs are recorded if, in the opinion of Board of Director's, a permanent impairment in value has occurred.

Our procedures over the recoverability of the investments in subsidiaries included, but were not limited to:

We challenged the Board of Directors' no impairment assessment, which is based on a discounted cash-flow model, by reviewing the assumptions taken by the Board. In particular, we assessed the robustness of its impairment test, and the method for determining the future discounted cash flows. We focused our procedures primarily on the most significant investment being SAF-Holland GmbH and SAF-Holland Inc.. We also verified the methodology used by Management to determine the Weighted Average Cost of Capital (WACC). We challenged the reliability of the forecasted cash flows used for the determination of the recoverable value by comparing the budgeted figures to the actual figures for the year ended 31 December 2018.

#### Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the group management report and the Corporate Governance Statement but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



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### **Responsibilities of the Board of Directors and those charged with governance for the annual accounts**

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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### **Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts**

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;



- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.





We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

### **Report on other legal and regulatory requirements**

The group management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the group management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" of the Company by the General Meeting of the Shareholders on 26 April 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

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#### **Other matter**

The Corporate Governance Statement includes, when applicable, the information required by Article 68ter Paragraph (1) Letters a), b), e), f) and g) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 19 March 2019

A handwritten signature in black ink, appearing to read 'Patrick Schon', is written over a horizontal line.

Patrick Schon





Annual Accounts Helpdesk :

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RCSL Nr. : B113090

Matricule : 2005 2231 338

eCDF entry date :

**BALANCE SHEET**Financial year from <sup>01</sup> 01/01/2018 to <sup>02</sup> 31/12/2018 (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	387.602.743,24	455.389.222,46
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

RCSL Nr. : B113090

Matricule : 2005 2231 338

	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
III. Financial assets	1135	135	136
1. Shares in affiliated undertakings	1137	3	137
2. Loans to affiliated undertakings	1139	4	139
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	151	152
I. Stocks	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
II. Debtors	1163	163	164
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	172
a) becoming due and payable within one year	1173	3	173
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	184
a) becoming due and payable within one year	1185	185	186
b) becoming due and payable after more than one year	1187	187	188

RCSL Nr. : B113090

Matricule : 2005 2231 338

	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	197 522.967,15	198 175.331,22
<b>E. Prepayments</b>	1199 7	199 333.465,11	200 583.966,67
<b>TOTAL (ASSETS)</b>		201 409.462.475,50	202 487.506.932,04

RCSL Nr.: B113090

Matricule : 2005 2231 338

**CAPITAL, RESERVES AND LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>	1301 <u>6</u>	301 <u>308.623.941,22</u>	302 <u>308.135.120,68</u>
I. Subscribed capital	1303 _____	303 <u>453.943,02</u>	304 <u>453.943,02</u>
II. Share premium account	1305 _____	305 <u>276.854.899,23</u>	306 <u>276.854.899,23</u>
III. Revaluation reserve	1307 _____	307 _____	308 _____
IV. Reserves	1309 _____	309 <u>765.448,26</u>	310 <u>765.448,26</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>720.087,15</u>
a) other available reserves	1431 _____	431 <u>720.087,15</u>	432 <u>720.087,15</u>
b) other non available reserves	1433 _____	433 _____	434 _____
V. Profit or loss brought forward	1319 _____	319 <u>9.633.394,26</u>	320 <u>10.700.342,07</u>
VI. Profit or loss for the financial year	1321 _____	321 <u>20.916.256,45</u>	322 <u>19.360.488,10</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>100.838.534,28</u>	436 <u>179.371.811,36</u>
1. Debenture loans	1437 _____	437 <u>100.106.016,58</u>	438 <u>178.703.133,50</u>
a) Convertible loans	1439 <u>7a</u>	439 <u>100.106.016,58</u>	440 <u>100.107.243,09</u>
i) becoming due and payable within one year	1441 _____	441 <u>306.016,58</u>	442 <u>307.243,09</u>
ii) becoming due and payable after more than one year	1443 _____	443 <u>99.800.000,00</u>	444 <u>99.800.000,00</u>
b) Non convertible loans	1445 <u>7b</u>	445 <u>0,00</u>	446 <u>78.595.890,41</u>
i) becoming due and payable within one year	1447 _____	447 <u>0,00</u>	448 <u>78.595.890,41</u>
ii) becoming due and payable after more than one year	1449 _____	449 _____	450 _____
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

RCSL Nr. : B113090

Matricule : 2005 2231 338

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are not 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	402.990,81	451.818,67
a) becoming due and payable within one year	1369	402.990,81	451.818,67
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	329.526,89	216.859,19
a) Tax authorities	1393	8 327.856,37	214.700,49
b) Social security authorities	1395	1.670,52	2.158,70
c) Other creditors	1397	397	398
i) becoming due and payable within one year	1399	399	400
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	<b>409.462.475,50</b>	<b>487.506.932,04</b>

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Matricule : 2005 2231 338

eCDF entry date :

**PROFIT AND LOSS ACCOUNT**Financial year from <sup>01</sup> 01/01/2018 to <sup>02</sup> 31/12/2018 (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 _____ 10	713 _____ 631,557,10	714 _____ 0,00
<b>5. Raw materials and consumables and other external expenses</b>	1671 _____	671 _____ -2.270.489,48	672 _____ -1.921.415,91
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 _____ 11	603 _____ -2.270.489,48	604 _____ -1.921.415,91
<b>6. Staff costs</b>	1605 _____ 12	605 _____ -54.667,00	606 _____ -43.726,22
a) Wages and salaries	1607 _____	607 _____ -47.209,32	608 _____ -36.788,75
b) Social security costs	1609 _____	609 _____ -7.457,68	610 _____ -6.937,47
i) relating to pensions	1653 _____	653 _____ -5.193,05	654 _____ -5.469,41
ii) other social security costs	1655 _____	655 _____ -2.264,63	656 _____ -1.468,06
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 _____ 14	621 _____ -552.496,96	622 _____ -557.444,35

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

RCSL Nr. : B113090

Matricule : 2005 2231 338

	Reference(s)	Current year	Previous year
<b>9. Income from participating interests</b>	1715	21.000.000,00	21.000.000,00
a) derived from affiliated undertakings	1717 5	21.000.000,00	21.000.000,00
b) other income from participating interests	1719		
<b>10. Income from other investments and loans forming part of the fixed assets</b>	1721	4.662.102,49	6.577.914,58
a) derived from affiliated undertakings	1723 4	4.662.102,49	6.577.914,58
b) other income not included under a)	1725		
<b>11. Other interest receivable and similar income</b>	1727	155.482,01	565.348,94
a) derived from affiliated undertakings	1729 5	155.482,01	563.042,13
b) other interest and similar income	1731	0,00	2.306,81
<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	-2.651.122,41	-6.252.000,00
a) concerning affiliated undertakings	1629		
b) other interest and similar expenses	1631 7	-2.651.122,41	-6.252.000,00
<b>15. Tax on profit or loss</b>	1635		
<b>16. Profit or loss after taxation</b>	1667	20.920.365,75	19.368.677,04
<b>17. Other taxes not shown under items 1 to 16</b>	1637 8	-4.109,30	-8.188,94
<b>18. Profit or loss for the financial year</b>	1669	20.916.256,45	19.360.488,10



SAF-HOLLAND S.A.  
Société anonyme

**Notes to the annual accounts**  
31 December 2018

**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.

In accordance with article 1720-1 (3) of the amended Luxembourg law of 10 August 1915 the Company does not prepare a single management report on stand-alone basis. The required information are presented in the group management report.

**Notes to the annual accounts**  
31 December 2018

**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 under the historical cost convention 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.

Accounting policies and valuation rules are, besides the ones laid down by the amended law of 19 December 2002, determined and applied by the Board of Directors.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise their judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*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) Financial assets and dividends*

Financial assets are stated at historical acquisition cost. Write-downs are recorded if, in the opinion of the Board of Directors, 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;

**Notes to the annual accounts**  
31 December 2018

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

- 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.

*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 profit and loss account.

*e) Presentation*

The presentation of the annual accounts is that required by the amended Law of December 19, 2002. 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.

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

As of December 31, 2018 and 2017, the Company held the following participation:

Name of the Company	Country	% of ownership	Acquisition cost		Shareholders' equity	
			2018	2017	2018	2017
SAF-HOLLAND GmbH	Germany	100%	313,238,381	313,238,381	168,102,552	171,317,136

The shareholder's equity disclosed above includes the profit for the period ended December 31, 2018 amounting to EUR 17,785,416 (2017: profit amounting to EUR 21,135,360).

**Notes to the annual accounts**  
31 December 2018

**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 2018 to the Company for an aggregate amount of EUR 21,000,000 (2017: EUR 21,000,000). The dividend receivable has been booked in the amounts owed by affiliated undertakings (note 5).

As of December 31, 2018, in the opinion of the Board of 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 ("**Loan 1**"). The loan was repayable on April 26, 2022 but could 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. On April 27, 2018, the loan has been fully reimbursed. As of December 31, 2018, the outstanding nominal of the loan amounted to nil (2017: 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, 2022 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, 2018, the outstanding nominal of the loan amounted to EUR 42,893,803 (2017: 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, (the "**Loan 2**") bearing an annual interest rate of 4.62% and repayable on September 12, 2020 (the unpaid interest are capitalized on April 27 of each year). 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. During the year ended December 31, 2018, this loan has been partly repaid for an amount of EUR 20,377,941. As of December 31, 2018, the outstanding nominal of the loan amounted to EUR 31,470,559 (2017: EUR 60,972,919).

**Notes to the annual accounts**  
31 December 2018

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

Interest income for the year on the above three loans amounting to EUR 4,662,102 (the "**Interest 3**") (2017: EUR 6,577,915) has been classified in the line item "Income from other investments and loans forming part of the fixed assets - derived from affiliated undertakings".

The accrued and unpaid interest amounting to nil as of December 31, 2018 (2017: nil). In addition, the interest in the amount of EUR 725,885 (2017, 2016, 2015, 2014 and 2013: EUR 16,641,924) have been capitalized during the year and added to the principal amount of the loans (the "**Capitalized Interest**"). During the year 2018, part of the Capitalized Interest has been repaid for a total amount of EUR 17,367,809. The total capitalized interest as of December 31, 2018 amounted to nil (2017: EUR 16,641,924).

On October 4, 2018, the Company entered into a set-off agreement with effective date on April 27, 2018, with SAF Holland GmbH in order to set-off a receivable against SAF-HOLLAND GmbH for an amount of EUR 75,000,000, against the Loan 1 (EUR 30,766,614), part of the Loan 2 (EUR 14,864,639), the Capitalized Interest (EUR 17,367,809), the loan 4 (EUR 10,355,112), the Interest 1 (EUR 155,482) and part of the interest 3 (EUR 1,490,344).

On January 16, 2019, the Company entered into a set-off agreement with effective date on December 31, 2018, with SAF Holland GmbH in order to set-off a receivable against SAF-HOLLAND GmbH for an amount of EUR 5,949,958, against the Interest 3 (EUR 436,656) and part of the Loan 2 (EUR 5,513,302).

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

On November 15, 2011, the Company granted a loan amounting to EUR 5,785,779 to SAF-HOLLAND GmbH (the "**Loan 4**"). 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 had no fixed repayment date and could be paid back totally or in parts. On April 27, 2018, the loan has been reimbursed. As of December 31, 2018, the outstanding nominal of the loan amounted to nil (2017: EUR 10,355,112).

Interest income for the year on the above loan amounting to EUR 155,482 (the "**Interest 1**") (2017: EUR 563,042) 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, 2018 (2017: nil).

On October 4, 2018, the Company entered into a set-off agreement with SAF-HOLLAND GmbH in order to set-off part of the cash advances received from SAF Holland GmbH to cover the running costs (EUR 26,480,813.98) against the dividend receivable from SAF Holland GmbH for an amount of EUR 21,000,000.00. This agreement was effective on June 30, 2018.

**Notes to the annual accounts**  
31 December 2018

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

As of December 31, 2018, the Company recorded a dividend receivable for the year 2018 from SAF-HOLLAND GmbH in the amount of EUR 21,000,000 (2017: EUR 21,000,000) which is also included under the item "Income from participating interests - derived from affiliated undertakings" of the profit and loss account.

**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 account (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)
As of 01.01.2018	45,394,302	453,943	276,854,899	45,361	720,087	10,700,342	19,360,488
Capital increase	-	-	-	-	-	-	-
Appropriation of profit or loss	-	-	-	-	-	-	-
- Allocation of prior year result	-	-	-	-	-	-	-
- Allocation to the special reserve	-	-	-	-	-	-	-
- Dividend distribution in 2018	-	-	-	-	-	(1,066,948)	(19,360,488)
Profit for the year ended December 31, 2018	-	-	-	-	-	-	20,916,256
As of 31.12.2018	45,394,302	453,943	276,854,899	45,361	720,087	9,633,394	20,916,256

*a) Subscribed capital and authorised share capital*

As of December 31, 2018, the share capital of the Company amounted to EUR 453,943 (2017: EUR 453,943) represented by 45,394,302 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.



**Notes to the annual accounts**  
31 December 2018

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

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.

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, 2018, 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 31.12.2018</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.



**Notes to the annual accounts**  
31 December 2018

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

On December 27, 2017, the Company converted 400,000 bonds into 33,100 new shares with a nominal value of EUR 0.01 each. Due to this issuance of shares, the Company increased its share capital for an amount of EUR 332, the share premium for an amount of EUR 399,608 and the premium on conversion of bonds into shares for an amount of EUR 60.

As of December 31, 2018, the principal of the issued bonds amounted to EUR 99,800,000 (2017: EUR 99,800,000) and the accrued and unpaid interest amounted to EUR 306,017 (2017: EUR 307,243).

The total interest for the year on the bonds amounting to EUR 996,773 (2017: EUR 1,002,000) 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 remaining bonds issued amounting to EUR 241,546 (2017: EUR 504,251) are recorded as prepaid expenses under the line item "Prepayments" and are amortized over the life of the bonds.

*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 had an annual coupon rate of 7% and reached maturity on April 26, 2018.

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

As of December 31, 2018, the principal and the accrued interest of the issued bonds has been reimbursed and amounted to nil (2017: EUR 78,595,890).

The total interest for the year on the bonds amounting to EUR 1,654,110 (2017: EUR 5,250,000) has been classified in the line item "interest payable and similar expenses – other interest and similar expenses".

**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 2018, the Company distributed a dividend of EUR 0.45 per share to its shareholders for an aggregate amount of EUR 20,427,436 (2017: EUR 19,958,890).

**Notes to the annual accounts**  
31 December 2018

**Note 10 – Other operating income (in EUR)**

During the year 2018, the Company received several invoices from Unicredit Bank in relation to SAF-Holland GmbH and SAF-Holland Inc for a total amount of EUR 631,557.10. These invoices have been recharged to SAF-Holland GmbH.

As of December 31, 2018, the other operating income amounted to EUR 631,557.10 (2017: nil).

**Note 11 – Other external expenses (in EUR)**

As of December 31, 2018, the other external expenses can be detailed as below:

	<b>2018</b>	<b>2017</b>
Bank fees	1,791.24	1,816.19
Administrative fees	198,468.70	238,684.59
Investor relation fees	106,128.30	150,330.94
Purchases of advertising services	228,304.91	186,300.97
Handling fees and costs	647,557.10	14,500.00
Issuance costs of the convertible bonds	135,852.05	134,311.82
Other fees	952,387.18	1,195,471.40
<b>Total</b>	<b>2,270,489.48</b>	<b>1,921,415.91</b>

**Note 12 - Staff costs**

As of December 31, 2018, the Company had 1 permanent employee (2017: 1 employee).

**Note 13 - 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 14 - Board of Directors' remuneration**

The other operating expenses included director's fees for attendance at Board and Committee meetings for an amount of EUR 286,356 in 2018 (2017: EUR 289,589).

**Notes to the annual accounts**  
31 December 2018

**Note 15 – 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 satisfy 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 50,000.000.

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 120,000,000 and USD 35,000.000. On October 2, 2018, this guarantee has been replaced by a credit revolving facility agreement for an amount of EUR 200,000,000 between SAF-Holland GmbH and SAF-Holland Inc. including subsidiaries.

**Note 16 – Subsequent events**

On February 26, 2019, Detlef Borghardt resigned from his position as member of the board of directors and CEO of the Company. The functions of CEO has immediately been hand over to Alexander Geis.



Martina Merz



Dr. Martin Kleinschmitt