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ANNUAL REPORT 2009

Key Figures

EUR million	**2009**	2008	2007
Sales	**419.6**	798.8	812.5
Cost of sales	**-351.4**	-680.3	-670.9
Gross profit	**68.2**	118.5	141.6
Adjusted profit for the year	**-15.6**	13.4	22.3
Adjusted EPS in EUR[1]	**-0.75**	0.69	1.15
Adjusted EBITDA	**16.7**	54.7	72.5
Adjusted EBIT	**1.5**	41.2	60.5
Operating cash flow[2]	**48.3**	41.9	51.7

1) Adjusted net profit of the year / weighted average number of ordinary shares outstanding as of the reporting day.

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

Sales by Region

EUR million	**2009**	2008	2007
Europe	**196.7**	530.2	519.7
North America	**198.9**	239.7	271.4
Other	**24.0**	28.9	21.4
Total	**419.6**	798.8	812.5

Sales by Business Unit

EUR million	**2009**	2008	2007
Trailer Systems	**175.1**	527.9	551.1
Powered Vehicle Systems	**98.3**	102.3	81.3
Aftermarket	**146.2**	168.6	180.1
Total	**419.6**	798.8	812.5

Other Financial Information

	12/31/2009	12/31/2008	12/31/2007
Total assets (in EUR million)	**458.1**	537.4	554.6
Equity ratio (in %)	**5.2**	13.4	19.5

	2009	2008	2007
Employees (annual average)	**2,320**	2,799	2,996
Sales per employee (in kEUR)	**180.9**	285.4	271.0

Transport is the backbone of the international economy. It doesn’t matter if raw materials, electrical components or oranges are being transported from one continent to the next – trucks and trailers are at the beginning and at the end of every logistics chain.

SAF-HOLLAND is a leading supplier to the global commercial vehicle industry. Our products ensure that trucks and trailers run longer, use less fuel and operate with lower costs. Our success factors, efficiency, a diverse product portfolio and an internatio-nal approach are the basis for our long-term growth which benefits our customers, and also our shareholders, employees and suppliers.

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Annual Report 2009

Foreword from the Management Board

Ladies and gentlemen,

Quick and decisive action is one of the most important obligations that a company has in difficult times. 2009 was by far the most difficult year since the merger of SAF and Holland. The global economic crisis has had a devastating impact on the commercial vehicle industry. Truck manufacturers experienced a slump in sales of up to 50 % in Europe and 40 % in North America. Trailer manufacturers were confronted with a decline of about 80% in Europe and 50 % in North America; the North American decline followed a 30 % decline from 2008 to 2009.

A radical shift was required on the part of SAF-HOLLAND in this period. Up until the middle of 2008, we had expanded our capacities in Europe and were positioned – in line with all market forecasts – for growth. Within a matter of weeks, by the fourth quarter of 2008, the situation had changed dramatically. We have reacted to this change. In all of the measures we have taken we have focused on strengthening the future viability of SAF-HOLLAND. And thus, immediate reaction quickly became targeted action – the theme behind this year's Annual Report.

On the financing side, we immediately began discussions with our banks, discussions that resulted in a successful restructuring of the loan in November 2009. The agreement that we reached gives us planning security, flexibility and the ability to act. The agreement goes until 2014.

On the operating side, we have made our company fit with a number of measures. These were all guided by the principle that we had to reduce costs quickly without negatively affecting the future viability of the Company.

In order to survive in the crisis, we substantially reduced our capacities in Europe. This was achieved through very painful but also very necessary staff reductions as well as through the implementation of shortened working hours. Management took a voluntary reduction in both holiday entitlement and salary. In the USA, some employees were also sent on unpaid leave. In Germany, we reached agreements that call for a reduction in remuneration for employees. In return, we have guaranteed the continued existence of those locations affected.

Costs were also reduced through the consolidation of locations as well as lower logistics and material costs. We have also substantially decreased the net working capital, which directly benefited our liquidity.

Rudi Ludwig

All this has been done without abandoning the development and production of strategically important products. We are not retreating from our goal of being a leading innovative and full-service provider to the truck and trailer sector.

In the course of dealing with the significant market decline, we have made SAF-HOLLAND leaner and stronger. We are confident that we can emerge from the current situation fitter than before and that we are well positioned to profit from the upturn in the commercial vehicle industry. Our optimism is buoyed by the fact that we already managed to turn the corner in the second half of 2009, although our sales fell by about half as a result of the crisis. This shows that we have done the right things because these measures are having an effect. Our product mix in several areas also improved and this also had a positive effect on the margins.

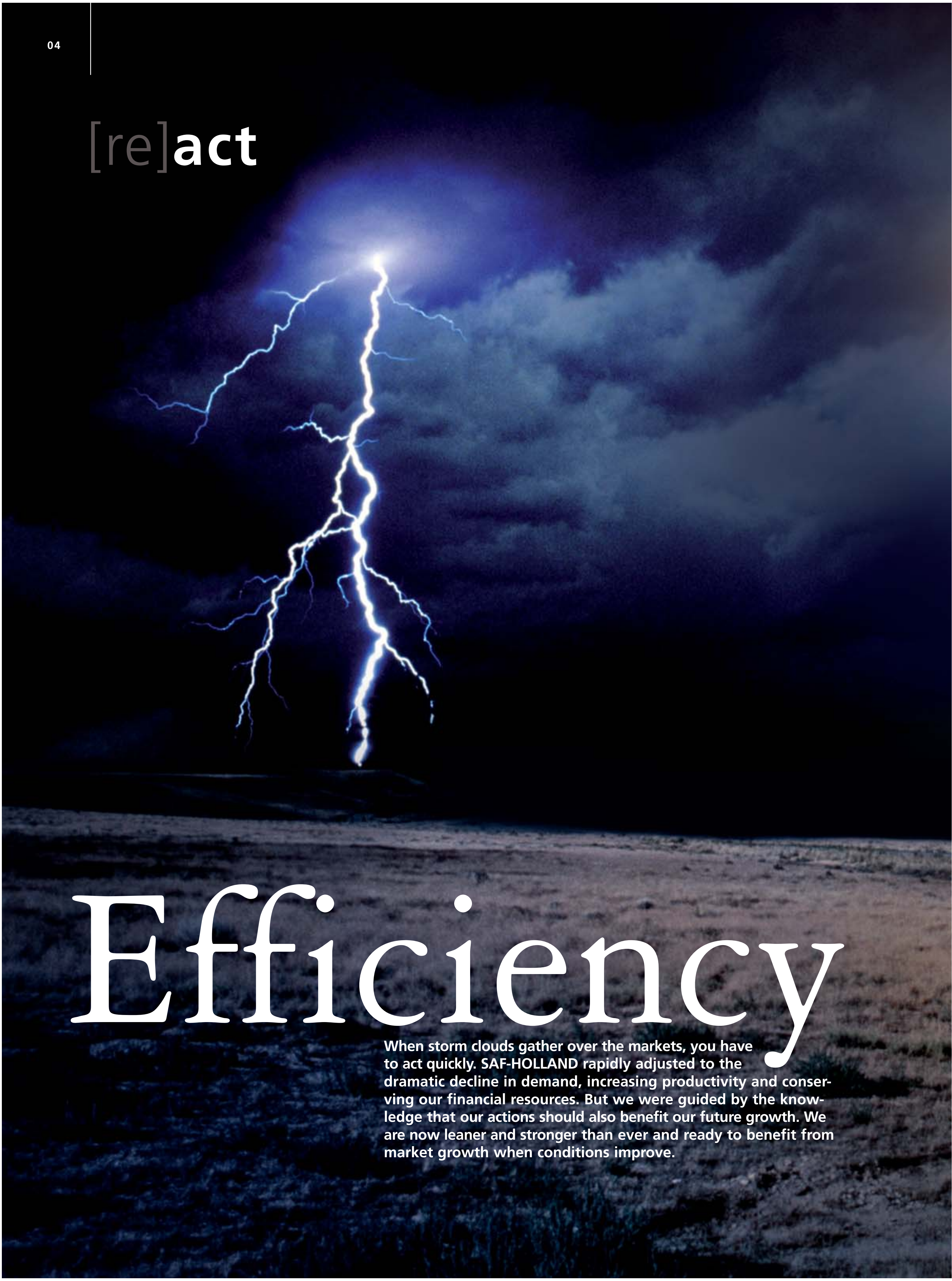
The market situation has also brightened. We have been seeing the first signs of recovery since summer 2009. The Aftermarket Business Unit made good progress, the Powered Vehicle area recorded a stabilization beginning in the second quarter and the Trailer Systems Business Unit reached bottom and is beginning to recover.

SAF-HOLLAND's strategy has proven effective in the face of the crisis. As a result of the merger of SAF and Holland in 2006 and the acquisitions made in 2008, we are globally positioned as an innovative, full-service provider for the truck and trailer sector. We have succeeded in reducing costs without lowering our quality requirements.

The market environment in 2010 will still be challenging. We will therefore continue to consistently pursue efficiency improvements and, at the same time, position the Company for growth once again. We have reason to believe that orders will begin to increase in all of our Company's business units by the second half of 2010. For 2010, we anticipate a double-digit percentage increase in sales. This will also lead to a sustainable improvement in earnings.

Rudi Ludwig

Rudi Ludwig
Chief Executive Officer (CEO)



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Efficiency

When storm clouds gather over the markets, you have to act quickly. SAF-HOLLAND rapidly adjusted to the dramatic decline in demand, increasing productivity and conserving our financial resources. But we were guided by the knowledge that our actions should also benefit our future growth. We are now leaner and stronger than ever and ready to benefit from market growth when conditions improve.

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There are simple principles in nature that serve as examples for us. A tree needs strong roots to withstand the storm – but it must also be flexible. Those who stand rigidly against the wind will break. The truck and trailer industry was one of the first to be impacted by the global economic crisis. The initial response was to act quickly in order to withstand the storm. We stabilized the Company with a series of immediate measures. These included comprehensive cost reductions, securing liquidity, a solid financing and much more.

We protected our strong roots: SAF-HOLLAND remains a quality supplier in the commercial vehicle industry. Due to the product portfolio and the cost reductions, we expect to profit at a disproportionately high level when growth returns to our markets. It was important to not only implement programs with a short-term effect, but also to strengthen the basis for the future growth of our Company in each and every step that was taken. This meant a shift from initial reactions to a dramatic drop in sales volume, to strategically targeted actions.

More than ever, SAF-HOLLAND is in a position to take advantage of its strengths in a growing market. We are efficiently organized, have a strong and broad product range and, with our global presence, a balancing from regional developments. This is the basis from which we plan to use the opportunities that present themselves to our Company over the long term.

Efficiency as a basis for future growth

Until the third quarter of 2008, SAF-HOLLAND was – in line with all serious market forecasts – fully prepared for growth. The drop in demand hit the commercial vehicle industry fast, hard and unexpectedly. Within a short period of time, we developed a concept that allowed us to adapt to the new situation in the market without limiting the Company's future prospects. There were two basic goals that we pursued: we wanted to increase productivity and, at the same time, conserve our financial resources.

With a comprehensive cost reduction program, we were able to save EUR 49 million in 2009. In order to keep as many of our core employees as possible, we made extensive use of shortened work times at our locations in Germany. Employees and management took voluntary reductions in remuneration and thus made an important contribution to the success of the restructuring. In return, we granted employment and location guarantees over the medium term, despite the crisis. In North America, all salaried employees took a tiered reduction in salary, with the more highly compensated taking a greater reduction. All salaried employees also took a one week unpaid furlough. In addition, we merged some locations while some plants were closed and sold. We thus not only reduced direct costs, but also sustainably decreased the structural cost base. This applied to locations in the USA, China and Europe. On top of this, we suspended production at our axle plant in Keilberg due to limited market demand but we are still in a position to quickly launch production once again should the market improve.

To conserve our financial resources, we also significantly reduced inventories. The decrease in working capital across all locations throughout the Group was one of the most important tasks undertaken in the past year. The program was a complete success: in fiscal year 2009 we achieved positive cash flow from operating activities despite the difficult situation. The optimization of our logistics and supply chain with the objective of a lean inventory management will continue to be one of our core projects.

SAF-HOLLAND has positioned itself as lean and robust. And, even though we have made tremendous progress, the efficiency improvement process is not complete. Wherever we encounter the potential to make our Company fitter and give it a better competitive position, we will act.

Variety for Truck and Trailer

Our strategic vision has been in place since the merger of SAF and Holland in 2006: we are a leading innovative, full-service supplier for the commercial vehicle industry throughout the world. To this end, we realized additional synergies in 2009 and turned them into growth opportunities. In our Trailer Systems Business Unit, the most important project was the establishment of our own axle production in North America. In the process, we installed two value drivers: firstly, it is no longer necessary for us to purchase from third-party axle producers in North America, minimizing our dependence and, at the same time, improving the development, design, production and sustainability of the entire value chain. Secondly, we have relied from the start on modern technology and are the first company in the USA to offer axle systems with disc brakes based on more than ten years of experience in production and service use in Europe. We are thus taking the technology advantage we achieved in Europe and applying it to our most important growth market in the USA, where drum brakes have been the norm. Due to stricter braking requirements which are scheduled to take effect in 2011, we anticipate that disc brakes will quickly gain market share. The first axles from our production are already rolling along the highways and the interest being shown by fleet operators is significant.

We have also strengthened our position in Europe. With the successful integration of SAF-HOLLAND Verkehrstechnik GmbH, we offer European truck manufacturers premium coupling systems and components. This not only strengthens the Powered Vehicle Systems Business Unit within the Group, the integration also noticeably stabilized sales and earnings in the entire SAF-HOLLAND Group in the past year.

At SAF-HOLLAND, variety is one of our strategic success factors. The expansion of our production portfolio is being carried out in accordance with a clear plan: we want to expand our position as the leading innovative, full-service supplier of premium systems and components for the truck and trailer industry. We therefore maintain close contact to fleet operators, trucking companies and leasing firms. We have high demands: we intend to offer premium products that give the user predictable low operating costs over the entire lifetime of the product.

Local Touch – because every market is different

Although we generally, and justifiably, talk about the global economic crisis – it is still worthwhile to take a closer look at the commercial vehicle industry by individual markets and regions. While the European market hit bottom in 2009, initial slight growth signals were being recorded in North America since the middle of 2009. However, the truck activity was likely affected somewhat by a soft "pre-buy" of 2009 vehicles ahead of a January 1 2010 engine change to meet new diesel emission standards. The picture is completely different in the emerging markets where the crisis has also left its mark. After an initial decline, the production of commercial vehicles in China returned to growth. India continued as a strong market for buses, which utilize our premium suspension systems.

These differences make one thing clear: it makes sense to be on site around the world, to have "global reach". But to be successful, we also have "local touch", the ability to provide the specific services and products that are in demand in each individual market. We thus secure not only a leading international position, we can also offset regional fluctuations in demand and currency differences. This stabilizes our Group as a whole – to the advantage of our customers, shareholders and employees. Furthermore, our international positioning allows us to purchase from the most competitive, high quality suppliers and to leverage our global production capabilities to serve any of our markets.

Taking advantage of opportunities

Opportunities may appear on their own, but you must be in a position to recognize and take advantage of them. The market for transport services remains a long-term growth market. The development that an increasing number of people and economies are participating in the global exchange of goods – be it as consumers or producers – is irreversible. Transport is an indispensable part of this trend and trucks are at the beginning and the end of every transport chain.

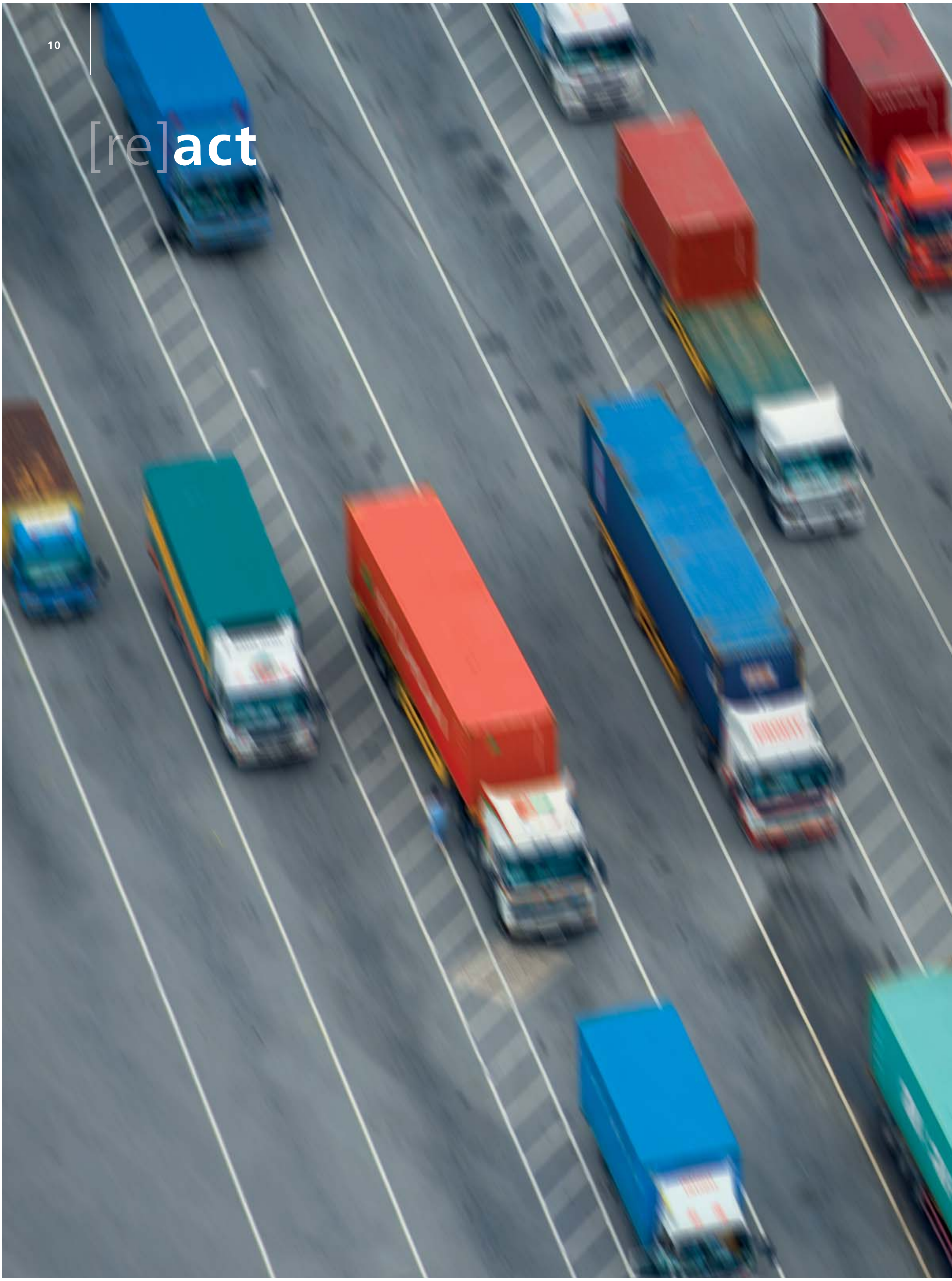
Globalization has long been the norm for our customers. Truck manufacturers deliver their trucks and tractor units in all corners of the world and produce in plants around the globe. The trailer market has a more regional character but for us the same principles apply: wherever our customers need our products, we are there. And this applies long after the time of the delivery itself because even the highest-quality component has to be maintained and is subject to normal wear and tear. From the perspective of trucking companies and fleet operators, a truck is only of value when it runs. Downtimes because replacement parts are not available or because of frequent service intervals are always costly.

SAF-HOLLAND therefore maintains one of the most comprehensive parts and service networks in the commercial vehicle industry. On all continents and at all times – everywhere trailers and semi-trailers roll on our axles or SAF-HOLLAND's fifth wheels, kingpins and landing legs prove themselves in daily use, replacement parts can be delivered quickly. We also rely on a European network that we have expanded through cooperation with leading truck manufacturers including Volvo, Scania, DAF, MAN and Daimler.

Through the constant expansion of our replacement parts business, our Aftermarket Business Unit has developed into a stabilizing factor in the SAF-HOLLAND Group. The potential of this business area grows with every component we deliver. Growth in our production figures therefore directly benefits not only our original equipment business in the year of delivery. It provides further sales in the Aftermarket Business Unit in the years thereafter.

On a course for growth

Since the end of 2007 in North America and since the end of 2008 globally, the crisis has forced us to make severe cuts. We have used these difficult times, however, to make SAF-HOLLAND fit for competition. Through targeted efficiency improvements and a financial restructuring, we are well-equipped for the expected market upswing. We have a comprehensive product portfolio and are internationally positioned. After a difficult year in 2009, SAF-HOLLAND is positioned to return to a growth course.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Diversity

SAF-HOLLAND is positioned as a leading full-service provider of high-quality systems and components for the truck and trailer sector. Our strength is our diversity. Through continuous technology transfer between our key US and European markets and expansion of our product range in growth markets, we offer each of our customers worldwide the best available products on the market. Due to our close contact to trucking companies, fleet operators and leasing companies, we can develop reliable products that benefit their users with predictable, low costs over their entire service lives.

Ups and downs on the stock exchange

2009 was a year full of surprises on the stock exchange. Following the dramatic slump in the indices at the end of 2008 as a result of the Lehman Brothers collapse and, as the financial crisis ran its course, prices began to recover in 2009. Contrary to a plethora of forecasts, the DAX, which at one point was at 3,500 points, exceeded the 6,000 point mark at the end of the year.

Key share figures

WKN/ISIN	A0MU70/LU0307018795
Stock exchange code	SFQ
Number of shares	20,702,275
Designated Sponsor	HSBC and Morgan Stanley
Highest/lowest price for the year	EUR 3.95 / EUR 0.35
Adjusted earnings per share [1]	EUR -0.75

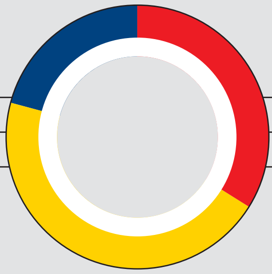
1) The average number of shares issued was 20,702,275 for 2009.

The development of the SAF-HOLLAND share price in 2009 was, on the one hand, shaped by the mood on the capital markets and, on the other hand, clearly influenced by the Company's negotiations with its banking syndicate on the securing of long-term financing for the Company. The standstill agreement reached in February 2009 and its gradual extension into the fourth quarter had a generally positive effect on the development of the share price. After reaching a low of EUR 0.35 in February, it rose very strongly, reaching a high for the year of EUR 3.95 on August 6. A proposal from the banking syndicate, which called for the Group's operating business to undergo a change in governance, contributed to a severe drop in the share price in August 2009. The share price then dropped from EUR 3.75 to EUR 1.15 on August 12, 2009. In November it reached an intermediate high of EUR 3.26 following the completion of a new financing agreement for the Company (which provides for a change in governance only under certain extreme conditions). It closed at EUR 2.67 on December 30, 2009.

Dividend

The Annual General Meeting on May 14, 2009 resolved to pay no dividend for fiscal year 2008 in light of the difficult economic situation.

Shareholder Structure Figures in %



Free float	44.5
Pamplona Capital Partners I, LP	34.5
Management and previous owners	21.0

As of 12/31/2009

Financial communication

Close contact with institutional and private investors as well as analysts and journalists is important to SAF-HOLLAND. We therefore continued our investor relations activities at an unchanged level in 2009. Nevertheless, they were characterized by the dramatic collapse on the markets and the lengthy financing negotiations. We publish all pertinent investor relations information in a timely manner on our website. This information included presentations that were utilized at the investor conferences and analyst events.

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Global reach

Containers are a symbol of international trade. But even in a global economy, every market is different. SAF-HOLLAND is both globally positioned and close to the customer. For us, local touch is about offering the right products for each individual market. These products include innovative braking systems for trailers in the USA, robust suspension systems for buses in India and reliable components for trucks in Europe – worldwide, SAF-HOLLAND provides commercial vehicle manufacturers with exactly the products they're looking for.

Report from the Board of Directors

Dear shareholders,
Ladies and Gentlemen,

In fiscal year 2009, the Board of Directors of SAF-HOLLAND S.A. provided comprehensive support to the development of the Company. The focus was, for the most part, on the operative and financial restructuring. Thereby, the Group reacted to the massive drop in demand in Europe and additional weakness in North America as a result of the global economic and financial crisis. In the past fiscal year, capacities were therefore adjusted, costs reduced, internal processes were improved and working capital was decreased for better liquidity. Additionally, in November, the long-term financing of the Group was secured. The Company is now in a position that allows it to react flexibly to future market developments. As soon as demand for trucks and trailers begins to increase, the sales and earnings situation of SAF-HOLLAND will improve further. Despite weak demand, the Group's performance confirmed the benefit of the merger of SAF and Holland in 2006 and from the two acquisitions made in 2008. The broad product range for trucks and trailers as well as the international positioning have made it possible for SAF-HOLLAND to weather the crisis better than other transportation equipment suppliers. The Aftermarket Business Unit in particular has developed into a consistent source of sales and earnings, contributing to the stabilization of the Group.

The Board was very closely involved in the negotiations on the future long-term financing of the Company. Following the negotiations which lasted several months and which were accompanied by standstill agreements with the banking syndicate, the new financing was finally secured in November 2009 and approved by the Extraordinary General Meeting on December 18, 2009. The new agreement, which runs until 2014, provides the financial strength and liquidity that is needed to put the Company on the path toward long-term growth.

The Board of Directors consisted of the following members in fiscal year 2009: Dr. Rolf Bartke (Chairman, until January 31, 2009), Bernhard Schneider (since March 27, also Chairman), Ulrich Otto Sauer (Deputy Chairman), Dr. Reiner Beutel (February 1 until December 18), Dr. Siegfried Goll, Rudi Ludwig, Richard W. Muzzy, Gerhard Rieck and Martin Schwab (until December 18, 2009). Details of the directors' terms of office and their membership in other bodies are provided on pages 132 and 133. There are no longer any consulting contracts between the Company and members of the Board of Directors after the consulting contract with Ulrich Otto Sauer, which had been in place since 2004, was terminated in April 2009. The members of the Board of Directors are elected by the Annual General Meeting for a maximum of four years in accordance with the articles of incorporation. Corporate law in Luxembourg does not provide for employee representatives on the Board of Directors. In the past year, six regular meetings took place, some of these with participation by the Management Board. Telephone conferences were held to allow for quicker reactions to developing events. To deal efficiently with special issues, the Board of Directors has set up two standing committees, the Audit and Compliance Committee and the Remuneration Committee. The Restructuring Committee formed in 2009 was actively involved in the Company's financing negotiations with the banks.

In addition to ongoing business developments and the issue of long-term financing, the Board of Directors also discussed risk management. The monitoring of the success of the three Business Units Trailer Systems, Powered Vehicle Systems and Aftermarket also took place on an ongoing basis. The Board of Directors maintains a constant dialogue with the Management Board which manages the Company's day to day operations. In the past year, there were two changes at the top of the Management Board. As planned, CEO Rudi Ludwig withdrew from the operating business at the end of his contract period and at his own wish on February 28, 2009. He was succeeded by Dr. Reiner Beutel effective February 2. Following the successful completion of the negotiations on the long-term financing, Dr. Reiner Beutel resigned on December 18. Rudi Ludwig then succeeded him as CEO of the Company. Mr. Ludwig's main task is the successful implementation of the growth plan. Moreover, from August 1, 2009, Dr. Martin Kleinschmitt member of the Executive Board of Noerr Consulting AG, Berlin, was appointed as Chief Restructuring Officer to the Management Board of SAF-HOLLAND. As a renowned expert and experienced manager, he supports the financial restructuring of the Company. Further information on the Management Board can be found on page 134 and 135.

The annual financial statements and the consolidated financial statements were audited by Ernst & Young S.A., Luxembourg, and issued with an unqualified audit certificate. At its meeting on March 30, 2010, the Board of Directors discussed the results of the audit and the auditors were present to answer any questions. The Management Board and the Board of Directors propose to the Annual General Meeting that the earnings be carried forward in full.

In the past fiscal year, all employees contributed to the stabilization of the Group with sometimes painful cuts. I would like to thank them for their willingness to do this and for their commitment. I would also like to thank the employee representatives, the members of the Management Board, and my colleagues on the Board of Directors for the work they have done.

In light of weakened demand and uncertain market developments, sales and earnings development for fiscal year 2010 cannot be forecast at this time. With the successful restructuring and the new financing agreement in place however, the Group's position is stable. The measures taken in recent months have had a positive impact and will benefit the Company greatly when the market picks up again. Over the long term, our Company will benefit from the expected economic recovery

Luxembourg, March 30, 2010

Bernhard Schneider
Chairman of the Board of Directors

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DUNLOP
PALFINGER
KNORR-BREMSE
WIR Bank
MAN | TopUsed
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Karel HOLOUBEK
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CEPSA
STAR

Opportunity

If you want to win in the long term, you have to take the rough with the smooth. In the long run, the winner will be the one with the right strategy. In the past year, SAF-HOLLAND introduced numerous measures in response to the crisis but without losing sight of our long-term goal – growth. When the market picks up speed as anticipated, we will consolidate our position as a market leader.

Corporate Governance

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

The German Corporate Governance Code (the "Code") – adopted by the Government Commission on February 26, 2002 and last amended on June 18, 2009 – contains essential statutory regulations for the management and supervision of German listed companies and includes internationally and nationally recognized standards for good and responsible corporate governance. While the recommendations of the Code are not mandatory, Section 161 of the German Stock Corporation Act (Aktiengesetz) requires that the executive boards and supervisory boards of companies listed on a stock exchange in Germany declare once a year that the Code's recommendations have been and are being complied with or which of the Code's recommendations have not been and are not being applied. This declaration of compliance shall be made permanently available to shareholders.

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

The Board of Directors of SAF-HOLLAND S.A. declares that it complied, subject to the particularities of its legal structure, with the June 6, 2008 version of the recommendations of the Government Commission's German Corporate Governance Code announced by the Federal Ministry of Justice, with the following exceptions:

- Clause 2.3.2 of the Code: The Company will, for the time being, not in all cases send notification of the convening of the Annual General Meeting together with the convention documents to all domestic and foreign financial services providers, shareholders, and shareholders' associations by electronic means.

- Clause 3.8 of the Code: The liability insurance policies taken out for the Board of Directors and the members of management do not provide for a deductible.

- Clauses 4.2.3, 4.2.4, 4.2.5, and 5.4.6 of the Code: The total compensation of each member of the Board of Directors and the Management Board will neither be disclosed on an individual basis nor divided into non-performance-related, performance-related, and long-term incentive components. With the exception of one member, the members of the Board of Directors do not receive performance-related compensation. Accordingly, no disclosure in this regard will be made in the renumeration report as part of the corporate governance report. The remuneration report will also not include information on the nature of the fringe benefits for the members of the Board of Directors and the Management Board provided by our Company. Payments made by the enterprise to the members of the Board of Directors or advantages extended for services provided individually, in particular advisory or agency services, will be not listed separately in the Corporate Governance Report. Contracts for members of the Board of Directors have a term of two to four years and those of the Management Board a maximum of three years, and as such, payments in the case of service in the boards ending prematurely will not exceed four years' compensation. As a result, the payments may exceed the severance cap of two years' compensation. However, payments always relate to the remaining term of the employment contract. In the case of service in the Management Board or Board of Directors ending prematurely as a result of a change in control, the contractual obligation of the Company may surpass 150 % of the severance cap of two years' compensation.

- Clause 5.3.3 of the Code: The Board of Directors forms only with respect to its independent directors a nomination committee which proposes suitable candidates to the Board of Directors for recommendation to the Annual General Meeting.

- Clause 6.6 of the Code: Beyond the statutory obligation to immediately report and disclose dealings in shares of the Company, no disclosure will be made in the corporate governance report of the ownership of shares in our Company or related financial instruments by the members of the Board of Directors or members of management if these directly or indirectly exceed 1% of the shares issued by our Company. If the entire holdings of all members of the Board of Directors or members of management exceed 1% of the shares issued by our Company, separate disclosure broken down by members of the Board of Directors or the members of management will not be made. Disclosure will be carried out according to the provisions of the Luxembourg act dated December 4, 1992 relating to the information to be published when acquiring or disposing of an important participation in a listed company, as amended.

- Clause 7.1.2 of the Code: The consolidated financial statements of our Company will, for the time being, not be made publicly accessible within 90 days of the end of the financial year and interim reports will not be made publicly accessible within 45 days of the end of the reporting period. However, these financial statements will be made available pursuant to the provisions of the Exchange Rules of the Frankfurt Stock Exchange (consolidated financial statements within four months, quarterly reports within two months of the end of the reporting period), and the provisions of the German Securities Trading Act (Wertpapierhandelsgesetz), as applicable.

The Board of Directors of SAF-HOLLAND S.A. will also comply, subject to the particularities of its legal structure, with the June 18, 2009 version of the recommendations of the Government Commission's German Corporate Governance Code announced by the Federal Ministry of Justice, with the aforementioned and the following additional exceptions:

- Clauses 4.2.3 and 4.2.4 of the Code: The Chairman of the Board of Directors will not inform the Annual General Meeting about the main features of the remuneration system and any changes to it. The same applies to commitments and payments granted to a member of the Management Board in the case of a premature or regular termination of his term as a member of the Board or adjusted over the course of the fiscal year.

- Clause 5.1.2 of the Code: The age limit for members of the Management Board is 65 years. The Company reserves the right to make exceptions.

- Clause 5.4.1 of the Code: The Company will take all criteria listed in the Code relating to proposals for election to the Board of Directors into consideration. The age limit for members of the Board of Directors may not exceed 68 years at the time of the election. The Company reserves the right to make exceptions.

- Clause 5.4.4 of the Code: Members of the Management Board may become members of the Board of Directors of the Company before a two year period after the end of their appointment.

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

Luxembourg, February 2010

Bernhard Schneider
Chairman of the
Board of Directors

Rudi Ludwig
Chairman of the
Management Board

Group Management Report

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Group Management Report of SAF-HOLLAND S.A.

for the 2009 Fiscal Year

I BUSINESS AND FRAMEWORK CONDITIONS

I.1 Organizational Structure

These consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries, hereinafter referred to as SAF-HOLLAND, the Group, or the Company, have been drawn up in accordance with the International Financial Reporting Standards (IFRS) that were in force as of the reporting date. The fiscal year ends on December 31. Important product specific concepts are explained in the glossary on pages 138 and 139.

The Group is one of the world's leading manufacturers and providers of premium systems and components for commercial vehicles (trucks and trailers) as well as for buses and recreational vehicles. The product range encompasses axle and suspension systems, fifth wheels, couplers, kingpins, and landing legs. The Group, with its three Business Units – Trailer Systems, Powered Vehicle Systems, and Aftermarket – currently utilizes 18 production sites in Europe, North America, Brazil, Australia, China, and India. The Company also makes use of a global service network.

I.2 Origins

SAF-HOLLAND S.A. emerged in its current form in two stages: in March 2006, the SAF Group of Bessenbach, Germany, a European market leader in the development, manufacture, and distribution of axles and axle systems for the trailer industry, was acquired. In December 2006, the US-based Holland Group, a market leader in components and systems for the truck and trailer industry in North America, was acquired. Since July 26, 2007, the shares of SAF-HOLLAND S.A. have been traded on the Frankfurt Stock Exchange (Prime Standard). The shareholder structure is shown in the chapter entitled "The Share" on page 13 of this annual report.

I.3 Segments

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

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

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

I.4 Management and Control, Remuneration Report

SAF-HOLLAND S.A.'s management is based on the Anglo-American board system. In addition to the Management Board, which is responsible for the operating activities, there is also a Board of Directors. Half of the members of the Board of Directors have ties to the Company and are shareholders. The other half has no links to the Company.

Except for Rudi Ludwig and Dr. Reiner Beutel, both as CEO, no Board Director also exercised an operative function within the SAF-HOLLAND Group during fiscal year 2009. Dr. Rolf Bartke was Chairman of the Board of Directors until January 31, 2009; since March 27, 2009, Bernhard Schneider has been Chairman (previously member of the Board of Directors). Ulrich Otto Sauer is the Deputy Chairman. Members of the Board of Directors receive remuneration for their work, plus additional fees for special functions, such as chairing the Audit Committee or the Remuneration Committee. Rudi Ludwig received no remuneration for his work on the Board of Directors.

In addition to the Board of Directors, a Management Board was appointed as part of the new organizational structure beginning on July 1, 2007. There were two acting CEOs in the reporting period: Rudi Ludwig (until January 31, 2009 and since December 18, 2009) and Dr. Reiner Beutel (from February 2, 2009 until December 18, 2009). The Management Board also consisted of CFO Wilfried Trepels, COO Sam Martin, CRO Dr. Martin Kleinschmitt (since August 1, 2009), Steffen Schewerda as Operations President as well as the Business Unit Presidents Detlef Borghardt (Trailer Systems) and Jack Gisinger (Powered Vehicle Systems). Effective October 1, 2009, Alexander Geis became President of the Aftermarket Business Unit. In this role he will also serve as deputy member of SAF HOLLAND's Management Board.

For executives at the four uppermost management levels, including the Management Board, a performance-based remuneration system underpinned by target agreements was introduced. Up to five personal targets and three enterprise level targets are defined. The higher the employee is in the corporate hierarchy, the greater the weighting of corporate performance as a whole. In 2008 and 2009, management waived its bonus and, in 2009, took significant reductions in salary and either 3-days annual holiday or a 5-day unpayed furlough, thus contributing to efforts to overcome the challenging market situation.

I.5 Legal and Economic Factors

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

1. Economic cycle: In general, international economic trends are a key indicator of transport volume. High cost pressure can lead to more outsourcing and thus increase the demand for transport capacity.

2. Infrastructure: Growing globalization attracts investments in infrastructure, such as road networks. Conversely, inadequate infrastructure impairs the logistics sector.

3. Regulation: Legal conditions in the target markets influence customers' buying decisions and can also function as growth drivers for the Company's sales. The legislative focus around the world for heavy vehicles is a trend toward reducing emissions, which may lead to an increase in demand for energy-efficient and low-emission trucks. Stricter emission limits will apply in the European Union with the so-called Euro 5 standard beginning in 2011 and the Euro 6 standard beginning in 2015. The development of safety standards such as shorter braking distances and securing the payload is an additional factor which can positively affect demand for new technologies and capabilities in trucks as well as trailers.

I.6 Corporate Controlling

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

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

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

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

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

a) Information regarding paragraph a) of the law (structure of capital) can be found on page 13 of this report.
b) There are no restrictions on the transfer of shares.
c) In connection with the requirements of article 11 (1) c) of the Luxembourg law dated May 19, 2006, the shareholders holding significant shareholdings in SAF-HOLLAND S.A. are as follows:

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

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

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

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

d) There are no shares granting special control rights to their holders.
e) The control rights of any shares issued in connection with employee share plans are exercised directly by the respective employees.
f) There are no restrictions on voting rights.
g) There are no agreements with shareholders which are known to the Company that could result in restrictions on the transfer of shares or voting rights within the meaning of Directive 2004/109/EG (Transparency Directive).
h) The members of the Board of Directors are appointed and may be dismissed by the General Meeting of the Shareholders duly convened with a simple majority of the shareholders present and voting (meaning 50 % plus one vote) in accordance with article 18.12 of the articles of incorporation as well as article 67 (2) of the Luxembourg law of August 10, 1915 on commercial enterprises, as amended. There is no quorum requirement. Any vote of the General Meeting of the Shareholders on an item relating to an amendment of the articles of incorporation requires a quorum of at least 50 % of the share capital eligible to vote and a majority of 66.67 % of the votes cast at the meeting.
i) The Board of Directors is equipped with wide-ranging powers for the execution of all administrative tasks in the interests of the company. Information regarding the powers of the Board of Directors to issue and buy back shares can be found on pages 40 and 100 of this annual report.
j) There are no agreements between the Company and members of the Board of Directors providing for compensation to employees in the case of a takeover bid if the employment relationship is terminated without valid reason.

II OVERVIEW OF BUSINESS DEVELOPMENT

II.1 Overall Economic Environment

Economic development in 2009 was marked by the worst economic crisis since the second World War. Production worldwide fell sharply – particularly in the first half of the year. Since reaching bottom in the summer, the economic situation has been slowly improving. The USA and Europe, the two most important individual markets for SAF-HOLLAND have stabilized and have returned to a growth path.

Looking back, the world economy likely shrank by 0.8 % in the past year, according to the IMF's current assessment of January 2010. An even greater decrease had previously been expected. According to the IMF, GDP in the Euro zone fell by 3.9 % and 2.5 % in the USA. Particularly affected by the crisis was Germany, which relies heavily on exports, with a projected decline of 4.8 %. The global growth regions were affected to varying degrees. While the economy in Russia virtually collapsed with a decline of 9.0 % in 2009, the Brazilian economy saw only a slight decrease of 0.4 %. According to the IMF's January data, Asia remained a growth engine, if at a lower level. The IMF's most recent forecast for China was growth of 8.7 % and for India of 5.6 %.

As a result of the economic crisis and reduced transport volumes, there was a considerable decrease in demand for trucks and trailers. In Europe, (EU and EFTA), the number of new registrations (of heavy trucks over 16 tons) almost halved according to preliminary figures from the ACEA.[1] In Germany, the figure fell by 40.7 %, whereas in December the drop was only 29.2 %. In western Europe, the number of new registrations of heavy trucks decreased by 44.2 % and by as much as 68.2 % in the new EU member states. For trailers, the decline in sales was even more dramatic with some manufacturers reporting a drop in sales of up to 90 %. The demand trend in North America was similar. Truck production (class 8) decreased by approximately 42 %. Trailer sales in the USA declined by around 49 %. Both markets are thus expected to have reached their lowest points.[2]

1) ACEA, January, 2010

2) ACT, February, 2010

II.2 Major Events in the 2009 Fiscal Year

In 2009, SAF-HOLLAND benefited from its flexible organizational structures, its internationally focused business activities and the expansion of its replacement parts business. It was due primarily to these factors that we were able to stabilize our operating business despite a dramatic collapse in the market in 2009. The focus of our operating measures was to rapidly adjust the Company to the new market situation brought about by the global financial and economic crisis. In 2009, markets in our principal regions and particularly in Europe, recorded significant declines on an unprecedented scale. Our challenge was to make the necessary adjustments in the Company in response to these unexpected and extremely fast-changing conditions. In addition to a far-reaching cost savings program, we stepped up the reduction of working capital, particularly the reduction of inventories. By the end of the fiscal year, SAF-HOLLAND had reduced its costs by more than EUR 65 million and inventories by more than half since the outbreak of the financial and economic crisis in the third quarter of 2008. This exceptionally good result was due to rapid, targeted action by management and the organization's flexible structures.

High-priority measures implemented in 2009 included the following:

- Staff reductions and short working hours in production and administration areas at all locations.
- Reduction of management salaries by up to 10 % in Europe and up to 12 % in North America.
- Management agreed to waive bonus payments and vacation days.
- Unpaid furlough for employees in North America.
- Supplementary labor agreements for the German locations.
- Plant closures in Europe and the USA.
- Consolidation of locations in China.

In the second quarter of 2009, as planned, SAF-HOLLAND ended its joint venture with the company AL-KO in China and as a countermove acquired 100 % of a second joint venture. In the process, the number of production locations was reduced from three to two. Our production facilities in China are the point of supply for our Asian customers, at the same time, we export products and components to Europe as well as North and South America.

In 2009, SAF-HOLLAND began manufacturing and supplying its own axle systems, including models with disc brakes, in the North American market utilizing our European technology, where we are a market leader for axle systems with integrated disc brakes. We used the Mid-America Trucking Show in Kentucky in March as an opportunity to demonstrate our expertise in this technology to the American market. Orders started to come in right after the end of the trade fair. Trucking companies and fleet operators, in particular those who transport sensitive goods, are investing in the quality of their trailers and trailer-components. We also believe that new regulations in the USA, which will require a considerable reduction in braking distance beginning in 2011, will lead to increasing demand for this product.

SAF-HOLLAND's FWAL aluminum fifth wheel was another market success. Daimler Trucks North America LLC, Volvo Trucks NA and PACCAR all included this quality product in their offerings. The FWAL is distinguished by its low-weight – up to 40 kg lighter than comparable products – and by the elimination of lubricating grease needed during servicing and maintenance. This is not only good for the environment, it saves on costs for the customer over its entire service life. Lower weight means less diesel consumption or, alternatively, a higher payload weight.

In addition to the operating business, it was essential to put the Company on a solid financial footing. With the outbreak of the crisis at the end of 2008, the management of SAF-HOLLAND entered into negotiations with the banking syndicate in order to adjust the financing agreement signed only a few months before in February 2008 to the new market conditions. The negotiations continued through 2009 and were successfully completed in November 2009. With the new agreement, which goes until September 2014, SAF-HOLLAND secured sufficient liquidity and flexibility to enable it to maintain its long-term growth plan. The Extraordinary General Meeting of the Shareholders approved the new financing in December 2009.

With the completion of the financing negotiations, Dr. Reiner Beutel stepped down as Chief Executive Officer (CEO) and Member of the Board of Directors, effective from the Annual General Meeting on December 18, 2009. Dr. Reiner Beutel's successor is Mr. Rudi Ludwig. His focus will be on the growth of SAF-HOLLAND. Rudi Ludwig is a recognized expert in the industry and a Member of the Board of Directors. He was previously Chairman of the Management Board from 2003 until January 2009.

II.3 Sales Development

Income Statement

EUR million	**2009**		2008	
Sales	**419.6**	100.0%	798.8	100.0%
Cost of sales	**-351.4**	-83.7%	-680.3	-85.2%
Gross profit	**68.2**	**16.3%**	**118.5**	**14.8%**
Other income	**1.3**	0.3%	4.7	0.6%
Selling expenses	**-36.3**	-8.7%	-48.5	-6.1%
Administrative expenses	**-35.0**	-8.3%	-38.6	-4.8%
Research and development costs	**-11.0**	-2.6%	-13.5	-1.7%
Impairment of goodwill and and intangible assets	**-16.9**	-4.0%	-19.0	-2.4%
Operating profit	**-29.7**	**-7.1%**	**3.6**	**0.5%**
Finance result	**-26.1**	-6.2%	-26.3	-3.3%
Share of net profit of investments accounted for using the equity method	**-0.1**	0.0%	0.5	0.1%
Loss/profit before taxes on income	**-55.9**	**-13.3%**	**-22.2**	**-2.8%**
Taxes on income	**7.0**	1.7%	-2.8	-0.4%
Loss/profit for the period	**-48.9**	**-11.7%**	**-25.0**	**-3.1%**
Number of shares[1]	**20,702,275**		19,438,287	
Earnings per share in EUR[1]	**-2.36**		-1.29	

1) Weighted average number of ordinary shares outstanding (see Note 24)

In fiscal year 2009, SAF-HOLLAND generated consolidated sales of EUR 419.6 million (previous year: EUR 798.8 million). Of that amount, EUR 196.7 million (previous year: EUR 530.2 million) was attributable to Europe and EUR 198.9 million (previous year: EUR 239.7 million) was attributable to North America, while the remaining regions accounted for EUR 24.0 million (previous year: EUR 28.9 million). Adjusted for exchange rate effects, consolidated sales in the reporting period totaled EUR 408.9 million. The average US dollar to euro exchange rate for the fiscal year was 1.43328 (previous year: 1.46325).

The decline in sales of 47.5 % is a result of the global financial and economic crisis. It led to a dramatic reduction in transportation worldwide and an associated underutilization of the entire truck and trailer industry. Production of trailers fell by around 80 % in Europe and by 50 % in North America, and trucks by up to 50 % in Europe and 40 % in North America compared to the previous year. This was due not only to a significant drop in demand but also the high inventories of vehicles held in stock by manufacturers.

Sales Development by region

EUR million	2009		2009 (exchange rate-adjusted)		2008	
Europe	**196.7**	46.9 %	**196.7**	48.1 %	530.2	66.4 %
North America	**198.9**	47.4 %	**189.0**	46.2 %	239.7	30.0 %
Other	**24.0**	5.7 %	**23.2**	5.7 %	28.9	3.6 %
Total	**419.6**	**100.0 %**	**408.9**	**100.0 %**	**798.8**	**100.0 %**

Sales Development by Business Unit

EUR million	2009		2009 (exchange rate-adjusted)		2008	
Trailer Systems	**175.1**	41.8 %	**172.5**	42.2 %	527.9	66.1 %
Powered Vehicle Systems	**98.3**	23.4 %	**94.1**	23.0 %	102.3	12.8 %
Aftermarket	**146.2**	34.8 %	**142.3**	34.8 %	168.6	21.1 %
Total	**419.6**	**100.0 %**	**408.9**	**100.0 %**	**798.8**	**100.0 %**

II.3.1 Earnings Development

SAF-HOLLAND responded promptly and decisively to the consequences of the economic crisis. The earnings development over the course of the reporting period clearly reflects the comprehensive measures we took to increase efficiency. Our gross margin increased by 1.5 % to 16.3 % compared to 14.8 % in 2008. In the context of a decline in sales of EUR 379.2 million, gross profit reached EUR 68.2 million (previous year: EUR 118.5 million).

Selling expenses decreased by 25.2 % to EUR 36.3 million (previous year: EUR 48.5 million). Administrative expenses also reflect further cost reduction measures. At EUR 35.0 million, they were 9.3 % lower than in the previous year (EUR 38.6 million). Research and development costs totaled EUR 11.0 million after EUR 13.5 million in the previous year. For the first time, development costs of EUR 1.0 million were capitalized. Other operating income recorded a decrease to EUR 1.3 million (previous year: EUR 4.7 million).

Investment income in the amount of EUR -0.1 million (previous year: EUR 0.5 million) includes investment income from Jinan SAF AL-KO Axle Co., Ltd. in the first quarter which was offset by losses from other associated companies and joint ventures.

The finance result amounting to EUR -26.1 million (previous year: EUR -26.3 million) reflects on the one hand an increase in interest expenses as a result of the standstill agreement as well as the refinancing agreement and, on the other hand, higher finance income as a result of a recovery of the fair values of interest rate hedging transactions as well as effects from the restructuring of the Chinese locations (see Note 6.5).

Exchange rate effects play only a minor role in the operating business of SAF-HOLLAND. The primary reason for this is that we primarily manufacture and sell in our regional markets. This results in an advantage through real hedging, combined with a reduction in our logistics expenses. Significant effects only occurred in the course of consolidation from translating the annual financial statements of the companies outside the Euro zone. A further effect resulted from the translation of intercompany foreign currency loans which are treated as a part of the net investment.

Amortization of intangible assets and depreciation of property, plant and equipment increased moderately in the reporting period to EUR 39.6 million (previous year: EUR 39.0 million). Of this amount, EUR 16.9 million (previous year: EUR 19.0 million) is attributable to the impairment of goodwill and intangible assets as a result of the impairment test. A further EUR 7.5 million (previous year: EUR 6.5 million) related to the purchase price allocation resulting from the acquisitions of recent years.

At EUR 1.5 million (previous year: EUR 41.2 million), adjusted operating earnings before interest and taxes (EBIT) reflected our successful restructuring program. In financial year 2009 we managed to save EUR 49 million in costs and thus quickly and consistently react to the 47.5 % drop in sales in the reporting period.

EBIT was adjusted for the following items:

Reconciliation Statement for Adjusted Figures

EUR million	2009	2008
Profit/loss for the period	**-48.9**	**-25.0**
Taxes on income	**-7.0**	2.8
Finance result	**26.1**	26.3
Depreciation and amortization from PPA[1]	**7.5**	6.5
Impairment of goodwill and intangible assets	**16.9**	19.0
Step-up inventory from PPA[1]	**–**	0.8
Restructuring and integration costs	**6.9**	10.8
Adjusted EBIT	**1.5**	**41.2**
as a percentage of sales	**0.4**	5.2
Depreciation and amortization	**15.2**	13.5
Adjusted EBITDA	**16.7**	**54.7**
as a percentage of sales	**4.0**	6.8
Depreciation and amortization	**-15.2**	-13.5
Finance result	**-26.1**	-26.3
Restructuring and integration costs	**2.8**	–
Prepaid expenses as a result of refinancing	**–**	3.9
Adjusted loss/profit before taxes	**-21.8**	**18.8**
Taxes on income[2]	**6.2**	-5.4
Adjusted loss/profit for the period	**-15.6**	**13.4**
as a percentage of sales	**-3.7**	1.7
Number of shares[3]	**20,702,275**	19,438,287
Adjusted earnings per share in EUR[3]	**-0.75**	0.69

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

2) A uniform rate of 28.59% was assumed for the adjusted net profit for the year.

3) Weighted average number of shares outstanding as of reporting day.

In the reporting year, income taxes amounted to EUR 7.0 million (previous year: EUR -2.8 million). The tax rate was 12.57 % (previous year: -12.59 %). The group income tax rate of 28.59 % (previous year: 28.59 %) deviated from the tax rate in 2009 and can be attributed, for the most part, to unrecognized loss carry-forwards and interest carry-forwards as well as write-downs on goodwill.

In 2009, SAF-HOLLAND achieved an annual result of EUR -48.9 million (previous year: EUR -25.0 million); the adjusted annual result was EUR -15.6 million compared to EUR 13.4 million in 2008.

Adjusted earnings per share totaled EUR -0.75 (previous year: EUR 0.69), assuming 20,702,275 as the annual weighted average number of shares as of the balance sheet date for the full year 2009.

In view of the overall economic conditions, the Board of Directors proposes to the Annual General Meeting that no dividend be distributed for fiscal year 2009. The focus will continue to be increasing SAF-HOLLAND's efficiency. We must create all the conditions necessary for the Company to successfully participate in an upturn in the market.

II.4 Performance of the Business Units

Overview of the Business Units

EUR million	Business Unit Trailer Systems 2009	Business Unit Trailer Systems 2008	Business Unit Powered Vehicle Systems 2009	Business Unit Powered Vehicle Systems 2008	Business Unit Aftermarket 2009	Business Unit Aftermarket 2008	Adjustments/ eliminations 2009	Adjustments/ eliminations 2008	Total 2009	Total 2008
Sales	**175.1**	527.9	**98.3**	102.3	**146.2**	168.6	**–**	–	**419.6**	798.8
Cost of sales	**-178.2**	-477.5	**-77.4**	-87.2	**-92.9**	-109.0	**-2.9**	-6.6	**-351.4**	-680.3
Gross operating result	**-3.1**	**50.4**	**20.9**	**15.1**	**53.3**	**59.6**	**-2.9**	**-6.6**	**68.2**	**118.5**
as a percentage of sales	**-1.7%**	9.5%	**21.2%**	14.8%	**36.4%**	35.3%	**–**	–	**16.3%**	14.8%
Other income and expense	**-23.9**	-38.1	**-6.2**	-8.0	**-35.6**	-34.0	**-1.0**	2.7	**-66.7**	-77.3
Adjusted EBIT	**-27.0**	**12.3**	**14.7**	**7.2**	**17.7**	**25.6**	**-3.9**	**-3.9**	**1.5**	**41.2**
as a percentage of sales	**-15.4%**	2.3%	**14.9%**	7.0%	**12.1%**	15.2%	**–**	–	**0.4%**	5.2%

II.4.1 Trailer Systems

The Trailer Systems Business Unit produces axle systems, kingpins, and landing legs for the trailer industry. SAF-HOLLAND's extensive product range and international focus give it a unique position in the industry. In contrast to other market sectors, the trailer industry is characterized by a structure where a relatively small number of supplier companies serve a broad spectrum of customers. Compared to the truck sector, the trailer market is characterized on the demand side primarily by small to mid-sized, regionally oriented manufacturers.

In 2009, the Trailer Systems Business Unit generated sales of EUR 175.1 million (previous year: EUR 527.9 million), corresponding to 41.8 % of total Group sales. Adjusted for exchange rate effects, the Business Unit's sales totaled EUR 172.5 million. The trailer business, particularly in Europe, was exceptionally hard-hit by the economic crisis. The standard trailer market in particular at times almost came to a standstill. The sudden downturn in transportation worldwide led to underutilization of capacities at trucking companies and fleet operators, so trailers were unused for months and demand for new vehicles and trailers collapsed. Trailers produced in the growth phase up to mid 2008 consequently remained parked as inventories held by manufacturers in Europe, which could only be reduced at a slow rate over the course of the year. Inventories held by manufacturers were expected to drop to normal levels by December 2009, which could give new stimulus to the European trailer market. The decline in North America was 50 %, based on a 2008 level that was already reduced by 30 % from 2007. The gross margin fell from 9.5 % to -1.7 %. The Trailer Systems Business Unit thus achieved an adjusted EBIT of EUR -27.0 million (previous year: EUR 12.3 million). The adjusted EBIT margin for the Business Unit amounted to -15.4 % (previous year: 2.3 %).

The in-house axle production commenced in February in the USA continues to make good progress. As a first step, we are eliminating the need to purchase competitors' axles in the USA and it is our intention to expand our market share in North America. As a market leader in Europe for axle systems with integrated disc brake technology, we will benefit from new regulations in the USA, which will reduce the braking distances of trucks by 30 % beginning in 2011.

II.4.2 Powered Vehicle Systems

The Powered Vehicle Systems Business Unit supplies the truck industry with fifth wheels and axle suspension systems. We are a market leader for these products in North America. By acquiring the number two in the European market in 2008, we increased our market share and strengthened our international position. Despite the economic crisis, SAF-HOLLAND succeeded in progressively stabilizing sales in the Business Unit over the course of the year. Compared to the previous year, sales decreased slightly to EUR 98.3 million versus EUR 102.3 million in the prior year, which corresponds to a 23.4 % share of Group sales. Adjusted for exchange rate effects this figure was at EUR 94.1 million. As a result of cost reduction measures and a good customer-product mix, the Business Unit generated a gross margin of 21.2 % (previous year: 14.8 %). Adjusted EBIT totaled EUR 14.7 million (previous year: EUR 7.2 million). Accordingly, the adjusted EBIT margin was 14.9 % (previous year: 7.0 %).

II.4.3 Aftermarket

The Aftermarket Business Unit supplies replacement parts to manufacturers, dealers, workshops, trucking companies and fleet operators. This Business Unit owes its success to an extensive global network that guarantees customers parts availability and fast access to service. In the reporting period, SAF-HOLLAND added service contracts in Europe with Scania and Daimler to its existing cooperative agreements with DAF, Volvo and MAN. In total, the number of service points increased by another 500.

Over the course of the reporting period, the Business Unit stabilized its sales in a difficult economic environment. We see growth potential in international markets. Our international position, combined with the globally positioned truck industry, opens up good prospects.

For the full year 2009, this Business Unit generated sales of EUR 146.2 million (previous year: EUR 168.6 million), of which 52.5 % is attributable to North America and 47.5 % to Europe. The share of Group sales amounted to 34.8 %. Adjusted for exchange rate effects, the Business Unit's sales totaled EUR 142.3 million. The gross margin increased moderately to 36.4 % (previous year: 35.3 %), based on an adjusted product-customer mix. At EUR 17.7 million (previous year: EUR 25.6 million), adjusted operating EBIT fell compared with the previous year as a result of the drop in sales. The adjusted EBIT margin was 12.1% (previous year: 15.2 %).

II.5 Financial Position

The focus during the past fiscal year was on restructuring the operating business and securing financing, which was the Group's response to weak demand as a result of the economic crisis.

II.5.1 Financing

In the reporting year, the Group focused on securing its long-term financing. At the end of November, we signed an agreement with our banks which extends the EUR 316 million credit line until 2014. This gives us sufficient planning security and the financial strength required for our long-term growth plan.

The new financing agreement specifies the following main conditions:

- The term of the credit line existing since February 2008 now runs until September 2014.
- Repayments are suspended until February 2012.
- The new regulations on interest payments and repayments take into account the changed market and risk situation.
- The banks obtain enhanced security in the event of pending illiquidity or imminent insolvency. An Extraordinary General Meeting of SAF-HOLLAND S.A. approved this agreement on December 18, 2009.

The financial strength of the Group was also improved in the first quarter by a management and customer loan. A longstanding customer granted a loan of EUR 4.5 million. The agreement has a term of 18 months and bears interest at the normal market rate. Repayment is due in full on maturity and the loan is secured by non-core assets as collateral. The credit agreement with the Management Board and the Board of Directors has a volume of EUR 1.3 million and runs until October 1, 2014. The loan is unsecured and repayment is due in full on maturity at normal market interest rates.

Off-balance sheet obligations in the reporting year amounted to EUR 8.1 million in the reporting year (previous year: EUR 8.7 million). These primarily relate to operating leases for vehicles and machinery as well as buildings.

II.5.2 Investments

In the reporting year, investments decreased to EUR 8.1 million (previous year: EUR 74.2 million). The considerably higher value in the prior year resulted from the acquisition of the Austin-Westran landing leg business and the purchase of the present SAF-HOLLAND Verkehrstechnik GmbH in 2008. In 2009, we focused on consolidating activities in China, after terminating the two joint venture companies with our partner AL-KO and, as a result, SAF-HOLLAND has now acquired 100 % of the location in Jinan and 100 % of the location in Yantai has been transferred to AL-KO. We plan to push forward with further consolidation of SAF-HOLLAND locations. As a result of weak demand, we streamlined internal processes and temporarily suspended unused capacities. However, these can be rapidly re-activated when orders increase.

The main criterion on which investment decisions are based is return on investment (ROI). The general target for assessing the return on investment is a period of less than three years. Currently, the main focus is on rationalization of investments with a return on investment of less than twelve months. Investment to open up new markets is based on market studies and only undertaken after customer commitments in the form of a letter of intent (LOI) have been received. In order to minimize risk when opening up new markets, generally only one product assembly plant is initially set up. Further steps to expand in-house production and to increase commitment are not taken until substantial sales success has been recorded.

II.5.3 Liquidity

Our strategy is to finance internal growth from cash flow in the form of investment and net working capital and to reduce the debt-to-equity ratio.

The reporting year was marked by particularly weak demand as a result of the global economic crisis. In response, we undertook extensive restructuring. As of the balance sheet date, cash and cash equivalents increased to EUR 20.7 million (previous year: EUR 8.6 million). We generated cash flow from operating activities before income tax payments in the amount of EUR 48.3 million (previous year: EUR 41.9 million) period. Cash flow from investments amounted to EUR -7.5 million (previous year: EUR -72.1 million) – the high value of the previous year resulted from the takeover of the Austin-Westran landing leg business and the acquisition of the present SAF-HOLLAND Verkehrstechnik GmbH. Cash flow from financing activities in the amount of EUR -28.4 million (previous year: EUR 18.4 million) reflects the costs involved in extending the credit line, ongoing interest payments and repayment of principal as well as the management, Board of Directors and customer loan.

The ongoing restructuring measures led to a decrease in working capital requirements, which, in addition to lower sales, was primarily a result of reducing inventories to EUR 55.5 million (previous year: EUR 85.8 million). The high inventory volume in 2008 was due to high demand and a major order at that time. The reduction of inventories in the reporting year was achieved even though the company in Jinan is now fully consolidated and we acquired the inventories of the joint venture in Yantai. Our goal is to reduce the inventory turnover in the long-term to 45 days. A Group-wide program is currently in progress for this purpose. Internal logistics were also improved. As of the balance sheet date, inventory volume was at 57 days. Net working capital totaled EUR 52.7 million as of the balance sheet date (previous year: EUR 86.7 million), which corresponds to 12.6 % of sales (previous year: 10.9 %). Our mid-term target is 9.0 %. In general, the Company only manufactures to customer orders or on the basis of a specific sales forecast. With the exception of the Aftermarket Business Unit, inventories of finished products are generally not built up. This reduces the amount of capital tied up in inventories and also eliminates as much as possible the risk of producing goods for which there is no market demand. Payables to suppliers are also taken into account in optimizing net working capital.

We implement further strict receivables management in order to reduce day-to-day capital requirements and minimize default risks. As of the balance sheet date, DSO was 49 days (previous year: 38 days). In the context of receivables management, the Company defines insurance or house limits for each customer. If these are exceeded, no further shipments are permitted until the outstanding amount returns below the limit.

II.5.4 Assets

Total assets decreased to EUR 458.1 million (previous year: EUR 537.4 million). In addition to a decrease in net working capital, this was due to an extraordinary write-down of intangible assets in the amount of EUR 16.9 million. Due to market developments, another impairment test on the basis of the Business Units for goodwill, intangible assets, and property, plant, and equipment was carried out in the third quarter. These tests are based on various scenarios for future market development and Management Board assessment (see Notes 8).

Non-current assets are affected by the extraordinary write-down on goodwill and brands as well as lower investments in property, plant and equiptment. The company in Jinan has been fully consolidated and is no longer reported in the consolidated financial statements at equity. Total non-current assets amounted to EUR 318.1 million (previous year: EUR 350.5 million). Current assets amounted to EUR 140.0 million (previous year: EUR 184.0 million). Inventories fell to EUR 55.5 million (previous year: EUR 85.8 million). Trade receivables declined as a result of business development to EUR 57.2 million (previous year: EUR 82.3 million). As of December 31, 2009, the Group had cash and cash equivalents in the amount of EUR 20.7 million (previous year: EUR 8.6 million).

Equity was at EUR 23.8 million (previous year: EUR 72.1 million), and the equity ratio was 5.2 % (previous year: 13.4 %). There were no capital measures in the reporting year. Return on Capital Employed (ROCE) reached 0.3 % in the fiscal year (previous year: 7.3 %). The Group's mid-term goal is to reach 15.0 %. Progress towards this goal has been held up, however, by weak demand on the part of truck and trailer manufacturers.

According to the articles of incorporation of SAF-HOLLAND S.A., the Board of Directors is authorized to increase the Company's share capital by EUR 112,000, which corresponds to 11,200,000 shares with a par value of EUR 0.01 each. This authorization is limited until July 5, 2012. After a capital increase in 2008 – for the acquisition of the present SAF-HOLLAND Verkehrstechnik GmbH – the Company's authorized capital as of the reporting day December 31, 2009 was EUR 93,351, corresponding to 9,335,100 shares. In accordance with statutory provisions in Luxembourg, the Company is authorized to acquire treasury stock.

In the reporting year, bank debt was reduced to EUR 304.2 million (previous year: EUR 312.4 million). Current liabilities declined to EUR 69.6 million (previous year: EUR 399.1 million). The reason for this is that total bank debt is now once again presented as non-current liabilities. As of the reporting date December 31, 2008, reclassification was necessary according to IFRS, as the extension of the credit line had not been secured at that time. Non-current liabilities thus amounted to EUR 364.7 million (previous year: EUR 66.2 million). Pension provisions totaled EUR 14.3 million (previous year: EUR 14.5 million). Other provisions, primarily for restructuring and staff reductions, decreased to EUR 12.9 million (previous year: EUR 19.1 million). Trade payables decreased significantly to EUR 40.9 million (previous year: EUR 60.4 million). Net debt (interest-bearing loans and borrowings minus cash and cash equivalents) improved to EUR 289.3 million (previous year: EUR 303.8 million) as a result of the positive cash flow.

II.6 Employees

At the end of 2009, the number of employees Group-wide was 2,331, including temporary workers (previous year: 2,460), with an average for the year of 2,320 (previous year: 2,799).

The regional breakdown of employees is as follows: As of the balance sheet date, there were 782 employees in Germany (previous year: 864), 119 in the rest of Europe (previous year: 147). SAF-HOLLAND had 1,133 employees in America (previous year: 1,197), 244 in Asia (previous year: 197) and 53 in Australia (previous year: 55).

Personnel expenses, not including the restructuring measures in the fiscal year, amounted to EUR 93.1 million Group-wide (previous year: EUR 125.6 million), corresponding to EUR 40,955 per employee (previous year: EUR 44,900). Sales per employee were approximately EUR 180,900 (previous year: approximately EUR 285,000).

SAF-HOLLAND started to reduce personnel from the very beginning of the crisis in the fourth quarter of 2008. This included terminating all temporary contracts and making initial staff reductions with an aggressive reduction in North America in November 2008. In view of the dramatic reduction in sales however, SAF-HOLLAND was compelled to further reduce capacities in 2009. The short-time rate in our German plants was generally 30 to 40 percent.

At the Wörth, Bessenbach and Singen locations, we agreed supplementary labor agreements with IG Metall and employee representatives, according to which employees agreed to forgo a portion of their salaries or to receive these amounts at a later date. This applies mainly to holiday pay and Christmas bonuses. In return, SAF-HOLLAND provided location and employment guarantees and agreed to maintain training rates. A further step involved offering more semi-retirement opportunities, which were taken up by some employees. Staff reductions affecting administration and production were also unavoidable. In the USA, employees took a one week unpaid furlough in the 2nd quarter of the year.

In Europe, senior staff and management agreed to waive parts of their bonus payments, part of their annual holiday and up to 10 % of their salaries. In North America, all salaried staff took pay reductions ranging from 2 % to 12 %, gave up a retirement fund contribution of roughly 3 % as well as part of their bonus payments.

II.7 Research and Development

In view of the extremely tight budget in 2009, research and development (R&D) was focused on fields that guarantee rapid success in the market while at the same time creating the basis for opening up additional market opportunities. High quality and innovative products should always create a significant customer advantage. The main focus includes reducing weight, increasing energy efficiency and reducing costs over the entire project service life.

The focus of the overall strategy, followed since the combination in 2006, has been adapting American products for the European market and vice versa. In-house production of axles was started in North America in the first quarter and external procurement is no longer necessary. In the US, we have also delivered the first axle systems equipped with disc brakes. Customers include manufacturers of dangerous goods transporters. We will also benefit from new safety regulations set to take effect in 2011. These require that braking distances for new trucks be reduced by 30 % compared to current values.

In fiscal year 2009, R&D expenses amounted to EUR 11.0 million (previous year: EUR 13.5 million). The R&D ratio was thus 2.9 % (previous year: 1.7 %). Further, development costs of EUR 1.0 million were recognized as intangible assets in fiscal year 2009 for the first time.

II.8 Sustainability Report

Continuously improving our products with regard to weight reduction, lower maintenance requirements and improved energy efficiency, is an important contribution towards reducing road traffic's negative environmental impact. The conservation of natural resources is another important objective when manufacturing our products. We continually work towards reducing noise, dust, and exhaust emissions produced during manufacturing. Having merged plants, we make more efficient use of available resources, lower logistics expenses and thus reduce the burden on the environment. The Company's facilities in North America and SAF-HOLLAND Verkehrstechnik GmbH in Germany have Environmental Management Systems certified to ISO 14001.

Despite the far-reaching crisis, we remain involved in social initiatives we believed were appropriate and where the supported facilities would not continue without our contribution. This applied particularly to our financing of kindergarten places at the Bessenbach location. We were forced to backtrack on other commitments in view of the circumstances facing the Company.

III EVENTS AFTER THE BALANCE SHEET DATE

III.1 Bonus arrangement for members of the Management Board and Vice Presidents

On February 3, 2010, the Board of Directors of SAF-HOLLAND S.A. resolved to align the remuneration structure of the first two management levels to the sustainable development of the Company. The Company thus complies with the recommendation of the German Corporate Governance Codex that parts of the variable remuneration be based on a multi-year assessment.

SAF-HOLLAND has therefore established a 70/30 arrangement which will be valid for the current fiscal year. In accordance with this arrangement, 30 % of variable remuneration will be linked to medium-term objectives with a range of three years. Remuneration is paid-out at the end of this period insofar as the objectives have been fulfilled and the fulfillment confirmed by the Annual General Meeting. The remaining 70 % of the variable remuneration relates, as before, to objectives within the fiscal year. Remuneration for these objectives is paid in the following year in accordance with the degree to which the objectives were fulfilled.

IV OPPORTUNITY AND RISK REPORT

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

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

IV.1 Overview of Risks

IV.1.1 General Business Risks
As a rule, actual business development may deviate from plans. In order to evaluate business development, a budget and medium-term plan with a three year planning horizon are prepared annually. The budget is divided into monthly periods. In the context of current business developments, a monthly "rolling forecast" is prepared for the respective fiscal year. Adherence to key figures is monitored using the reporting system. However, in view of the currently challenging economic environment, which is characterized by a significant decline in demand for trucks and trailers, future market development is uncertain. The risk therefore exists that actual business development may deviate from previous estimates.

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

IV.1.2 Financing Risks
In November 2009, the Company reached a financing agreement with its banks, which is valid until 2014 and provides the Company with sufficient flexibility and liquidity. The costs for this financing have nevertheless been adjusted to the new market situation and will have a negative impact on SAF-HOLLAND's future earnings. The financing agreement consists of the following main points (see Note 19):

- The term of the credit line existing since February 2008 now runs until September 2014.
- Repayments are suspended until February 2012.
- The new regulations on interest payments and repayments take into account the changed market and risk situation.
- The banks obtain enhanced security in the event of pending illiquidity or imminent insolvency. An extraordinary General Meeting of SAF-HOLLAND S.A. approved this agreement on December 18, 2009.

The insecurity that existed as of December 31, 2008 and during fiscal year 2009 with regard to the continuation of the Company has been eliminated as a result of this long-term refinancing agreement.

IV.1.3 Customer Structure
The principal risks include dependence on individual customers. At SAF-HOLLAND, sales distribution by customer roughly corresponds to the customers' market shares. Ten large customers account for 49 % of the original equipment business. There are also a large number of small and mid-sized customers who are highly significant in their respective niches. With its positioning in Europe and North America, the Company has improved its risk profile significantly and is an international partner of the commercial vehicle industry. The

Aftermarket business is a stabilizing factor within the Group with a share of sales that has upward potential. This Business Unit in particular is independent of investment cycles and large customers and improves the risk position of the entire Group significantly.

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

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

IV.1.4 Procurement Risks
In principle, there is a risk that the Company may be unable to pass on higher commodity prices to customers in full. The price trend for components depends, however, less on the price of crude steel than on that of scrap steel. On the one hand, contracts with customers are tied to the price of scrap steel; on the other hand, contracts include related clauses providing for negotiation. Scope for price increases to offset risks therefore does exist.

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

IV.1.5 Personnel Risks
Risks in the personnel sector are production downtimes as a result of strikes or cost increases as a result of wage agreements. Around 40 % of SAF-HOLLAND employees are unionized. As a member of the employers' associations Verband der Bayerischen Metall- und Elektroindustrie e.V. (VBM) and Bayerischer Unternehmensverband Metall und Elektro e.V. (BayME), the Company seeks to maintain good terms with both Workers Council members and labor union representatives in Germany. It has negotiated Company agreements that can differ significantly from the usual German regional wage agreements if this will lead to an improvement in its competitive position and thereby secure jobs. The Company has a total of five separate union contracts in North America with four different unions; the Company seeks to maintain good relationships and open communications in all cases.

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

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

IV.1.6 Production Risks

SAF-HOLLAND's investment strategy concentrates on investments with a swift return on investment (ROI) that promote rationalization in particular. Reducing in-house production also serves this purpose insofar as it is appropriate and does not affect any competencies. SAF-HOLLAND aims to concentrate primarily on the production steps of welding, surface treatment, and assembly and in so doing to significantly reduce the complexity of the production process. Insurance coverage has been taken out against the risk of production downtimes due to fire or other unforeseeable factors. Contingency plans have also been drawn up for external procurement to ensure continued ability to deliver.

IV.1.7 Information Technology Risks

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

IV.1.8 Interest Rate Risks

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

SAF-HOLLAND has concluded interest rate swaps to hedge against interest rate fluctuations. As of December 31, 2009, approximately 50 % of existing base interest rate commitments was covered in this way. Swaps provide for the Company paying a fixed interest rate, the swap rate, to the bank in question in return for a floating reference rate (Euribor/Libor). In this way, a floating rate is converted into a fixed rate. As of the balance sheet date, the Libor swap rate was 4.69 % and the Euribor 3.9 %. As a result of the reduced reference rates, the market value of the swaps we hold was negative as of December 31, 2009. In the event of further changes in Libor or Euribor rates, market values may change either positively or negatively.

In addition to its existing swap agreements, the Group has negotiated Euribor and Libor interest rate options. These include an obligation to renew existing swap agreements for a further two years from 2010. As of December 31, 2009, these options had a negative market value as a result of the financial market's interest rate expectations for the exercise period. The market value of options adjusts continuously to the interest rate expectations of financial market players and can develop either positively or negatively.

With the refinancing agreement of November 2009, new margins were agreed upon that lead to an increase in the future average interest rate from 5.75 % to most likely 8.7 %, taking into account existing hedges. However, the higher margin is partially offset by lower refinancing rates (Euribor/Libor).

All interest rate hedging transactions are stated in the balance sheet at their current market values as of December 31, 2009 and cover the risk of future interest rate changes in line with current market expectations.

IV.1.9 Exchange Rate Risks

Risks associated with exchange rate fluctuations arise only in connection with consolidation and the translation of annual financial statements for companies outside of the Euro zone. During the period under review, the Company generated 47.4% of its sales in North America. Exchange rate effects play only a minor role in the operating business.

The Group's strategy is to buy and manufacture in its regional sales markets, thereby achieving real hedging.

IV.1.10 Quality Risks

Everything that SAF-HOLLAND produces is manufactured to high quality standards. SAF-HOLLAND attaches importance to ensuring product quality at the manufacturing stage by means of secure processes. Automated and monitored processes are used at many stages, such as the use of robots for nearly all of the welding work on axles and suspension systems.

SAF-HOLLAND is comprehensively certified according to the international DIN ISO 9001 quality standard. The Company has begun certifying to ISO/TS 16949 with all six of the Company's Powered Vehicle Systems facilities certified to date. The long-term objective is universal implementation of TS 16949 as an international standard on collaboration with suppliers for commercial vehicle manufacturers.

Quality is monitored constantly and the response to problems is immediate. Suppliers are fully integrated into this process on a partnership basis, even when it comes to absorbing the resulting costs. In rare cases, however, product recalls can prove necessary. In fiscal year 2009, in the context of internal quality assurance, evidence was detected that samples of model 64/65 kingpins did not comply with quality requirements. In order to eliminate risks, the Company implemented a product recall process in January 2010 for the above-mentioned kingpin model. The Company made sufficient provisions for a cost risk in the 2009 annual financial statements. Product replacements in the field and recalls can occur despite every precaution and the application of comprehensive quality assurance right from the product development stage. Dealing with problems swiftly and consistently is, however, appreciated by customers.

IV.1.11 Legal and Regulatory Risks

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

Changes in legislation, particularly relating to regulations on reducing exhaust emissions, can affect the demand behavior of customers in the truck sector. As engines with lower emissions ratings may be more expensive, financially strong customers tend to order vehicles in excess of their actual requirements before new emission regulations come into force. This obviously leads to a significant decline in demand in the following year. This effect occurs mainly in the United States, as government assistance tends to ease this effect in Europe. The Group nevertheless follows the development of and forecasts for new vehicle registrations and production on the basis of external monthly statistics in order to be able to react promptly and appropriately.

IV.1.12 Conclusion

The new financing agreement signed in November 2009 and confirmed by an Extraordinary General Meeting on December 18, 2009, secured the Company's financing until 2014. We also have taken numerous measures in order to adapt the Company and its cost situation to the new economic conditions.

All additional risks that can be directly influenced by the Group are manageable. For known Company-specific risks, sufficient provision has been made in the form of write-downs, value adjustments, and risk provisions. In addition to Company-specific risks, the Group's business is dependent not only on the cyclical development of prices and sales but also on the economic development of large customers.

IV.2 Opportunities Report

Even in the context of the global financial and economic crisis, the Company has numerous opportunities which will outlast current market conditions and assure the long-term growth of the Group.

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

- Sustainable growth in haulage.
- Development of new products and further development of existing product range.
- Two-way technology transfer between North America and Europe.
- Growth in China due primarily to rising investment in infrastructure.

As a result of numerous measures to reduce costs and increase efficiency, the Group is well positioned to achieve profitable growth once demand recovers.

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

Increasing energy costs, for diesel for example, should also boost growth for SAF-HOLLAND, as our high-quality products often lead to weight reduction and thus less fuel consumption. We provide economically attractive solutions for the high expectations of our customers in the commercial vehicles industry. With our extensive product range, we will benefit from the demand for products which increase efficiency.

Furthermore, SAF-HOLLAND can build upon its good market position. In the trailer market, the Group benefits from its expertise in Europe and has now established in-house production of axle systems in North America. This not only eliminates the need to purchase from third party providers and supports our strategic goal to become a leading provider of axle systems with disc brakes. As new regulations in the USA will require shorter braking distances for heavy commercial vehicles than has previously been the case, disc brakes are set to increase in importance. Through the acquisition of the present SAF-HOLLAND Verkehrstechnik GmbH, the Powered Vehicle Systems Business Unit now has a solid foundation in Europe, in contrast to its previous US focus. In addition, the Business Unit can leverage technologies from the North American subgroup while also benefiting from the service network of the European subgroup. The growth driver for the Aftermarket Business Unit is the installed base, i.e., widespread distribution, for example, of axle systems and fifth wheels, which has increased dramatically in recent years. SAF-HOLLAND is also continually expanding this Business Unit by means of cooperation with leading truck manufacturers worldwide.

V OUTLOOK

After the worst crisis since the second World War, positive development appears to have returned to the world economy. In the two most important individual markets for SAF-HOLLAND, the USA and Europe, GDP growth was again recorded at the beginning of 2010. Important economic indicators also point to a trend reversal, although it is not yet known exactly how strong the recovery will turn out to be. In its January 2010 forecast, the IMF anticipates growth of 3.9 % for the world economy, after initially predicting an increase of only 3.1% in October. Its forecast for Germany is growth of 1.5 % and 1.0 % for the Euro zone. Growth of 2.7 % is forecast for the USA. The trend reversal is expected to see growth of 3.6 % for Russia and 4.7 % for Brazil. The Chinese economy is expected to grow by 10.0 % and India's by 7.7 %.

The trend reversal is also expected for truck and trailer manufacturers, although sales are expected to be far from previous records and will only increase slowly. Markets stabilized in recent months and in some cases even saw the first slight growth. Already adressed by second sentence in next paragraph.

In Europe, the markets are stabilizing at a low level. For North America, a growth in production of up to 19 % is forecast for trucks (class 8) for the current year[1]. The first strong improvement, however, is not expected until 2011 – a substantial increase is anticipated at this time. In the trailer market, the number of deliveries in the USA are expected to increase by up to 36 %. In 2011, the increase could be even more substantial for SAF-HOLLAND, due in part to new safety regulations beginning during the year that will reduce braking distances of certain new trucks by 30 %. Demand for axle systems with disc brakes, as manufactured by SAF-HOLLAND, is expected to increase since drum brakes have been widespread in the USA to date. We also expect growth stimulus for the Aftermarket Business Unit. This is due primarily to our global presence which includes partnerships with leading distribution and service partners as well as our comprehensive product range which was significantly expanded after the purchase of SAF-HOLLAND Verkehrstechnik GmbH.

1) ACT, February 2010

SAF-HOLLAND is well equipped for expected market development. After our comprehensive restructuring, we are well positioned to react flexibly to actual demand. Fixed costs have also been considerably decreased and the secured long-term financing provides us with sufficient flexibility for our planned growth path.

Although market researchers and some manufacturers are cautiously optimistic for truck and trailer sales, the actual development in demand for SAF-HOLLAND cannot be predicted with complete certainty. We have assumed to date that sales in fiscal year 2010 will see a double-digit percentage increase. On the earnings side, we should benefit from substantial savings. As soon as there is a sustainable increase in demand, SAF-HOLLAND will be a major beneficiary of growth in the industry. The full benefit of our success factors – efficiency, customer proximity, our product range and our international nature – will then be visible, primarily as a significant increase in earnings. Growth will also mean increased demand for transport services in the globalized economy. In the medium term, we want to generate sales of one billion Euro and an adjusted EBIT margin of 10%.

Luxembourg, March 30, 2010

Bernhard Schneider
Chairman of the Board of Directors

Rudi Ludwig
Chief Executive Officer of
SAF-HOLLAND GROUP GmbH

Consolidated Financial Statements

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Consolidated Statement of Comprehensive Income

kEUR	Notes	2009	2008
Result for the year			
Sales	(4)	419,618	798,766
Cost of sales	(5)	-351,371	-680,277
Gross profit		**68,247**	**118,489**
Other income	(6.1)	1,226	4,772
Selling expenses	(6.2)	-36,265	-48,523
Administrative expenses	(6.3)	-35,005	-38,599
Research and development costs	(6.4)	-11,013	-13,520
Impairment of goodwill and intangible assets	(6.8)	-16,903	-19,034
Operating loss/profit		**-29,713**	**3,585**
Finance income	(6.5)	3,487	965
Finance expenses	(6.5)	-29,618	-27,193
Share of net profit of investments accounted for using the equity method	(10)	-99	453
Loss before tax		**-55,943**	**-22,190**
Income tax income/expenses	(7)	7,030	-2,794
Result for the year		**-48,913**	**-24,984**
Other comprehensive income			
Exchange differences on translation of foreign operations	(16)	2,557	-17,707
Changes in fair values of derivatives designated as hedges, recognized in equity	(16)	2,259	-3,075
Income tax effects on items recognized directly in other comprehensive income	(16)	-4,217	4,352
Other comprehensive income, net of tax		**599**	**-16,430**
Comprehensive income for the year, net of tax		**-48,314**	**-41,414**
Attributable to equity holders of the parent		**-48,314**	**-41,414**
Basic and diluted earnings per share in EUR	(24)	**-2.36**	**-1.29**

Consolidated Balance Sheet

kEUR	Notes	12/31/09	12/31/08
Assets			
Non-current assets		**318,096**	**350,537**
Goodwill	(8)	44,251	54,284
Intangible assets	(8)	137,651	148,321
Property, plant, and equipment	(9)	108,625	117,744
Investments accounted for using the equity method	(10)	6,804	11,046
Other non-current assets	(11)	4,079	2,878
Deferred tax assets	(7)	16,686	16,264
Current assets		**140,002**	**183,948**
Inventories	(12)	55,508	85,812
Trade receivables	(13)	57,210	82,348
Income tax assets		821	2,351
Other current assets	(13)	5,721	4,880
Cash and cash equivalents	(14)	20,742	8,557
Non-current assets classified as held for sale	(15)	–	**2,887**
Total assets		**458,098**	**537,372**
Equity and Liabilities			
Equity attributable to equity holders of the parent	(16)	**23,756**	**72,070**
Subscribed share capital		207	207
Share premium		106,454	106,454
Legal reserve		21	19
Retained earnings		-69,601	-20,686
Accumulated other comprehensive income		-13,325	-13,924
Non-current liabilities		**364,732**	**66,213**
Pensions and other similar benefits	(17)	12,364	11,843
Other provisions	(18)	4,736	5,167
Interest bearing loans and borrowings	(19)	304,500	–
Finance lease liabilities	(20)	171	508
Other financial liabilities	(23)	9,006	10,020
Other liabilities	(22)	260	499
Deferred tax liabilities	(7)	33,695	38,176
Current liabilities		**69,610**	**399,089**
Pensions and other similar benefits	(17)	1,914	2,712
Other provisions	(18)	8,156	13,892
Interest bearing loans and borrowings	(19)	5,530	312,396
Finance lease liabilities	(20)	336	475
Trade payables	(21)	40,874	60,443
Income tax liabilities		3,129	2,813
Other liabilities	(22)	9,671	6,358
Total equity and liabilities		**458,098**	**537,372**

Consolidated Statement of Changes in Equity

	2009					
	Attributable to equity holders of the parent					
kEUR	Subscribed share capital (Note 16)	Share premium (Note 16)	Legal reserve (Note 16)	Retained earnings (Note 16)	Accumulated other comprehensive income (Note 16)	Total equity
As of 01/01/09	**207**	**106,454**	**19**	**-20,686**	**-13,924**	**72,070**
Comprehensive income for the year	**–**	**–**	**–**	**-48,913**	**599**	**-48,314**
Appropriation to legal reserve	–	–	2	-2	–	–
As of 12/31/09	**207**	**106,454**	**21**	**-69,601**	**-13,325**	**23,756**

	2008					
	Attributable to equity holders of the parent					
kEUR	Subscribed share capital (Note 16)	Share premium (Note 16)	Legal reserve (Note 16)	Retained earnings (Note 16)	Accumulated other comprehensive income (Note 16)	Total equity
As of 01/01/08	**188**	**93,146**	**–**	**12,317**	**2,506**	**108,157**
Comprehensive income for the year	**–**	**–**	**–**	**-24,984**	**-16,430**	**-41,414**
Issue of share capital	19	13,968	–	–	–	13,987
Transaction costs	–	-660	–	–	–	-660
Appropriation to legal reserve	–	–	19	-19	–	–
Dividends paid	–	–	–	-8,000	–	-8,000
As of 12/31/08	**207**	**106,454**	**19**	**-20,686**	**-13,924**	**72,070**

Consolidated Cash Flow Statement

kEUR	Notes	2009	2008
Cash flow from operating activities			
Result before tax		**-55,943**	**-22,190**
- Finance income	(6.5)	-3,487	-965
+ Finance expenses	(6.5)	29,618	27,193
+/- Share of net profit of investments accounted for using the equity method	(10)	99	-453
+ Amortization, depreciation, impairment of intangible assets and property, plant, and equipment	(6.7) / (6.8)	39,558	38,995
+ Allowance of current assets		3,658	1,164
+/- Loss/gain on disposal of property, plant, and equipment		605	-503
+ Dividends from investments accounted for using the equity method		705	765
Result before change of net working capital		**14,813**	**44,006**
-/+ Change in other provisions and pensions	(17) / (18)	-7,299	4,658
+ Change in inventories	(12)	31,200	20,478
+ Change in trade receivables and other assets	(13)	27,050	14,302
- Change in trade payables and other liabilities	(21) / (22)	-17,452	-41,519
Cash flow from operating activities before income tax paid		**48,312**	**41,925**
- Income tax paid		-51	-7,142
Net cash flow from operating activities		**48,261**	**34,783**
Cash flow from investing activities			
+/- Acquisition of subsidiaries net of cash acquired	(3)	757[1]	-50,599
- Purchase of property, plant, and equipment	(9)	-6,533	-21,915
- Purchase of intangible assets	(8)	-2,288	-1,702
- Purchase of investments accounted for using the equity method		-70	-325
+ Proceeds from sales of property, plant, and equipment		519	1,948
+ Interest received		155	486
Net cash flow from investing activities		**-7,460**	**-72,107**
Cash flow from financing activities			
+ Proceeds from capital increase net of transaction costs		–	13,059
- Payments for expenses relating to the IPO		–	-546
+ Proceeds from Management and Board of Directors loan	(19)	1,244	–
- Dividend payments to shareholders	(16)	–	-8,000
- Payments for finance lease	(20)	-456	-439
- Interest paid		-25,999	-20,459
- Repayments of current and non-current financial liabilities	(19)	-322,380	-265,160
+ Proceeds from current and non-current financial liabilities	(19)	319,169	299,979
Net cash flow from financing activities		**-28,422**	**18,434**
Net increase/decrease in cash and cash equivalents		**12,379**	**-18,890**
Net foreign exchange difference		-194	-310
Cash and cash equivalents at the beginning of the period	(14)	**8,557**	**27,757**
Cash and cash equivalents at the end of the period	(14)	**20,742**	**8,557**

1) Cash inflow in the amount of kEUR 1,103 generated from the Jinan SAF AL-KO Axle Co., Ltd. and SAF AL-KO Vehicle Technology Yantai Co., Ltd. share swap. Also included are payments in the amount of kEUR 346 in connection with the purchase of SAF-HOLLAND Verkehrstechnik GmbH in the previous year.

Notes to the Consolidated Financial Statements

For the period January 1 to December 31, 2009

1 CORPORATE INFORMATION

SAF-HOLLAND S.A. (the "Company") was incorporated on December 21, 2005 under the legal form of a "Société Anonyme" according to Luxembourg law. The registered office of the Company is at 68–70, Boulevard de la Pétrusse, Luxembourg. The Company is registered with the Luxembourg Register of Commerce under the section B number 113.090. The shares of the Company are listed in the Prime Standard of the Frankfurt Stock Exchange under the symbol "SFQ" (ISIN: LU0307018795).

The consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries (the "Group") as of December 31, 2009 were authorized for issue in accordance with resolution of the Board of Directors on March 30, 2010. Under Luxembourg law, the financial statements must be approved by the shareholders.

2 ACCOUNTING AND VALUATION PRINCIPLES

2.1 Basis of Preparation

The consolidated financial statements of SAF-HOLLAND S.A. have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and in effect as of December 31, 2009.

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

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

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

The consolidated financial statements of SAF-HOLLAND S.A. were prepared under the assumption that the Company is a going concern. The uncertainty existing as of December 31, 2008 and during fiscal year 2009 regarding the continued existence of the Company was resolved by the long-term refinancing agreement reached in December 2009. Further details on the refinancing agreement are given in Note 19.

2.2 Significant Accounting Judgments, Estimates, and Assumptions

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

The key assumptions concerning the future and other main sources of estimation uncertainties at the balance sheet date that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are detailed below.

Impairment of goodwill and intangible assets with indefinite useful lives

The Group determines whether goodwill or other intangible assets with indefinite useful lives are impaired on at least an annual basis or in the case of indications of impairment. The Group's impairment testing with respect to goodwill and intangible assets with indefinite useful lives is based on calculations of recoverable amount and the application of the discounted cash flow method. As a result of the restructuring measures planned for 2009, the fair value less cost to sell was higher than the value in use for the impairment test carried out as of year end 2008. As the restructuring measures were in place by September 30, 2009, the recoverable amount is the value in use for the impairment test as of September 30, 2009. The cash flows are derived from the financial planning for the next four years. The recoverable amount is strongly dependent on the discount rate used in the discounted cash flow method, expected future cash inflows and outflows, and growth rates used for purposes of extrapolation.

The assumptions are based on currently available information. In particular, expectations regarding business development reflect current conditions as well as realistic assessments of the future development of the global and industry-specific environment. The main assumptions for this planning are based on projected unit volumes for the truck and trailer market as determined by market research companies, discussions with the Group's major customers and the information from the independent third-party expert restructuring opinion obtained in fiscal year 2009. Although management believes that the assumptions used to calculate the recoverable amount are appropriate, unforeseen changes in these assumptions could lead to an impairment charge, which could negatively impact the financial position and financial performance. The basic assumptions for determining the recoverable amount of the various cash-generating units, including a sensitivity analysis, are discussed in more detail in Note 8. As of December 31, 2009, the carrying amounts of goodwill totaled EUR 44.3 million (previous year: EUR 54.3 million) and intangible assets with indefinite useful lives amounted to EUR 22.1 million (previous year: EUR 28.1 million).

Measurement of property, plant, and equipment and intangible assets with finite useful lives

Measurement of property, plant, and equipment and intangible assets with finite useful lives involves the use of estimates for determining the fair value at the acquisition date, in particular in the case of such assets acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of fair values and useful lives of assets and impairment tests in the case of indications of impairment is based on management's judgment. The carrying amount of property, plant, and equipment as of December 31, 2009 was EUR 108.6 million (previous year: EUR 117.7 million) and intangible assets with finite useful lives amounted to EUR 115.6 million (previous year: EUR 120.2 million). Further details are given in Notes 8 and 9.

Deferred tax assets

At every balance sheet date, the Group evaluates whether or not obtaining future tax advantages is sufficiently probable for the recognition of deferred tax assets. This requires management to, among other things, assess the tax advantages arising from the available tax strategies and future taxable income and to take into account additional positive and negative factors. This assumption is based on expected taxable income as assessed in the corporate planning. The reported amount of deferred tax assets could decline if estimates are lowered for projected taxable income and for tax advantages achievable through available tax strategies, or if changes in current tax legislation restrict the timing or amount of potential tax advantages.

Deferred tax assets are recognized for all unused tax loss carry-forwards to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Deferred tax assets for all unused interest carry-forwards are recognized to the extent it is probable that they can be used in the future to reduce taxable income. As of December 31, 2009, the carrying amount of deferred tax assets for tax loss carry-forwards amounted to EUR 6.8 million (previous year: EUR 3.0 million). Unrecognized tax loss carry-forwards amounted to EUR 57.1 million (previous year: EUR 17.6 million). In addition, as of December 31, 2009 the carrying amount of recorded deferred tax assets for interest carry-forwards was EUR 10.5 million (previous year: EUR 8.2 million) and the amount of unrecognized taxable interest carry-forwards was EUR 30.3 million (previous year: EUR 11.4 million). Further details are given in Note 7.

Pensions and other similar benefits

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates, future pension increases, expected fluctuations, and health care cost trends. All assumptions are reviewed as of the balance sheet date. In determining the appropriate discount rate, management is guided by the interest rates on corporate bonds in the respective currency with a minimum AA rating. In addition, bonds with higher default risks or which offer much higher or lower yields in their risk classification in comparison to other bonds (statistical outliers) are not considered. Bonds are adjusted to the expected term of the defined benefit obligations by extrapolation. Mortality rates are based on publicly available mortality rate tables for a given country. Future wage, salary, and pension increases are based on expected future inflation rates for a given country as well as the structure of the defined benefit plan.

Due to the long-term nature of the pension plans, such estimates are subject to significant uncertainty. As of December 31, 2009, the carrying amount of pensions and similar obligations was EUR 14.3 million (previous year: EUR 14.6 million). Overfunded pension plans were recognized in the amount of EUR 2.0 million (previous year: EUR 1.2 million). Further details are given in Note 17.

Other provisions

The recognition and measurement of other provisions is based on an estimate of the probability of the future outflow of benefits, supplemented by past experience and the circumstances known as of the balance sheet date. As such, the actual outflow of benefits may differ from the amount recognized under other provisions. As of December 31, 2009, other provisions amounted to EUR 12.9 million (previous year: EUR 19.1 million). Further details are given in Note 18.

Derivative financial instruments

Where the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be derived from active markets, it is determined using valuation methods. The data input into these models is taken from observable markets where possible. If that is not possible, determining the fair values requires a certain degree of judgment on parameters such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. As of December 31, 2009, the carrying amount of financial liabilities from derivative financial instruments amounted to EUR 9.0 million (previous year: EUR 10.0 million). Further details are given in Note 23.

2.3 Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of SAF-HOLLAND S.A. and its subsidiaries as of December 31 each year. The financial statements of the consolidated subsidiaries, associated companies, and joint ventures are prepared for the same reporting period as the parent company using consistent accounting policies.

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

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

Business combinations after December 31, 2008, are accounted for using the purchase method, in accordance with IFRS 3 (revised 2008). According to this method, the cost of an acquisition is measured as the aggregate of the consideration transferred measured at fair value at the time of acquisition and any non-controlling interest in the acquiree. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Costs incurred in the business combination are recognized as an expense. The contingent consideration agreed is recognized at fair value at the time of acquisition. Subsequent changes in the fair value of contingent consideration, which represents an asset or liability, are recognized either in profit or loss or in accumulated other comprehensive income. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity. In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss.

The accounting policy previously applied for acquisitions prior to January 1, 2009, contained the following principles which deviate from the requirements described above:
- Transaction costs directly attributable to the acquisition were part of the acquisition costs.
- Non-controlling interest (previously referred to as minority interest) was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.
- Contingent consideration was only recognized if the Group had a present obligation, if it was more likely than not that an outflow of resources embodying economic benefits would result and a reliable estimate was possible. Subsequent adjustment of contingent consideration had an effect on goodwill.
- In a business combination achieved in stages, individual acquisition transactions were recognized separately. Additional interests acquired did not affect the goodwill from the prior acquisition transaction.

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

An associate is an entity in which the Group can exercise significant influence on financial and business policies but not control. Significant influence is generally assumed if the Group holds between 20 % and 50 % of the voting rights.

The Group has interests in joint ventures via jointly controlled entities, whereby the ventures have contractual arrangements which establish joint control over the economic activities of the entity.

Accounting for investments in associates and joint ventures in the consolidated financial statements using the equity method ends when the Group no longer exercises significant influence or no longer participates in joint control. Whenever the Group conducts transactions with an associate or joint venture, the resulting unrealized profits or losses are eliminated to the extent of the Group's interest in the associated company or joint venture. If shares in associates and joint ventures are to be classified as held for sale, the shares are no longer accounted for using the equity method and are presented as "Non-current assets classified as held for sale" in the balance sheet.

A comprehensive list of the Group's shareholdings is provided under Note 27.

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

As of the balance sheet date, the assets and liabilities of subsidiaries are translated into Euro at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss. Translation differences on borrowings, which qualify as part of a net investment in a foreign operation, are recognized directly in equity until disposal of the net investment, at which time they are recognized in profit or loss. Deferred taxes resulting from such translation differences on those borrowings are also recognized directly in equity.

The most important functional currencies for foreign operations are the US dollar (USD) and the Canadian dollar (CAD). The exchange rates for these currencies as of the balance sheet date are EUR/USD = 1.43328 (previous year: 1.40944) and EUR/CAD = 1.50353 (previous year: 1.72236), respectively. The weighted average exchange rate for these currencies was EUR/USD = 1.39051 (previous year: 1.46325) and EUR/CAD = 1.58479 (previous year: 1.55788), respectively.

Goodwill

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Separately acquired intangible assets are measured on initial recognition at cost.

The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition.

Research costs are recognized as an expense when incurred.

Development costs for internally generated intangible assets are only capitalized as intangible assets if the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for internal use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure to be attributed to the intangible asset during its development.

Following initial recognition, intangible assets are carried at amortized cost less any accumulated impairment losses.

For development costs, amortization begins with the completion of the development phase and from the point at which the asset is available for use.

The useful lives of intangible assets are either finite or indefinite.

Intangible assets with finite lives are amortized over their useful lives and tested for impairment whenever there are indicators of impairment. Furthermore, the useful life and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. Amortization is recognized in the expense category consistent with the function of the intangible asset in the company.

Intangible assets with indefinite useful lives are not amortized. The useful lives of these intangible assets are reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

As a result of the Group's plans to continue to support and develop the acquired brands, brands are assumed to have indefinite useful lives. However, a finite useful life is assumed for acquired intangible assets such as technology and customer relationship.

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

	Customer relationship	Technology	Capitalized development cost	Brand	Service net	Licenses and software
Amortization method used	Amortized on a straight line basis over the useful life	Amortized on a straight line basis over the useful life	Amortized on a straight line basis over the useful life	No amortization	Amortized on a straight line basis over the useful life	Amortized on a straight line basis over the useful life or over the period of the right
Useful life	25 – 40 years	10 –18 years	8 –10 years	Indefinite	20 years	3 – 7 years
Remaining useful life	21– 37 years	6 –15 years	8 –10 years	Indefinite	16 –17 years	1 – 7 years

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are disclosed in profit or loss when the asset is derecognized.

Property, plant, and equipment

Property, plant, and equipment is measured at historical cost, less accumulated impairment losses.

Internally generated property, plant, and equipment include not only direct material and production costs but also any allocable material and production overhead costs. Administrative expenses are capitalized only if there is a direct connection to production. Ongoing maintenance and repair expenses are immediately recognized as expenses.

Costs for the replacement of components or the general overhaul of plant and equipment are capitalized only if the recognition criteria are met.

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

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

Depreciation is generally based on the following useful lives:

	Buildings	Plant and equipment	Other equipment, office furniture and equipment
Depreciation method used	Depreciated on a straight line basis over the useful life	Depreciated on a straight line basis over the useful life	Depreciated on a straight line basis over the useful life
Useful life	5 – 50 years	3 –14 years	3 –10 years

An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they are incurred.

Leases

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

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

All other leases for which the Group serves as the lessee are treated as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the term of the lease.

Investments accounted for using the equity method

Under the equity method, investments in associates and joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the investment. The result for the year reflects the share of the profit or loss of operations of the associate or joint venture separately. Where there has been a change recognized in equity of the associate or joint venture, the Group recognizes its share of any changes and discloses it, when applicable in other comprehensive income. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment in the associates or jointly controlled entities and is not amortized or separately tested for impairment.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in its associates and joint ventures. The Group determines at each balance sheet date whether there is any objective evidence that investments in associates or joint ventures are impaired. If this is the case, the Group calculates the amount of the impairment as being the difference between the fair value of the investment and the carrying amount of this investment and recognizes the amount in profit or loss.

Impairment of non-financial assets

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

Impairment is recognized through profit or loss where the recoverable amount of the asset or cash-generating unit is less than the carrying amount. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The recoverable amount is the higher of the fair value less cost to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model based on discounted cash flows is used. To ensure the objectivity, these calculations are corroborated by valuation multiples, quoted stock prices for shares in publicly traded companies, or other available fair value indicators.

If the reason for impairment recognized in prior years no longer exists, the carrying amount of the asset (the cash-generating unit), except for goodwill, is increased to the new estimate of the recoverable amount. The increase in the carrying amount is limited to the value that would have been determined had no impairment loss been recognized for the asset (the cash-generating unit) in prior years. Such reversal is recognized through profit or loss.

Financial assets and liabilities

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

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

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

All financial assets and financial liabilities are recognized initially at fair value and in case of financial assets and financial liabilities not at fair value through profit or loss, plus directly attributable transaction costs.

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

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

Primary financial instruments

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

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

Financial liabilities and interest bearing loans are measured at amortized cost using the effective interest method. Amortization as well as derecognized liabilities are recognized with effect on net income.

Derivative financial instruments

Derivative financial instruments are measured at fair value both on the date on which a derivative contract is entered into and in subsequent periods. Derivative financial instruments are recognized as assets if the fair value is positive and as liabilities if the fair value is negative.

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

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

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

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

The effective portion of the gain or loss on the hedging instrument, taking into account deferred taxes, is recognized directly in equity, while the ineffective portion is recognized in profit or loss. The amounts taken to equity are recognized in profit or loss in the period in which the hedged transaction affects profit or loss, such as when the hedged financial income or expense is recognized or when a forecast purchase or sale occurs. If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss.

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

Impairment of financial assets

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

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

Derecognition of financial assets and liabilities

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

Inventories

Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated selling expenses.

Costs incurred for bringing each product to its present location and condition are accounted for as follows:

Raw materials and supplies	– Cost of purchase on a weighted average cost basis
Finished goods and work in progress	– Cost of direct materials and labor, a proportion of manufacturing overheads based on normal operating capacity of the production plants but excluding borrowing costs and production-related administrative expenses

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash on hand, cash at banks, and short-term deposits with an original maturity of less than three months.

Non-current assets classified as held for sale

Non-current assets classified as held for sale are measured at the lower of the carrying amount and the fair value less cost to sell. Non-current assets are classified as held for sale if the corresponding carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a complete sale within one year from the date of the classification.

Other provisions

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

Pensions and other similar benefits

Defined benefit plans and similar obligations

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized as income or expense if the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded the higher of 10 % of the defined benefit obligation or of the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plans.

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

The amount of a defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets from which the obligations are to be settled directly, less past service cost not yet recognized and plus or minus actuarial gains and losses not yet recognized. The value of any asset is restricted to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

In the North American subgroup, existing obligations for the payment of post-retirement medical benefits are classified as pensions and other post-employment benefit plans because they share the same feature of providing assistance.

Defined contribution plans
The Group's obligations from defined contribution plans are recognized in profit or loss within the operating profit. The Group has no further payment obligations once the contributions have been paid.

Other post-employment benefit plans
The Group grants its employees in Europe the option of concluding phased retirement agreements. The so-called block model is used. A provision is recognized, with affect on net income, for the full amount of the obligation resulting from the phased retirement model amounting to the present value of expected payments from concluded phased retirement agreements.

Other long-term employee benefit plans
The Group grants a number of employees in Europe long-service awards. The corresponding obligations are measured using the projected unit credit method.

Taxes

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

Deferred income tax
Deferred income tax assets and liabilities arise from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, as well as for tax loss carry-forwards and interest carry-forwards, except for

- deferred tax liabilities from the initial recognition of goodwill and deferred tax assets and liabilities from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and

- deferred taxes from temporary differences associated with investments in subsidiaries, associates, and interests in joint venture, which are not to be recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized only if it is probable that sufficient taxable profit will be available to allow the deductible temporary difference to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or are substantively enacted at the balance sheet date. Deferred income tax assets and liabilities are offset, if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognized directly in equity is also recognized in other comprehensive income and not in profit or loss.

Revenue recognition

Revenue is generally recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or other duties. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods. Interest revenue is recognized as interest accrues (using the effective interest method). Dividends are recognized when the Group's right to receive payment is established.

2.4 Changes in Accounting Policies

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

As of January 1, 2009, the following standards and interpretations are generally applicable for the first time or were early adopted in the Group's consolidated financial statements:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations became effective on January 1, 2009
- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended) and subsequent changes in IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39 became effective on July 1, 2009 (early adopted)

- IFRS 7 Financial Instruments: Disclosures became effective on January 1, 2009
- IAS 1 Presentation of Financial Statements became effective on January 1, 2009
- IAS 23 Borrowing Costs (revised) became effective on January 1, 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation became effective on January 1, 2009
- IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items became effective on July 1, 2009 (early adopted)
- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement became effective for annual periods beginning on or after June 30, 2009 (early adopted)
- IFRIC 13 Customer Loyalty Programs became effective on July 1, 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation became effective on October 1, 2008
- Improvements to IFRS 2008

If the application of a standard or interpretation results in significant effects on the Group's financial position and financial performance, these effects are described in more detail below.

IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended)

The Group applied both standards as of January 1, 2009. The revised IFRS 3 standard introduces significant changes in the accounting treatment of business combinations that will impact the initial recognition amount of goodwill, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (amended) requires that a change in the ownership interest in a subsidiary (without loss of control) is to be accounted for as an equity transaction. Therefore, neither goodwill nor a profit or loss will arise from such a transaction. Furthermore, the guidelines for allocating losses to parent companies and investments without a controlling interest also change, as do the accounting rules for transactions leading to a loss of control. The effects of the application of these standards are presented in Note 3.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures on fair value measurements and liquidity risk. The amendments require a quantitative analysis to determine fair value on the basis of a three-level hierarchy for each class of financial instrument recognized at fair value. In addition, a reconciliation from the opening to the closing balance is mandatory for level 3 fair value measurements, as well as disclosure of significant reclassifications between levels 1 and 2 of the measurement hierarchy. The amendment also clarifies disclosure requirements for liquidity risks concerning transactions related to derivatives and for assets used for the purposes of liquidity management. Additional disclosures as a result of the application of this standard are presented in Note 23.

IAS 1 Presentation of Financial Statements

The revised standard requires separate presentation for changes in equity resulting from transactions with owners in their capacity as owners and other changes in equity. The statement of changes in equity therefore only includes details on transactions with equity holders, while the sum of other changes in equity are shown in the form of a reconciliation for individual components of equity. In addition, the standard introduces a statement of comprehensive income, in which all items of income and expense recognized in the income statement as well as all components of profit or loss recorded in equity are either presented in a single statement or in two related statements. The Group has elected to submit a single statement. In future, the income statement will be referred to as the statement of comprehensive income and supplemented by the component “other comprehensive income”. The presentation of the comparison period was modified accordingly.

Improvements to IFRS

In May 2008, the IASB published a collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology. The collective standard provides a specific transitional provision for each amended standard. Although the application of specific new amendments resulted in a change in accounting policies, it did not significantly affect the Group’s financial position or financial performance.

2.5 Future Changes in Accounting Policies

During fiscal year 2009, the International Accounting Standards Board (IASB) issued additional standards which are relevant for the business operations of the Group but are not yet mandatory to apply in the reporting period or have not yet been endorsed by the European Union. The Group has decided not to early adopt the following standards, which have already been published. They will be implemented at latest in the year their application becomes mandatory.

IFRS 9 Financial Instruments

On November 12, 2009, the IASB issued a new standard on the classification and measurement of financial instruments. The publication represents the completion of the first part of a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard. IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 divides all financial instruments which currently fall within the scope of IAS 39 into two classification categories – financial instruments measured at amortized cost and those measured at fair value. Classification is made at the time the financial asset is initially recognized, i.e. when the entity becomes a party to the contractual provisions of the instrument. The provisions must be applied from January 1, 2013 with early adoption permitted. The current changes in accordance with IFRS 9 affect the classification and measurement of specific Group financial instruments. They are not, however, currently expected to significantly affect the presentation of the consolidated financial statements.

IAS 24 Related Party Disclosures

Amendments to IAS 24 were published on November 4, 2009. The revised standard clarifies the definition of a related party. The new provisions of IAS 24 are effective for annual reporting periods beginning on or after January 1, 2011 and early adoption is permitted. The Group does not currently expect that the adoption of the revised standard will have a material impact on the presentation of financial statements.

Improvements to IFRS

In April 2009, the IASB published another collective standard with amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology. The collective standard provides a specific transitional provision for each amended standard. The application of these amendments becomes mandatory for annual periods beginning on or after January 1 or July 1, 2010. The Group does not currently expect that the adoption of the amendments will have a material impact on the presentation of financial statements.

3 BUSINESS COMBINATIONS

Acquisitions 2009

In consideration of further consolidation and strategic development of activities in China, the reciprocal sale of shareholdings in the associates SAF AL-KO Vehicle Technology Yantai Co., Ltd. ("Yantai") and Jinan SAF AL-KO Axle Co., Ltd. ("Jinan") was agreed in share transfer agreements between SAF-HOLLAND GmbH, Bessenbach, Germany, and AL-KO Kober AG, Kötz, Germany.

On April 1, 2009, the Group acquired the remaining 51.5 % of voting shares in Jinan in a business combination achieved in stages. Before the acquisition, the company was accounted for as an associate using the equity method, as the Group already held 48.5 % of voting shares. The shares were acquired through a share transfer and a cash payment. In return, the Group transferred its 49.0 % share in Yantai to the seller.

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

kEUR	Fair value recognized on acquisition
Property, plant, and equipment	871
Inventories	1,932
Trade receivables	5,288
Other assets	119
Cash and cash equivalents	1,942
	10,152
Trade payables	767
Income tax liabilities	315
Other liabilities	1,600
	2,682
Net assets	**7,470**
Fair value of previously held shares (48.5%)	-4,370
Goodwill arising on acquisition	1,541
Total consideration	**4,641**

Fair value of trade receivables amounts to kEUR 5,288. The gross amount of trade receivables amounts to kEUR 5,667. From the entire contractual amount, the amount of kEUR 379 is not expected to be collected.

The total consideration amounting to kEUR 4,641 comprised a cash payment in the amount of kEUR 839 and the fair value of the shares given in the amount of kEUR 3,802.

Cash inflow as a result of the acquisition:

kEUR	
Total consideration	-4,641
Fair value of the shares given	3,802
Net cash acquired from the subsidiary	1,942
Net cash inflow	**1,103**

Due to the early adoption of IFRS 3, a gain of kEUR 971 was recognized in finance income as a result of measurement at fair value of the shares in Jinan held before the acquisition. The effect of the early adoption on the earnings per share is EUR 0.05.

Since the acquisition, Jinan has contributed EUR 0.4 million to the Group profit for the period and EUR 3.0 million to Group sales. If the business combination had taken place at the beginning of the year, profit would have increased by a further EUR 0.5 million and sales by a further EUR 2.7 million. This pro forma information is provided only for the purpose of comparability. It does not necessarily represent actual profit or sales which would have been realized if the business combination had been concluded as of January 1, 2009, and it does not serve as an indicator of future sales or earnings.

The goodwill recognized above, which is not tax deductible, results from the expected synergies and other advantages obtained as a consequence of the combination of Jinan's assets and activities with those of the Group. The goodwill determined is assigned to the Trailer Business Unit. Costs incurred in the business combination in the amount of kEUR 20 were recognized as an expense for the current period.

Acquisitions 2008

Acquisition of the landing leg business of Austin-Westran

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

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

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

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

Cash outflow as a result of the acquisition:

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

The landing leg business of Austin-Westran was included in the consolidated financial statements of SAF-HOLLAND S.A. for the first time on April 1, 2008. As a result of the acquisition of the landing leg business of Austin-Westran, consolidated sales rose by EUR 6.8 million. Profit for the period increased by EUR 0.2 million.

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

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

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

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

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

Cash outflow as a result of the acquisition:

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

A part of the purchase price amounting to kEUR 346 was paid in fiscal year 2009.

SAF-HOLLAND Verkehrstechnik GmbH was included in the consolidated financial statements of SAF-HOLLAND S.A. for the first time on October 6, 2008. As a result of the acquisition of SAF-HOLLAND Verkehrstechnik GmbH, consolidated sales rose by EUR 16.3 million. Profit for the period climbed by EUR 1.0 million.

Assuming that the two business combinations described had been completed on January 1, 2008, profit would have increased by EUR 2.2 million and Group sales by EUR 52.8 million. This pro forma information is provided only for the purpose of comparability. It does not necessarily represent actual sales which would have been realized if the business combinations had been concluded as of January 1, 2008, and it does not serve as an indicator of future sales.

4 SEGMENT INFORMATION

For management purposes, the Group is organized into customer-oriented Business Units based on products and services and has the following three reportable operating segments:

Trailer Systems

This Business Unit focuses on the manufacture and sale of axle systems, suspension systems, kingpins, couplers, landing legs, and other components for the trailer industry.

Powered Vehicle Systems

This Business Unit focuses on the manufacture and sale of components such as fifth wheels, suspension systems, and lift axles for heavy-duty commercial vehicles of the truck, bus, and recreational vehicle industry.

Aftermarket

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

Management monitors the operating results of its Business Units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on adjusted operating profit. Thus, the determination of operating profit may deviate to a certain extent from the consolidated financial statements since it does not take into account any special items, such as depreciation and amortization of property, plant, and equipment and intangible assets from the purchase price allocation (PPA), impairment of goodwill and intangible assets, or restructuring and integration costs (see the table below). Group financing (including finance expenses and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between the Business Units are determined under normal market conditions for transactions with third parties. However, there are no intersegment sales.

A reconciliation from operating profit to adjusted EBIT is provided as follows:

kEUR	2009	2008
Operating result	-29,713	3,585
Share of net profit of investments accounted for using the equity method	-99	453
EBIT	**-29,812**	**4,038**
Additional depreciation and amortization on PPA	7,489	6,542
Impairment	16,903	19,034
Step-up inventory from PPA	–	809
Restructuring and integration costs	6,900	10,753
Adjusted EBIT	**1,480**	**41,176**

Segment information for the period January 1 to December 31:

kEUR	Business Units 2009: Trailer Systems	Powered Vehicle Systems	Aftermarket	Adjustments/ eliminations	Consolidated
Sales	175,126	98,311	146,181	–	**419,618**
Cost of sales	-178,181	-77,424	-92,916	-2,850[1]	**-351,371**
Gross profit	**-3,055**	**20,887**	**53,265**	**-2,850**	**68,247**
Gross margin	-1.7%	21.2%	36.4%	–	**16.3%**
Selling and administrative expenses, research and development costs, other income, share of net profit of investments accounted for using the equity method, and impairment	-41,399	-10,639	-38,078	-7,943[2]	**-98,059**
Adjustments	17,498[3]	4,422[3]	2,472[3]	6,900[4]	**31,292**
Adjusted EBIT	**-26,956**	**14,670**	**17,659**	**-3,893**	**1,480**
Adjusted EBIT margin	-15.4%	14.9%	12.1%	–	**0.4%**
Depreciation, amortization, impairment of property, plant, and equipment and intangible assets	-27,564	-7,236	-4,758	–	**-39,558**
thereof impairment	-13,963	-2,658	-282	–	**-16,903**
Assets					
Investments accounted for using the equity method	–	–	–	6,804[5]	**6,804**
Capital expenditures	6,905	1,725	191	–	**8,821**
Operating assets	222,555	81,728	129,504	24,311[6]	**458,098**

1) Restructuring and integration costs (kEUR -2,850) are not allocated to any Business Unit.

2) Restructuring and integration costs (kEUR -4,050), effects from the Holdings (kEUR -3,254), share of net profit of investments accounted for using the equity method (kEUR -639) are not allocated to any Business Unit.

3) Eliminations in the Business Units consist of amortization (kEUR 7,489) arising from the purchase price allocation. Also included are impairment losses amounting to kEUR 16,903.

4) Restructuring and integration costs (kEUR 6,900) are not allocated to any Business Unit.

5) The associates or joint ventures FWI S.A. (kEUR 5,249), Lakeshore Air LLP (kEUR 503), SAF-HOLLAND Nippon, Ltd. (kEUR 1,007), and Madras SAF-HOLLAND Manufacturing (I) P. Ltd. (kEUR 45) are reported on a Group basis.

6) Business Unit assets do not include investments in the associates or joint ventures (kEUR 6,804), deferred tax assets (kEUR 16,686) or income tax assets (kEUR 821), as these are managed on Group basis.

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

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

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

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

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

5) The associated company Jinan SAF AL-KO Axle Co., Ltd. is allocated to the Trailer Systems Business Unit. The associates or joint ventures FWI S.A. (kEUR 5,756), Lake-shore Air LLP (kEUR 596), SAF-HOLLAND Nippon, Ltd. (kEUR 1,057), and Madras SAF-HOLLAND Manufacturing (I) P. Ltd. (kEUR 90) are reported on a Group basis.

6) Business Unit assets do not include investments in the associates or joint ventures (kEUR 7,499), deferred tax assets (kEUR 16,264) or income tax assets (kEUR 2,351), as these are managed on a Group basis.

Geographical information is presented for the regions “Europe” and “North America”.

The Group’s business in the European regions, includes the manufacture and sale of axles and suspension systems for trailers and semi-trailers. In this region, the Group also provides parts to the aftermarket for all trailer systems and commercial vehicles. As a result of the acquisition of SAF-HOLLAND Verkehrstechnik GmbH in the previous year, business in Europe also includes the manufacture and sale of fifth wheels.

In North America, the Group manufactures and sells key components for the semi-trailer, trailer, truck, bus, and recreational vehicle industries. In this region, the Group provides suspension systems, fifth wheels, kingpins, and landing legs as well as coupling devices. In North America, the Group also supplies parts for the trailer and powered vehicles industry.

The following table presents information by geographical region:

kEUR	2009	2008
Revenues from external customers		
Europe	196,698	530,168
North America	198,913	239,652
Other	24,007	28,946
Total	**419,618**	**798,766**

kEUR	12/31/09	12/31/08
Non-current assets		
Europe	174,513	200,698
North America	111,125	124,391
Other	13,769	7,795
Total	**299,407**	**332,884**

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

In the reporting year, no customer reached a sales share of 10% of total sales. In the previous year, sales in the amount of kEUR 100,593 were attributable to a single customer. These sales are reported in the Trailer Systems Business Unit.

5 COST OF SALES

The cost of sales consists primarily of cost of materials of kEUR 256,270 (previous year: kEUR 523,938), personnel expenses of kEUR 57,450 (previous year: kEUR 82,327), depreciation of property, plant, and equipment of kEUR 12,781 (previous year: kEUR 12,002), restructuring and integration costs of kEUR 2,850 (previous year: kEUR 6,586), and amortization of intangible assets of kEUR 130 (previous year: kEUR 88).

6 OTHER REVENUES AND EXPENSES

6.1 Other Income

The reduction in other income is primarily due to one-time effects in the previous year relating to insurance compensation amounting to kEUR 1,431 as well as gains on disposal of property, plant, and equipment amounting to kEUR 503.

6.2 Selling Expenses

Selling expenses consist primarily of personnel expenses of kEUR 16,565 (previous year: kEUR 20,251), restructuring and integration costs of kEUR 455 (previous year: kEUR 689), depreciation of property, plant, and equipment of kEUR 564 (previous year: kEUR 599), and amortization of intangible assets of kEUR 3,297 (previous year: kEUR 2,507).

6.3 Administrative Expenses

Administrative expenses consist primarily of personnel expenses of kEUR 13,583 (previous year: kEUR 16,134), restructuring and integration costs of kEUR 3,545 (previous year: kEUR 3,320), depreciation of property, plant, and equipment of kEUR 2,165 (previous year: kEUR 1,979), and amortization of intangible assets of kEUR 1,203 (previous year: kEUR 647).

6.4 Research and Development Costs

Research and development costs consist primarily of personnel expenses of kEUR 5,473 (previous year: kEUR 6,897), depreciation of property, plant, and equipment of kEUR 637 (previous year: kEUR 430), amortization of intangible assets of kEUR 1,878 (previous year: kEUR 1,709), and restructuring and integration costs of kEUR 50 (previous year: kEUR 158). In the fiscal year, development expenses of kEUR 967 were capitalized for the first time.

6.5 Financial Result

The increase in the financial result of kEUR 2,522 results primarily from the reciprocal sale of shareholdings in associates SAF AL-KO Vehicle Technology Yantai Co., Ltd. and Jinan SAF AL-KO Axle Co., Ltd. amounting to kEUR 1,886 (see Notes 3 and 15) as well as from changes in the value of the ineffective portion of interest rate swaps used as hedging instruments in the amount of kEUR 952 (previous year: finance expenses kEUR -1,277).

Finance expenses consist of the following:

kEUR	2009	2008
Interest expenses due to interest bearing loans and borrowings	-21,388	-16,655
Transaction costs	-3,280	-4,491
Finance expenses due to pensions and similar benefits	-1,261	-347
Finance expenses due to derivatives	-2,317	-5,034
Other	-1,372	-666
Total	**-29,618**	**-27,193**

Transaction costs of kEUR 3,280 (previous year: kEUR 4,491) include consulting costs, waiver costs and costs of the standstill agreements in connection with the refinancing negotiations during the year of kEUR 2,798, as well as arrangement fees of kEUR 482 recorded as an expense for the period according to the effective interest method. In the previous year, a portion of the transaction costs were written off to profit or loss due to the expected refinancing in 2009 and the adjusted remaining term of the loans.

Finance expenses relating to derivative financial instruments reflect the change in the fair values of prolongation options for interest rate swaps of kEUR 2,317 (previous year: kEUR 3,757). In the previous year, the ineffective portion of interest rate swaps used as hedging instruments of kEUR 1,277 was recognized here.

6.6 Employee Benefit Expenses

Employee benefit expenses consist of the following:

kEUR	2009	2008
Wages and salaries	-82,010	-111,264
Social insurance contributions	-10,009	-13,451
Pension expenses	-1,052	-894
Termination benefits[1]	-3,393	-7,878
Total	**-96,464**	**-133,487**

1) Expenses for termination benefits are part of the restructuring and integration costs.

Employee benefit expenses include kEUR 5,228 (previous year: kEUR 5,813) for state-operated defined contribution plans.

6.7 Depreciation and Amortization Expenses

In 2009, the depreciation and amortization expenses are included in the following functional areas:

kEUR	Depreciation	Amortization	**Total**
Cost of sales	-12,781	-130	**-12,911**
Selling expenses	-564	-3,297	**-3,861**
Administrative expenses	-2,165	-1,203	**-3,368**
Research and development costs	-637	-1,878	**-2,515**
Impairment of goodwill and intangible assets	–	-16,903	**-16,903**
Total	**-16,147**	**-23,411**	**-39,558**

In 2008, the depreciation and amortization expenses were included in the following functional areas:

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

Depreciation and amortization on property, plant, and equipment, and intangible assets arising from the purchase price allocation amounts to kEUR 7,489 (previous year: kEUR 6,542).

6.8 Impairment of Goodwill and Intangible Assets

The expenses include impairment of goodwill associated with the cash-generating unit "Trailer Systems" of kEUR 11,122 (previous year: kEUR 9,972). Goodwill of the "Powered Vehicle" Business Unit was already impaired in full in the previous year (kEUR 6,024). Furthermore impairment losses for intangible assets with indefinite useful lives of kEUR 5,781 (previous year: kEUR 3,038) are included. More details are illustrated in Note 8.

7 INCOME TAXES

The major components of income taxes are as follows:

kEUR	2009	2008
Current income taxes	-1,905	-5,859
Deferred income taxes	8,935	3,065
Income tax reported in the result for the year	**7,030**	**-2,794**

The effective income tax rate for the Group for the year ended December 31, 2009 is 12.57 % (previous year: -12.59 %). The following table reconciles the actual to the expected income tax for the Group, calculated by applying the Group's corporate income tax rate, unchanged from last year, at 28.59 %. For German entities, as in the previous year, a corporate income tax rate of 27.10 % was used, which consisted of corporation tax of 15.83 % (including solidarity surcharge) and trade income tax of 11.27 %. For the North American subgroup, the income tax rate remained unchanged from the previous year and included a federal tax rate of 35.00 % and a state tax rate of 1.10 %.

kEUR	2009	2008
Result before income tax	**-55,943**	**-22,190**
Income tax based on Group's income tax rate of 28.59 %	15,994	6,344
Unused interest carry-forwards	-5,124	-3,295
Unused tax loss carry-forwards	-1,232	-1,468
Used tax loss carry-forwards from previous years, not recognized	20	535
Impairment of goodwill	-3,180	-4,573
Other	552	-337
Income tax based on effective income tax rate of 12.57 % (previous year: -12.59 %)	**7,030**	**-2,794**

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

	Consolidated balance sheet		Consolidated result of the period	
kEUR	12/31/09	12/31/08	2009	2008
Deferred tax liabilities				
Intangible assets	-31,483	-34,163	2,539	1,481
Property, plant, and equipment	-10,349	-11,266	851	-84
Inventories	-8	-19	11	47
Investments accounted for using the equity method	-390	-357	-27	13
Other assets	-475	-601	119	193
Interest bearing loans and borrowings	-921	–	-921	–
Other	-1,262	-1,237	-83	198
	-44,888	**-47,643**		
Deferred tax assets				
Inventories	1,232	1,449	-230	229
Pensions and other similar benefits	4,396	4,237	187	-1,224
Interest bearing loans and borrowings	–	3,848	–	150
Other financial liabilities	916	1,660	-107	288
Other provisions	1,535	1,220	343	-285
Tax loss carry-forwards	6,785	2,971	3,739	-2,974
Interest carry-forwards	10,517	8,241	2,280	4,190
Other	2,498	2,105	234	843
	27,879	**25,731**		
Deferred tax income			**8,935**	**3,065**

As of the balance sheet date, deferred tax assets and liabilities amounting to kEUR 11,193 (previous year: kEUR 9,467) were offset, having fulfilled the prerequisites for offsetting. The balance sheet thus includes deferred tax assets amounting to kEUR 16,686 (previous year: kEUR 16,264) and deferred tax liabilities amounting to kEUR 33,695 (previous year: kEUR 38,176).

The Group has tax loss carry-forwards amounting to kEUR 79,761 (previous year: kEUR 26,816), that are available indefinitely or with defined time limits to offset against future taxable profits of the companies in which the losses arose or elsewhere in the Group. Deferred tax assets have not been recognized with respect to tax loss carry-forwards in the amount of kEUR 57,129 (previous year: kEUR 17,614), due to insufficient taxable profits or possibilities for offsetting within the individual companies or other Group companies.

Unrecognized tax loss carry-forwards expire as follows:

kEUR	12/31/09	12/31/08
Expiry date		
Infinite	52,516	12,865
Within 10 years	4,613	4,749
Total	**57,129**	**17,614**

In addition to tax loss carry-forwards, the Group has interest carry-forwards of kEUR 59,552 (previous year: kEUR 35,054), which are available indefinitely to various Group companies for use in the future as a tax deduction. Interest carry-forwards result from the interest barrier rules introduced by the corporate tax reform in Germany as well as a comparable regulation in North America. As a result of insufficient opportunities for using interest carry-forwards in the future, no deferred tax assets were recognized for carried interest amounting to kEUR 30,292 (previous year: kEUR 11,383).

As of December 31, 2009, deferred income taxes relating to changes in the fair value of cash flow hedges amounting to kEUR -739 (previous year: kEUR 880), and foreign currency translation of intercompany balances which are part of a net investment amounting to kEUR -3,478 (previous year: kEUR 3,472) were recognized directly in equity. In the previous year, deferred taxes related to offsetting transaction costs in the amount of kEUR 265 against the share premium were recognized directly in equity.

Taxable temporary differences associated with investments in subsidiaries and associates for which deferred tax liabilities have not been recognized amount to EUR 0.2 million (previous year: EUR 0.3 million).

8 GOODWILL AND INTANGIBLE ASSETS

kEUR	Customer relation-ship	Tech-nology	Costs of develop-ment	Brand	Service net	Licences and software	**Intan-gible assets**	**Goodwill**
Historical costs								
As of 12/31/07	**70,112**	**18,136**	**–**	**29,777**	**3,370**	**5,223**	**126,618**	**69,111**
Additions from initial consolidation	29,462	2,121	–	940	–	1,015	**33,538**	**–**
Additions	–	–	–	–	–	1,702	**1,702**	**–**
Disposals	–	–	–	–	–	5	**5**	**–**
Foreign currency translation	1,929	250	–	436	–	-10	**2,605**	**1,169**
As of 12/31/08	**101,503**	**20,507**	**–**	**31,153**	**3,370**	**7,925**	**164,458**	**70,280**
Additions from initial consolidation	–	–	–	–	–	–	**–**	**1,541**
Additions	–	–	967	–	–	1,321	**2,288**	**–**
Foreign currency translation	-976	155	–	-191	125	133	**-754**	**-452**
As of 12/31/09	**100,527**	**20,662**	**967**	**30,962**	**3,495**	**9,379**	**165,992**	**71,369**
Accumulated amortization								
As of 12/31/07	**2,695**	**2,677**	**–**	**–**	**306**	**2,360**	**8,038**	**–**
Additions	2,209	1,707	–	3,038	175	860	**7,989**	**15,996**
Disposals	–	–	–	–	–	4	**4**	**–**
Foreign currency translation	90	27	–	–	–	-3	**114**	**–**
As of 12/31/08	**4,994**	**4,411**	**–**	**3,038**	**481**	**3,213**	**16,137**	**15,996**
Additions	2,906	1,877	5	5,781	175	1,545	**12,289**	**11,122**
Foreign currency translation	-55	-35	–	–	–	5	**-85**	**–**
As of 12/31/09	**7,845**	**6,253**	**5**	**8,819**	**656**	**4,763**	**28,341**	**27,118**
Carrying amount 12/31/08	**96,509**	**16,096**	**–**	**28,115**	**2,889**	**4,712**	**148,321**	**54,284**
Carrying amount 12/31/09	**92,682**	**14,409**	**962**	**22,143**	**2,839**	**4,616**	**137,651**	**44,251**

Acquisitions during fiscal year 2009

The additions of goodwill result from the first-time consolidation of Jinan SAF AL-KO Axle Co., Ltd. (see Note 3). Furthermore, development costs in the amount of kEUR 967 were capitalized for the first time in the fiscal year.

Impairment testing of goodwill and intangible assets

As of October 1, the Group carries out its annual impairment tests of goodwill and intangible assets with indefinite useful lives. On the basis of existing indications of impairment, the Group had already carried out an impairment test as of September 30, 2009. In reviewing indications of impairment, the Group considered, in addition to other factors, the rise in the discount rate, on the basis of the increased risk factor determined from peer group analyses. Furthermore, the Group developed corporate scenarios on the basis of the deterioration in earnings expectations due to the financial crisis and the decreasing sales level.

For the purposes of impairment testing, goodwill and brands acquired through business combinations were allocated, as in 2008, to the following three cash-generating units, which are also reportable segments under IFRS 8:

- Trailer Systems
- Powered Vehicle Systems
- Aftermarket

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

	Trailer Systems		Powered Vehicle Systems		Aftermarket		**Total**	
kEUR	12/31/09	12/31/08	12/31/09	12/31/08	12/31/09	12/31/08	**12/31/09**	**12/31/08**
Goodwill	16,698	26,369	–	–	27,553	27,915	**44,251**	**54,284**
Brand	19,804	22,744	1,999	4,744	340	627	**22,143**	**28,115**

For the additional impairment test as of year end 2008, the Group calculated the recoverable amount on the basis of fair value less cost to sell. This was decided in view of the additional restructuring measures planned for 2009 to adjust the Group's cost structure to the lower sales level. Fair values less cost to sell as of December 31, 2008 were in this regard higher than the respective values in use. As all restructuring measures were introduced in 2009 or had already been implemented, the recoverable amount in 2009 was determined based on value in use.

In addition, as a result of the deterioration in earnings expectations, an impairment test of intangible assets with finite useful lives was performed. If the value in use could not be determined for individual assets, the impairment test was carried out at the level of cash-generating units or the same cash-generating units used for goodwill and brands impairment testing.

Key assumptions for the calculation of value in use in the Business Units
To calculate value in use, a discounted cash flow method was used. The discounted cash flow method was based on a detailed four-year plan. Cash flows beyond the four-year period were each extrapolated using a 1.0 % growth rate (previous year: 0.5 %). The calculation of value in use for goodwill and brands is based on the following assumptions:

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

EBITDA margin – The EBITDA margin is determined based on the average EBITDA margins attainable in the respective Business Units, which are adjusted to take into account the negative effect on the EBITDA margin due to the decline in sales.

Discount rates – For determination of discount rates, a weighted average cost of capital method (WACC) was applied. This method considers yields on government bonds at the beginning of the budget period as a risk-free interest rate. Furthermore, an objective surcharge was determined, to reflect the risk of the Group in comparison with comparable companies (“peer group”).

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

Cash-generating unit “Trailer Systems”
The pre-tax discount rate applied to cash flow projections is 13.25 % as of September 30, 2009 (December 31, 2008: 13.50 %). The impairment test carried out for the cash-generating unit “Trailer Systems” led to a kEUR 11,122 impairment of goodwill (December 31, 2008: kEUR 9,972), as the recoverable amount was lower than the carrying amount for the cash-generating unit. The impairment of goodwill allocated to the cash-generating unit was recognized with affect on net income.

Cash-generating unit “Powered Vehicle Systems”
Goodwill of the cash-generating unit “Powered Vehicle Systems” had already been impaired in full in the context of the impairment test on December 31, 2008.

Cash-generating unit “Aftermarket”

The pre-tax discount rate applied to cash flow projections is 14.37 % as of September 30, 2009 (December 31, 2008: 13.99 %). On the basis of the test carried out, management did not identify any impairment for this cash-generating unit.

Sensitivity to changes in assumptions

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

- **Trailer Systems:** If the pre-tax discount rate used of 13.25 % increased by 100 base points, the recoverable amount would decrease by EUR 14.4 million.
- **Aftermarket:** No reasonably possible change in the key assumptions could lead to the unit’s carrying amount exceeding the recoverable amount.

If the pre-tax discount rates used had been 100 base points lower, no impairment of goodwill would have occurred in 2009, assuming all other variables are constant.

The recoverable amount for the “SAF”, “Holland”, and “Trilex” brands was determined on the basis of the fair value (less cost to sell) using the relief from royalty approach. This estimate is based on sales in the corporate scenarios developed by management covering a four-year period. The discount rate applied to cash flow projections as of September 30, 2009 was for the “SAF” brand 10.27 % (December 31, 2008: 9.75 %), for the “Holland” brand 10.06 % (December 31, 2008: 8.85 %) and for the “Trilex” brand 10.29 % (December 31, 2008: 9.82 %). Cash flows beyond the four-year period were extrapolated using a 1.0 % growth rate (December 31, 2008: 0.5 %). The discount rate was calculated using a weighted average cost of capital (WACC) approach.

The impairment tests carried out on September 30, 2009 led to an impairment for the “SAF” brand of kEUR 2,841 (December 31, 2008: kEUR 2,027), for the “Holland” brand in the amount of kEUR 2,000 (December 31, 2008: kEUR 1,011), and for the “Trilex” brand in the amount of kEUR 940 (December 31, 2008: kEUR 0). The impairments were recognized in profit or loss.

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

9 PROPERTY, PLANT, AND EQUIPMENT

kEUR	Land and buildings	Plant and equipment	Other equipment, office furniture, and equipment	Advances to supply and construction in progress	**Total**
Historical cost					
As of 12/31/07	**58,372**	**55,052**	**8,236**	**3,468**	**125,128**
Additions from initial consolidation	571	2,357	151	–	**3,079**
Additions	1,642	12,181	2,086	6,125	**22,034**
Disposals	746	1,024	201	74	**2,045**
Foreign currency translation	223	532	75	175	**1,005**
Reclassifications	236	1,930	41	-2,207	**–**
As of 12/31/08	**60,298**	**71,028**	**10,388**	**7,487**	**149,201**
Additions from initial consolidation	2	824	45	–	**871**
Additions	248	3,293	532	2,460	**6,533**
Disposals	136	1,519	689	42	**2,386**
Foreign currency translation	288	86	22	156	**552**
Reclassifications	106	4,556	50	-4,712	**–**
As of 12/31/09	**60,806**	**78,268**	**10,348**	**5,349**	**154,771**
Accumulated depreciation					
As of 12/31/07	**2,620**	**10,961**	**2,991**	**–**	**16,572**
Additions	2,197	10,807	2,006	–	**15,010**
Disposals	36	409	108	–	**553**
Foreign currency translation	30	360	38	–	**428**
As of 12/31/08	**4,811**	**21,719**	**4,927**	**–**	**31,457**
Additions	3,032	11,546	1,569	–	**16,147**
Disposals	32	793	405	–	**1,230**
Foreign currency translation	-56	-200	28	–	**-228**
As of 12/31/09	**7,755**	**32,272**	**6,119**	**–**	**46,146**
Carrying amount 12/31/08	**55,487**	**49,309**	**5,461**	**7,487**	**117,744**
Carrying amount 12/31/09	**53,051**	**45,996**	**4,229**	**5,349**	**108,625**

The carrying amount of plant and equipment held under finance leases as of December 31, 2009 was kEUR 423 (previous year: kEUR 819). No additions of plant and other equipment held under finance leases were recorded during the fiscal year (previous year: kEUR 119). Depreciation during the year amounted to kEUR 388 (previous year: kEUR 449).

Impairment testing of property, plant, and equipment

On the basis of existing indications, property, plant, and equipment were tested for impairment on September 30, 2009. The assets were tested on the basis of value in use using the discounted cash flow method. Since the individual assets do not generate cash flows that are largely independent of those from other assets or groups of assets, they were tested for impairment at the same level of cash-generating units as the goodwill and brand impairment test had been performed. Details regarding the process and the planning assumptions for the impairment testing of goodwill and intangible assets are described in Note 8. The impairment testing did not lead to any impairment of property, plant, and equipment.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following investments were accounted for using the equity method:

	Country of incorporation	% Equity interest
Associates		
Lakeshore Air LLP	USA	50.0
FWI S.A.	France	34.1
Joint ventures		
SAF-HOLLAND Nippon, Ltd.	Japan	50.0
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.	India	50.0

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

kEUR	Investments in associates 12/31/09	Investments in associates 12/31/08	Investments in joint ventures 12/31/09	Investments in joint ventures 12/31/08
Current assets	4,057	9,957	737	777
Non-current assets	3,553	4,539	326	398
Current liabilities	-359	-4,152	-19	-37
Non-current liabilities	-1,499	-368	–	–
Foreign currency translation	–	-77	8	9
Net assets = Carrying amount of the investment	**5,752**	**9,899**	**1,052**	**1,147**
Sales	5,265	17,592	191	368
Profit/loss for the period	-604	725	-35	-53

With effect from April 1, 2009, the Group acquired the remaining 51.5 % of voting shares in Jinan SAF AL-KO Axle Co., Ltd. The share of net profit of investments accounted for using the equity method until the acquisition was kEUR 540 (see Note 3).

At the end of fiscal year 2008, the shares in SAF AL-KO Vehicle Technology Yantai Co., Ltd. were classified as non-current assets held for sale. The share of net profit of investments accounted for using the equity method until the reclassification was kEUR -219. More details are illustrated in Note 15.

11 OTHER NON-CURRENT ASSETS

Other non-current assets consist mainly of deposits for workers' compensation and health insurance premiums amounting to kEUR 428 (previous year: kEUR 1,314), pre-tax reimbursement claims of kEUR 1,437 (previous year: kEUR 98) and defined benefit assets amounting to kEUR 2,003 (previous year: kEUR 1,249). Further details are given in Note 17.

12 INVENTORIES

kEUR	12/31/09	12/31/08
Raw materials	24,482	33,661
Work in progress	9,845	12,168
Finished goods	18,603	38,918
Goods in transit	2,578	1,065
Total	**55,508**	**85,812**

Included in the cost of sales are write downs of inventories of kEUR 1,835 (previous year: kEUR 3,880).

13 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

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

kEUR	Carrying amount	Of which: neither impaired nor past due on the reporting date	Of which: impaired on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					
				Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 120 days	Between 121 and 360 days	More than 360 days
Trade receivables as of 12/31/09	57,210	42,078	1,568	5,989	1,857	1,666	698	2,413	941
Trade receivables as of 12/31/08	82,348	55,905	3,230	11,705	6,242	2,403	1,179	1,441	243

The allowances on trade receivables are recorded in a separate allowance account and netted against the gross amount of trade receivables.

kEUR	Allowance account
As of 12/31/07	**370**
Charge for the year	1,164
Utilized	233
As of 12/31/08	**1,301**
Charge for the year	1,846
Utilized	348
Released	23
As of 12/31/09	**2,776**

With respect to trade receivables that are not impaired and overdue, there are no indications as of the reporting date that the debtors will not meet their payment obligations. In Europe, the Group has taken out commercial credit insurance coverage for the default risk.

Other current assets consist of the following:

kEUR	12/31/09	12/31/08
VAT receivables	2,076	1,185
Prepaid expenses	1,400	2,410
Insurance premiums	901	301
Refund claim short-time work	320	–
Claims for damages	–	350
Other	1,024	634
Total	**5,721**	**4,880**

14 CASH AND CASH EQUIVALENTS

kEUR	12/31/09	12/31/08
Cash at banks and on hand	7,387	7,926
Short-term deposits	13,355	631
Total	**20,742**	**8,557**

15 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On April 1, 2009, the Group sold its 49.0 % share in SAF AL-KO Vehicle Technology Yantai Co., Ltd. (see Note 3). The shares in Yantai had been classified as non-current assets held for sale since December 31, 2008. A gain of kEUR 915 was recognized in finance income from the disposal of the shares.

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

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

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

16 EQUITY

Subscribed share capital and share premium

As of December 31, 2009, the Company's subscribed share capital was unchanged from the previous year at EUR 207,022.75, consisting of 20,702,275 ordinary shares with a par value of EUR 0.01 each, fully paid-in.

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

According to the terms of SAF-HOLLAND S.A.'s articles of incorporation, the Board of Directors is authorized to increase the Company's subscribed share capital by EUR 112,000, or 11,200,000 shares with a par value of EUR 0.01 each (authorized capital). This authorization is limited until July 5, 2012. Following the capital increase in 2008, the Company's authorized capital as of December 31, 2009 was unchanged from the previous year, amounting to EUR 93,351, or 9,335,100 shares.

The share premium includes the premiums from the issue of shares. Directly attributable transaction costs less associated income tax advantages are deducted from the share premium. As of December 31, 2009, the share premium amounted to kEUR 106,454, unchanged from the previous year.

Legal reserve

On June 26, 2009, the Annual General Meeting decided to transfer EUR 1,865.30 (previous year: EUR 18,837.38) into the legal reserve.

Retained earnings

The retained earnings include the result for the year amounting to kEUR -48,913 (previous year: kEUR -24,984) and the respective retained earnings from the previous year.

Dividend

No dividend payment is proposed for fiscal year 2009 – as for fiscal year 2008.

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

Change in accumulated other comprehensive income

	2009			2008		
kEUR	Before tax amount	Tax expenses	Net of tax amount	Before tax amount	Tax benefits	Net of tax amount
Exchange differences on translation of foreign operations	2,557	-3,478	-921	-17,707	3,472	-14,235
Changes in fair values of derivatives designated as hedges, recognized in equity	2,259	-739	1,520	-3,075	880	-2,195
Total	**4,816**	**-4,217**	**599**	**-20,782**	**4,352**	**-16,430**

17 PENSIONS AND OTHER SIMILAR BENEFITS

In Germany, the Group provides defined benefit plans for the employees according to company agreements. On the one hand, future pension payments depend on the years of service of the employees and on the other hand on individual commitments made for management. By reason of a Company agreement dated January 1, 2007, as a result of which the pension plans of SAF-HOLLAND GmbH were frozen, no further rights to pension benefits can be earned. As a result of the acquisition of SAF-HOLLAND Verkehrstechnik GmbH in the previous year, further defined benefits plans were added in Europe amounting to EUR 1.2 million. Future pension payments for these plans depend on the years of service of employees and individual wages and salaries.

In North America, the Group has several defined benefit and defined contribution retirement plans covering essentially all employees. The benefits paid under the defined benefit plans depend on either years of service or the employee's compensation over the last several years of employment. From July 1, 2009, new entry of hourly non-bargaining employee's into one of the US plans is no longer possible. This led to a curtailment of the pension plan. In addition, the North American subgroup provides post-employment medical benefits to certain employees.

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

	2009			
	Pension plans			
kEUR	German plan	US plan	Canadian plan	Post-employment medical
Current service cost	40	240	260	105
Interest expenses	435	2,073	476	362
Expected return on plan assets	–	-1,621	-464	–
Amortization actuarial gains(-)/losses(+)	-7	521	1	37
Past service cost	8	4	–	–
Gains on curtailment	–	-157	–	–
Net benefit expenses	**476**	**1,060**	**273**	**504**
Actual return on plan assets	–	5,261	1,226	–

	2008			
	Pension plans			Post-employment medical
kEUR	German plan	US plan	Canadian plan	
Current service cost	22	299	303	131
Interest expenses	351	2,044	401	350
Expected return on plan assets	–	-2,339	-460	–
Amortization actuarial gains(-)/losses(+)	-4	–	–	74
Past service cost	8	61	–	–
Net benefit expenses	**377**	**65**	**244**	**555**
Actual loss on plan assets	–	-7,470	-1,525	–

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

Defined benefit assets and liabilities as of December 31:

	2009			
	Pension plans			Post-employment medical
kEUR	German plan	US plan	Canadian plan	
Defined benefit obligation	8,079	35,008	7,994	5,998
Fair value of plan assets	–	-25,619	-9,278	–
	8,079	**9,389**	**-1,284**	**5,998**
Unrecognized actuarial gains(+)/losses(-)	71	-7,786	-719	-1,453
Unrecognized past service cost	-15	-5	–	–
Benefit assets(-)/liabilities(+)	**8,135**	**1,598**	**-2,003**	**4,545**

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

The Canadian pension plan was overfunded by kEUR 2,003 as of December 31, 2009 (previous year: kEUR 1,249). This defined benefit asset is recognized under other non-current assets.

Pension payments totaling kEUR 2,177 are anticipated for the reporting period January 1 to December 31, 2010 (2009: kEUR 2,297).

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

kEUR	2009 Pension plans German plan	US plan	Canadian plan	Post-employment medical
Defined benefit obligation as of the beginning of the period	**7,448**	**32,201**	**5,401**	**5,412**
Interest expenses	435	2,073	476	362
Current service cost	40	240	260	105
Benefits paid	-414	-1,829	-207	-415
Unrecognized actuarial gains (-) / losses (+)	562	3,015	1,278	623
Past service cost	8	4	–	–
Gains on curtailment	–	-157	–	–
Foreign currency translation	–	-539	786	-89
Defined benefit obligation as of the end of the period	**8,079**	**35,008**	**7,994**	**5,998**

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

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

kEUR	2009		2008	
	US plan	Canadian plan	US plan	Canadian plan
Fair value of plan assets as of the beginning of the period	**21,151**	**6,472**	**28,377**	**8,671**
Expected return on plan assets	1,621	464	2,339	460
Employer contribution	1,388	845	736	853
Actuarial losses(-)/gains(+)	3,640	761	-9,810	-1,985
Benefits paid	-1,829	-206	-1,767	-182
Foreign currency translation	-352	942	1,276	-1,345
Fair value of plan assets as of the end of the period	**25,619**	**9,278**	**21,151**	**6,472**

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

in %	North American plans 2009	2008
Equities	64%	61%
Bonds	32%	32 %
Cash and money market	2%	4 %
Real estate	2%	3 %
	100%	**100 %**

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

kEUR	12/31/09	12/31/08	12/31/07	12/31/06
Defined benefit obligation	57,079	50,462	50,102	52,590
Fair value of plan assets	-34,897	-27,623	-37,048	-36,808
Benefit liabilities	**22,182**	**22,839**	**13,054**	**15,782**

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

in %	2009	2008
Discount rate:		
– German plans	5.40 %	6.00 %
– US plans	6.00 %	7.00 %
– Canadian plans	6.50 %	7.00 %
Expected rate of return on plan assets:		
– US plans	8.00 %	7.00 %
– Canadian plans	6.00 %	7.00 %
Future salary increases:		
– German plans	0.00 % / 2.00 %	0.00 %/2.00 %
– US and Canadian plans	4.00 %	4.00 %
Future pension increases:		
– German plans	2.00 %	2.25 %
– US and Canadian plans	0.00 %	0.00 %
Turnover rates:		
– German plans	4.60 %	4.60 %
– US and Canadian plans	4.22 %	4.22 %
Health care inflation:		
Initial rate (health care cost trend rate assumed for next year)	8.00 %	9.00 %
Ultimate rate (health care cost trend rate assumed to reduce cost)	5.00 %	5.00 %
Year of ultimate	2012	2012

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

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

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

	2009		2008	
kEUR	Increase	Decrease	Increase	Decrease
Effect on the aggregate current service cost and interest expenses	32	-45	29	-43
Effect on the defined benefit obligation	453	-391	390	-358

18 OTHER PROVISIONS

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

kEUR	Product warranty	Partial retirement	Environ-mental issues	Workers' compensation and health insurance benefits	Restruc-turing	Other	**Total**
As of 01/01/09	**7,276**	**989**	**1,120**	**1,550**	**7,290**	**834**	**19,059**
Additions	2,671	415	38	17	3,042	566	**6,749**
Utilized	3,475	418	152	466	7,225	161	**11,897**
Release	579	373	54	–	–	109	**1,115**
Foreign currency translation	118	–	32	-10	-44	–	**96**
As of 12/31/09	**6,011**	**613**	**984**	**1,091**	**3,063**	**1,130**	**12,892**
Thereof in 2009							
Current	3,650	228	246	558	2,463	1,011	**8,156**
Non-current	2,361	385	738	533	600	119	**4,736**
Thereof in 2008							
Current	4,651	418	275	733	7,116	699	**13,892**
Non-current	2,625	571	845	817	174	135	**5,167**

Product warranty

A provision is made for expected warranty claims on products sold during past periods. It is based on past experience, taking circumstances at the reporting date into account. The product warranty includes repair free of charge or, at the Group's discretion, replacement of components free of charge by an authorized partner workshop.

Partial retirement

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

Environmental issues

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

Workers' compensation and health insurance benefits

Workers' compensation and health insurance benefits are recognized on the basis of claims made. In addition, overall liability for claims of this kind is estimated on the basis of past experience, taking into account stop-loss insurance coverage.

Restructuring

Having agreed a social compensation plan and a redundancy plan, the employment contracts of 193 employees in Germany were terminated at the end of 2008. On the basis of further supplementary agreements for the purposes of a social compensation plan and due to the closure of the Frauengrund plant, a further 12 employees from the administration area were let go in May 2009 and another 35 in September 2009. In addition, 9 employees from the Singen location lost their jobs in December 2009. In total, as a result of all adjustments, 159 employees moved to two specially created employment companies. The Group has made a provision for the expected redundancy payments, layoff phases, and payments to the employment company. As a part of further restructuring, the Group also offered employees in North America an early retirement incentive program.

19 INTEREST BEARING LOANS AND BORROWINGS

	Non-current		Current		**Total**	
kEUR	12/31/09	12/31/08	12/31/09	12/31/08	**12/31/09**	**12/31/08**
Interest bearing collateralized bank loans	302,936	–	–	305,869	**302,936**	**305,869**
Success fee	47	–	–	–	**47**	**–**
Management and Board of Directors loans	1,339	–	–	–	**1,339**	**–**
Bank overdrafts	178	–	898	4,539	**1,076**	**4,539**
Accrued interests	–	–	132	1,347	**132**	**1,347**
Other loans	–	–	4,500	641	**4,500**	**641**
Total	**304,500**	**–**	**5,530**	**312,396**	**310,030**	**312,396**

On November 29, 2009, an agreement was signed with a bank syndicate that restructures the financing existing up to this point, extends the existing credit lines until September 2014 and ensures supply of short and long-term finance. The refinancing agreement was approved by the shareholders on December 18, 2009. The agreed credit line has a volume of EUR 316.0 million. It consists of a Euro tranche (Facility A1), a US dollar tranche (Facility A2), and a multi-currency revolving credit line (Facility B). These tranches are shown in the following table:

	12/31/09		
kEUR	Amount drawn under the term loans	Nominal value after deducting incidental financing costs	Available facility
Facility A1	71,911	69,369	71,911
Facility A2	57,770	55,818	57,770
Facility B	184,288	177,749	188,800[1]
Total	**313,969**	**302,936**	**318,481**

1) The available Facility B credit line in the amount of EUR 188.8 million includes the separately agreed credit line for SAF-HOLLAND do Brasil Ltda. in the amount of EUR 3.8 million.

The restructuring of the financing specifies the following main regulations:

- Interest margin of 5.95 %
- Introduction of a PIK structure in relation to the interest margin with an initial cash component of 1.6 % until September 2010 and 3 % until February 2012. This means that a portion of the interest incurred is not payable until a later point.
- Payment at maturity of a success fee accrued on a pro rata basis
- No repayments scheduled until February 2012
- Unscheduled repayments in the case of a liquidity situation better than planned
- Factoring basket which increases in case of sales growth, from initially EUR 3.0 million to EUR 25.0 million

- From March 31, 2010 until June 30, 2011, the Group has committed to maintaining a minimum consolidated EBITDA. After this time, the following financial covenants, which will be adjusted to the current financial situation of the Group as of June 30, 2011, are to be maintained:
  - Total net debt cover (net debt divided by adjusted consolidated EBITDA);
  - Net interest cover (adjusted consolidated EBITDA divided by net finance expenses for loans and overdrafts);
  - Equity ratio cover (consolidated equity divided by consolidated balance sheet total).
- Extensive granting of guarantees
- Optional trustee model to transfer the shares in SAF-HOLLAND GROUP GmbH to companies controlled by the lender in the event
  - that the minimum liquidity in the Group falls below EUR 7.0 million during the term of the loan. The minimum liquidity is defined as current cash on hand plus unused credit facility;
  - that the managing directors of the German subsidiaries are obliged to initiate insolvency proceedings on the basis of legally defined insolvency grounds in relation to the assets of these companies;
  - that the refinancing of the existing credit lines or the disposal of the entire Group has not been successfully completed by April 15, 2014;
  - that certain reporting requirements are not complied with or
  - that significant Group companies are sold without the approval of the bank syndicate.

In the context of the credit agreement, the Group granted the following securities:

- Pledging of the shares in SAF-HOLLAND GROUP GmbH, SAF-HOLLAND TECHNOLOGIES GmbH, SAF-HOLLAND GmbH, Holland Europe GmbH (only 65 % of the shares), SAF-HOLLAND Holdings (USA) Inc., SAF-HOLLAND Inc., SAF-HOLLAND USA Inc., SAF-HOLLAND International Inc., SAF-HOLLAND Canada Ltd., SAF-HOLLAND Polska Sp. z o.o., SAF-HOLLAND Verkehrstechnik GmbH, SAF-HOLLAND France S.A.S.;
- Pledging of all claims resulting from profit transfer agreements at SAF-HOLLAND GROUP GmbH, SAF-HOLLAND TECHNOLOGIES GmbH, Holland Europe GmbH;
- Pledging of all accounts belonging to 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 Ltd., SAF-HOLLAND Polska Sp. z o.o., SAF-HOLLAND Verkehrstechnik GmbH;
- Global assignment as security of all current and future receivables of SAF-HOLLAND GROUP GmbH, SAF-HOLLAND TECHNOLOGIES GmbH, Holland Europe GmbH, SAF-HOLLAND Verkehrstechnik GmbH;
- Pledging or assignment of all assets and claims (including receivables, other claims, insurance claims, intangible assets, bank accounts, inventories) belonging to SAF-HOLLAND Holdings (USA) Inc., SAF-HOLLAND Inc. (not including shares in QSI Air Ltd.), SAF-HOLLAND USA Inc., SAF-HOLLAND International Inc. (not including shares in FWI S.A.), SAF-HOLLAND Canada Ltd. (not including shares in SAF-HOLLAND Equipment Ltd.);

- Transfer of ownership by way of security of all assets at the Wörth plant and all other assets of SAF-HOLLAND GmbH;
- Mortgages on all real estate in Keilberg, Hösbach, (both in Germany) and on all real estate in the US federal states of Michigan, Arkansas, Missouri, Texas and in Canada;
- Pledging of all movable assets (including pledging of all bank accounts) of SAF-HOLLAND Polska Sp. z o.o.;
- Assignment of all insurance claims of SAF-HOLLAND Polska Sp. z o.o.

In order to improve the liquidity situation, additional loan agreements were arranged with members of management and the Board of Directors as well as a longstanding customer in Europe in February 2009. The credit agreement with the customer for EUR 4.5 million has a term of 18 months. The interest rate consists of the prevailing Euribor rate plus a 2 % margin. Collateral for the loan consists of a first mortgage on land belonging to the Group in Wörth am Main and the pledging of shares in SAF-HOLLAND Equipment Ltd., Canada, in QSI Air Ltd., USA and the pledging of a 34.1% share in FWI S.A., France. The carrying amount of the Wörth land is included in the table showing guarantees granted below. The terms of the management and Board of Directors loans for EUR 1.3 million run until October 1, 2014. The interest rate is 10 % and payment is due in full on maturity. No collateral was provided for the loans.

The carrying amounts of the assets provided by the Group as guarantees are as follows:

kEUR	Carrying amount of assets pledged as collateral	Carrying amount of assets not pledged as collateral	**Total**
Intangible assets	42,210	95,441	**137,651**
Property, plant, and equipment	96,091	12,534	**108,625**
Inventories	32,249	23,259	**55,508**
Trade receivables	40,709	16,501	**57,210**
Cash and cash equivalents	15,961	4,781	**20,742**
Total	**227,220**	**152,516**	**379,736**

20 FINANCE LEASE LIABILITIES

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

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

	12/31/09		12/31/08	
kEUR	Lease payments	Present value including residual value and initial payments	Lease payments	Present value including residual value and initial payments
Remaining term of up to 1 year	293	336	507	475
Remaining term of more than 1 year and up to 5 years	161	171	453	508
Remaining term of more than 5 years	–	–	–	–
Total	**454**	**507**	**960**	**983**

kEUR	12/31/09	12/31/08
Present value including residual value and initial payments	507	983
Present value of initial payments	-73	-73
Present value of residual value	-60	-112
Present value of minimum lease payments excluding initial payments and residual value	**374**	**798**
Interest portion	80	162
Minimum lease payments	**454**	**960**
Lease payments of the year	456	439

21 TRADE PAYABLES

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

22 OTHER LIABILITIES

Other current liabilities are non-interest bearing. They consist mainly of other taxes and liabilities for salaries and social security contributions. Other non-current liabilities include mainly anniversary obligations totaling kEUR 224 (previous year: kEUR 230).

23 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

		12/31/09					
			Amounts recognized in balance sheet according to IAS 39				
kEUR	Category in accordance with IAS 39	Carrying amount	(Amortized) cost	Fair value recognized in equity	Fair value recognized in profit or loss	Amounts recognized in balance sheet according to IAS 17	Fair value
Assets							
Cash and cash equivalents	LaR	20,742	20,742	–	–	–	20,742
Trade receivables	LaR	57,210	57,210	–	–	–	57,210
Liabilities							
Trade payables	FLAC	40,874	40,874	–	–	–	40,874
Interest bearing loans and borrowings	FLAC	310,030	310,030	–	–	–	310,030
Finance lease liabilities	n.a.	507	–	–	–	507	507
Other financial liabilities							
Derivates without a hedging relationship	FLHfT	7,529	–	–	7,529	–	7,529
Derivates with a hedging relationship	n.a.	1,477	–	1,152	325	–	1,477
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	77,952	77,952	–	–	–	77,952
Financial liabilities measured at amortized cost	FLAC	350,904	350,904	–	–	–	350,904
Financial liabilities held for trading	FLHfT	7,529	–	–	7,529	–	7,529

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

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

The fair values of interest bearing loans and borrowings are generally calculated as the present values of the payments associated with the debts, based on the applicable yield curve and a credit spread curve for specific currencies. Due to the short time between the refinancing agreement and the balance sheet date, the fair value of the interest bearing loans and borrowings is equal to the carrying amount.

In the balance sheet as of December 31, 2009, only derivative financial liabilities of kEUR 9,006 (previous year: kEUR 10,020) were measured at fair value. The fair value of these liabilities was measured on the basis of input factors, which can be observed directly (e.g., prices) or indirectly (e.g., derived from prices). This fair value measurement can therefore be allocated to level 2 of the measurement hierarchy according to IFRS 7. The fair value hierarchy levels are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities;
Level 2: Information other than quoted market prices that are observable either directly (e.g., from prices) or indirectly (e.g., derived from prices), and
Level 3: Information for assets or liabilities that are not based on observable market data.

Net gains or losses by category are as follows:

	2009					
			From subsequent measurement			
kEUR	From interest	From remuneration	At fair value	Currency translation	Impairment	**Net result**
Loans and receivables	43	–	–	–	-1,823	**-1,780**
Financial liabilities measured at amortized cost	-23,242	-2,798	–	459	–	**-25,581**
Financial instruments held for trading	–	–	-2,317	–	–	**-2,317**
Total	**-23,199**	**-2,798**	**-2,317**	**459**	**-1,823**	**-29,678**

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

The components of net gains or losses are recognized under finance income or finance expenses, except for impairments on trade receivables, which are reported under cost of sales.

Interest that results from financial liabilities of the category "Financial liabilities measured at amortized cost" primarily consists of interest expenses on interest bearing collateralized loans.

Financial risks

As a group that does business internationally, SAF-HOLLAND S.A. is exposed to both entrepreneurial and industry-specific risks. Consciously controlling opportunities and risks is an integral part of management and decision making within the Company.

To be adequately prepared for changes in competitive and environmental conditions and to control value creation efficiently in the Company, the Management Board has implemented a risk management system that is monitored by the Board of Directors.

Risk management processes, limits to be observed, and the use of financial instruments to manage risks are defined in the risk management manual and in supplementary guidelines for the Group. The aim of the risk management system is to identify and assess risks that arise. Identified risks are communicated, managed, and monitored in a timely manner.

The Group is mainly exposed to liquidity risks, credit risks, interest rate risks, and foreign currency risks. The Group's risk management aims to limit risks arising from its business and financing activities. This is achieved particularly through the use of derivative and non-derivative hedging instruments.

Liquidity risk

The Group's liquidity risk consists of being unable to meet existing or future payment obligations due to insufficient availability of funds. Limiting and managing the liquidity risk are among the primary tasks for the Group's management. The Group monitors the current liquidity situation on a daily basis. In order to manage future liquidity requirements, a weekly 3-month forecast as well as a monthly rolling liquidity plan for twelve months are used. In addition, management continually evaluates adherence to key financial figures as required by the long-term credit agreement.

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

	12/31/09			
kEUR	**Total**	Remaining term of up to 1 year	Remaining term of more than 1 year and up to 5 years	Remaining term of more than 5 years
Interest bearing loans and borrowings	**310,030**	5,530	304,500	–
Finance lease liabilities	**507**	336	171	–
Trade payables	**40,874**	40,874	–	–
Derivative financial liabilities				
Derivates without a hedging relationship	**7,529**	–	7,529	–
Derivates with a hedging relationship	**1,477**	–	1,477	–
Financial liabilities	**360,417**	**46,740**	**313,677**	–

	12/31/08			
kEUR	**Total**	Remaining term of up to 1 year	Remaining term of more than 1 year and up to 5 years	Remaining term of more than 5 years
Interest bearing loans and borrowings	**312,396**	312,396	–	–
Finance lease liabilities	**983**	475	508	–
Trade payables	**60,443**	60,443	–	–
Derivative financial liabilities				
Derivates without a hedging relationship	**5,303**	–	5,303	–
Derivates with a hedging relationship	**4,717**	3,958	759	–
Financial liabilities	**383,842**	**377,272**	**6,570**	–

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

	12/31/09								
	Cash flows 2010			Cash flows 2011			Cash flows 2012–2014		
kEUR	Fixed interest rate	Variable interest rate	Repay-ment	Fixed interest rate	Variable interest rate	Repay-ment	Fixed interest rate	Variable interest rate	Repay-ment
Interest bearing loans and borrowings	-6,662	-1,237	-5,530	-10,146	-1,235	–	-76,834	-3,343	-304,500
Finance lease liabilities	-43	–	-336	-36	–	-131	-1	–	-40
Derivative financial liabilities									
Derivates without a hedging relationship	–	-4,550	–	–	-5,379	–	–	-1,031	–
Derivates with a hedging relationship	–	-1,440	–	–	–	–	–	–	–

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

All instruments held as of the reporting date and for which payments were already contractually agreed were included. Planning data for future, new liabilities is not included. Amounts in foreign currencies were translated at closing rates as of the reporting date. Variable interest payments arising from the financial instruments were calculated using the most recent interest rates fixed before the reporting date. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Credit risk

The Group is subject to a default risk for financial instruments of a contracting party failing to fulfill its commitments. To minimize these risks of default, outstanding receivables in all Business Units are monitored continuously at the local level by all Group companies. To limit credit risks, the Group as a matter of principle only does business with creditworthy business partners. For this purpose, a continuous credit management is implemented that subjects prospective customers to credit verification procedures. To manage specific default risks, the Group also takes out commercial credit insurance coverage in Europe and defines house limits for each customer.

Any credit risks that still arise are covered by individual and collective value adjustments for receivables carried in the balance sheet. The carrying amounts of financial assets stated in this Note correspond to the maximum credit risk. Further significant credit risks do not exist as of the balance sheet date.

Interest rate risk

The Group is exposed to interest rate risks as a result of its financing activities. Market-induced interest rate changes can in particular have an effect on the interest burden in connection with floating-rate loans. Changes in interest rates affect cash flow. To hedge this cash flow risk, the Group holds interest swaps to transform certain variable cash flows into fixed cash flows and to hedge the interest rate. The Group is also exposed to the risk of the carrying amount of financial liabilities changing due to interest rate changes. As the Group has no plans to measure these financial liabilities at their market price, there is no commercial risk in this connection.

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

As in the previous year, the cash flow hedges between variable yield loans and interest rate swaps totaling a nominal value of EUR 72.0 million and USD 82.8 million respectively (previous year: EUR 107.3 million and USD 86.4 million respectively), entered in 2007, continue to be in line with the Group's risk strategy. The variable part of the swaps as well as the variable yield of loans are linked to the 3-month Euribor and 3-month USD-Libor respectively. Due to the interest rate swaps, the variable interest rates of the yield loans were transformed cost-effectively into fixed interest rates with a nominal value of 3.90 % and 4.69 % respectively. The swaps reduce their nominal amounts gradually. For the prospective effectiveness test, a critical terms match was conducted. The hypothetical derivative method was used in the retrospective test. In the reporting period, changes in the value of swaps (net of income taxes) amounting to kEUR 1,520 (previous year: kEUR -2,195) were recorded in equity so that the cumulative amount of value changes recorded in other comprehensive income (net of income taxes) came to kEUR -1,564 (previous year: kEUR -3,084). Due to the change in utilization of the existing credit line, the nominal volume secured by the US dollar hedge exceeded the volume of loans raised in US dollars. The hedge volume was adjusted according to the hedging strategy in 2008 and changes in the value of the swap amounting to kEUR 952 (previous year: kEUR -1,277) were recorded with effect on net income.

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

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

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

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

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

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

The fair values of derivatives as of the balance sheet date are as follows:

kEUR	Interest rate swaps	Prolongation options for interest rate swaps	**Total**
Fair value as of 01/01/09	**-4,717**	**-5,303**	**-10,020**
Changes recognized in equity (before tax)	2,259	–	**2,259**
Changes recognized in profit or loss (before tax)	952	-2,317	**-1,365**
Foreign currency translation	29	91	**120**
Fair value as of 12/31/09	**-1,477**	**-7,529**	**-9,006**

According to IFRS 7, the Group must depict relevant interest rate risks by means of sensitivity analyses. These analyses show the effects of changes in market interest rates on interest payments, interest income, and interest expenses. The assumptions and methods used in the sensitivity analyses were unchanged from the previous year.

If the market interest rate level as of December 31, 2009 had been 100 base points lower (higher), the result would have been kEUR 1,596 (previous year: kEUR 1,444) higher (lower). All other variables are assumed to be constant.

Foreign currency risk

By virtue of the international nature of its business activities, the Group is exposed to foreign currency risks that arise from its investing, financing, and operating activities. Individual subsidiaries predominantly conduct their operating, investing, and financing activities in their respective local currency. For this reason, the Group's foreign currency risk is low with regard to individual transactions. It is also why foreign currency risks that do not affect the Group's cash flow (such as risks arising from translating the assets and liabilities involved in an international transaction into the Group's reporting currency) are generally not hedged.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Group's functional currency are not taken into consideration (translation risk). Therefore, the Group is not exposed to any material currency risks as defined in IFRS 7.

24 EARNINGS PER SHARE

		2009	2008
Result for the year	**kEUR**	**-48,913**	**-24,984**
Weighted average number of shares outstanding	thousands	20,702	19,438
Basic and diluted earnings per share	**EUR**	**-2.36**	**-1.29**

Basic earnings per share is calculated by dividing the result for the year attributable to shareholders of SAF-HOLLAND S.A. by the average number of shares outstanding. Earnings per share can be diluted by potential ordinary shares. There were no dilutive effects in the 2009 reporting period or in the previous year. Newly issued or repurchased shares are taken into account on a pro rata basis during the period in which they are in circulation.

Weighted average number of shares in 2009

	Par value (EUR)	Number
01/01/09–12/31/09	0.01	20,702,275
Average		**20,702,275**

Weighted average number of shares in 2008

	Par value (EUR)	Number	Days	Weighted number
01/01/08–09/03/08	0.01	18,837,375	244	4,596,319,500
09/04/08–12/31/08	0.01	20,702,275	116	2,401,463,900
Total			**360**	**6,997,783,400**
Average		**19,438,287**		

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

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

25 CASH FLOW STATEMENT

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

Cash flows from operating activities are determined using the indirect method. However, cash flows from investing activities are determined using the direct method. Cash flows from investing activities are used to generate income over the long term, generally for more than one year. The cash flow from financing activities is also calculated using the direct method. These cash flows comprise cash flows from transactions with shareholders and from the assumption or redemption of financial liabilities.

26 OTHER FINANCIAL LIABILITIES AND CONTINGENT LIABILITIES

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

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

kEUR	12/31/09	12/31/08
Remaining term of up to 1 year	3,433	2,956
Remaining term of more than 1 year and up to 5 years	4,446	5,637
Remaining term of more than 5 years	174	65
Total	**8,053**	**8,658**
Operate lease payments for the reporting period	4,118	3,068

In 2009, the Group reached a supplementary labor agreement with the trade union. The agreement essentially includes reductions in holiday and Christmas bonuses. If certain key Group figures are reached in the future, the agreement provides for portions of the reduced Christmas bonus and holiday pay to be paid at a later stage in 2011, 2012 and 2013. The approximate obligation in the case of reaching the key Group figures amounts to approx. EUR 2.1 million.

27 RELATED PARTY DISCLOSURES

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

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

Associates and joint ventures	Country of incorporation	% Equity interest
SAF-HOLLAND Nippon, Ltd.	Japan	50.0
Lakeshore Air LLP	USA	50.0
FWI S.A.	France	34.1
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.	India	50.0

The table below shows the composition of the Management Board and the Board of Directors of SAF-HOLLAND S.A. as of the balance sheet date:

Name	Position
Management Board	
Rudi Ludwig	Chief Executive Officer (until January 31, 2009 and since December 18, 2009)
Dr. Reiner Beutel	Chief Executive Officer (from February 2, 2009 to December 18, 2009)
Wilfried Trepels	Chief Financial Officer
Samuel Martin	Chief Operating Officer
Detlef Borghardt	Head of Trailer Systems Business Unit
Steffen Schewerda	Head of Group Operations
Jack Gisinger	Head of Powered Vehicle Systems Business Unit
Dr. Martin Kleinschmitt	Chief Restructuring Officer (since August 1, 2009)
Board of Directors	
Dr. Rolf Bartke	Member of the Board of Directors (Chairman) (until January 31, 2009)
Bernhard Schneider	Member of the Board of Directors (Chairman) (since March 27, 2009)
Ulrich Otto Sauer	Member of the Board of Directors (Vice Chairman)
Dr. Siegfried Goll	Member of the Board of Directors
Rudi Ludwig	Member of the Board of Directors
Richard W. Muzzy	Member of the Board of Directors
Gerhard Rieck	Member of the Board of Directors
Martin Schwab	Member of the Board of Directors (until December 18, 2009)
Dr. Reiner Beutel	Member of the Board of Directors (from February 1, 2009 to December 18, 2009)

The voting period and further functions of the members of the Board of Directors and the Management Board are illustrated on pages 132–135 of this annual report.

As of December 31, 2009, members of the Management Board directly or indirectly held ordinary shares amounting to kEUR 10 (previous year: kEUR 10), while members of the Board of Directors directly or indirectly held ordinary shares amounting to kEUR 33 (previous year: kEUR 30).

Total remuneration of the members of the Management Board in the reporting year amounted to kEUR 1,674 (previous year: kEUR 1,806). In the previous year, total remuneration included termination benefits amounting to kEUR 9. There are no further stock option plans or other compensation commitments. The total remunerations of the Board of Directors amounted to kEUR 377 (previous year: kEUR 360) and are recognized with affect on net income.

Further details regarding loans granted in February 2009 by members of management and the Board of Directors are provided in Note 19.

Shareholders with a significant influence over the Group are:

- Pamplona Capital Partners I, LP[1)]
- Mr. Ulrich Otto Sauer
- Mr. Rudi Ludwig
- Mr. Richard W. Muzzy

In the previous year, Pamplona received fees in the total amount of EUR 0.4 million for advisory services relating to the capital increase.

Mr. Ulrich Otto Sauer, member of the Board of Directors, provides certain business consultancy services to SAF-HOLLAND GmbH. In the current fiscal year, the consultancy fee amounted to kEUR 50 (previous year: kEUR 150). The underlying consultancy agreement, which became effective on March 1, 2004 had a fixed term until April 30, 2009 and was not renewed. In addition, there are three tenancy agreements between the Group and Mr. Ulrich Otto Sauer amounting to kEUR 24 (previous year: kEUR 24) per year for office and archive space.

Mr. Richard W. Muzzy, member of the Board of Directors, provided certain business consultancy services to SAF-HOLLAND Inc. in the previous year, for which he received a fee of kUSD 140. The agreement, which became effective on December 18, 2006 had a fixed term until December 18, 2008 and was not renewed.

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

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

	2009			
kEUR	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Jinan SAF AL-KO Axle Co., Ltd.	58[1]	–[1]	–	–
SAF AL-KO Vehicle Technology Yantai Co., Ltd.	–[1]	57[1]	–	–
SAF-HOLLAND Nippon, Ltd.	225	–	68	182
Lakeshore Air LLP	–	100	28	–
FWI S.A.	–	15,326	–	3
Irwin Seating Company[2]	1,311	–	56	–
Total	**1,594**	**15,483**	**152**	**185**

1) Due to the reciprocal sale of shareholdings (see Note 3), SAF AL-KO Vehicle Technology Yantai Co., Ltd. and Jinan SAF AL-KO Co., Ltd. are included in the disclosures on revenue and expenses on a pro-rata basis until March 31, 2009.

2) The Irwin Seating Company is a company in which a member of the SAF-HOLLAND Group's management holds a key management position.

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

The sales to and purchases from related parties are conducted at normal market prices. Outstanding balances as of December 31, 2009 are unsecured, interest-free, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2009, as for the previous year, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each reporting period by examining the financial positions of the related parties and the markets in which these parties operate.

28 CAPITAL MANAGEMENT

The overriding aim of the Group's capital management is to ensure that the Group's ability to discharge its debts and the Group's financial substance are maintained in the future. Building blocks for steering and optimizing the existing financing structure are, in addition to the earnings figures EBIT and EBITDA, monitoring the development of net working capital and the return on capital employed (ROCE) in order to measure earnings power. Net debt includes interest bearing loans and borrowings less cash and cash equivalents.

kEUR	12/31/09	12/31/08
Interest bearing loans and borrowings	310,030	312,396
Cash and cash equivalents	-20,742	-8,557
Net debt	**289,288**	**303,839**
Equity attributable to equity holders of the parent	**23,756**	**72,070**
Equity and net debt	**313,044**	**375,909**

As a result of the financing agreement reached on November 29, 2009, the Company is required to maintain certain Group key figures (financial covenants). Further details are given in Note 19.

29 EVENTS AFTER THE BALANCE SHEET DATE

On February 3, 2010, the Board of Directors of SAF-HOLLAND S.A. resolved to align the variable remuneration structure of the first two management levels to the sustainable development of the Company. The Company thus complies with the recommendation of the German Corporate Governance Code that parts of the variable remuneration be based on a multi-year assessment. SAF-HOLLAND has therefore established a 70/30 arrangement which will be valid for the current fiscal year. In accordance with this arrangement, 30 % of variable remuneration will be linked to medium-term objectives with a range of three years. Remuneration is paid-out at the end of this period insofar as the objectives have been fulfilled and the fulfillment confirmed by the Annual General Meeting. The remaining 70 % of the variable remuneration relates, as before, to objectives within the fiscal year. Remuneration for these objectives is paid in the following year in accordance with the degree to which the objectives were fulfilled.

No further material events have occured since the balance sheet date.

Luxembourg, March 30, 2010

Bernhard Schneider
Chairman of the Board of Directors

Rudi Ludwig
Chief Executive Officer of
SAF-HOLLAND GROUP GmbH

LIST OF ABBREVIATIONS

ACEA	Association des Constructeurs Européens d'Automobiles (European Automobile Manufacturers' Association)
CEO	Chief executive officer
CFO	Chief financial officer
COO	Chief operating officer
CRO	Chief restructuring officer
DAX	Deutscher Aktienindex (German stock index)
DIN	Deutsches Institut für Normung (German Institute for Standardization)
DSO	Days sales outstanding
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and depreciation/amortization
EFTA	European Free Trade Association
EURIBOR	Euro interbank offered rate
FLAC	Financial liabilities measured at amortized cost
FLHfT	Financial liabilities held for trading
GDP	Gross domestic product
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International monetary fund
IPO	Initial public offering
ISIN	International securities identification number
ISO	International Organization for Standardization
IT	Information technology
LaR	Loans and receivables
LIBOR	London interbank offered rate
LOI	Letter of intent
OEM	Original equipment manufacturer
PIK	Pay-in-kind
PPA	Purchase price allocation
ROCE	Return on capital employed
ROI	Return on investment
R&D	Research and development
TS	Technical specification
WACC	Weighted average cost of capital
WKN	Wertpapierkennnummer (security identification number)

Independent Auditor's Report

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Following our appointment by the General Meeting of the Shareholders dated May 14, 2009, we have audited the accompanying consolidated financial statements of SAF-HOLLAND S.A., which comprise the consolidated balance sheet as at December 31, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the Réviseur d'Entreprises

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of SAF-HOLLAND S.A. as of December 31, 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

Thierry BERTRAND

Luxembourg, March 30, 2010

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the Group's management report includes a fair review of the development and performance of the Group's business and position, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Luxemburg, March 30, 2010
SAF-HOLLAND S.A.

Bernhard Schneider
Chairman of the Board of Directors

Mandates of the Board of Directors/Management Board

Dr. Rolf Bartke
(election date: June 18, 2007; term of office: 4 years; resigned: January 31, 2009)
Chairman Board of Directors, SAF-HOLLAND S.A.
Member Supervisory Board, EADS NV
Chairman Supervisory Board, SFC Smart Fuel Cell AG
Chairman of the Advisory Board, Keiper-Recaro-Group
Member Supervisory Board, J&R Carter Partnership Foundation
Member Supervisory Board, SORTIMO North America Inc.

Bernhard Schneider
(election date: June 18, 2007; term of office: 4 years;
election date: March 27, 2009 as Chairman)
Member Board of Directors, SAF-HOLLAND S.A.
Member Advisory Board, IP Österreich GmbH
Managing Director, Mediaprint Zeitungs- und Zeitschriftenverlag GmbH
Managing Director, Krone Media Beteiligungsgesellschaft m.b.H.
Managing Director, Krone Media Aktiv Gesellschaft m.b.H
Managing Director, Krone Hit Radio Medienunternehmen Betriebs- und Beteiligungsgesellschaft m.b.H.

Ulrich Otto Sauer
(election date: June 18, 2007; term of office: 3 years)
Vice Chairman Board of Directors, SAF-HOLLAND S.A.
Chairman Board of Directors, SAF-HOLLAND GmbH
Managing Director, ASAF Verwaltungs GmbH

Rudi Ludwig
(election date: June 18, 2007; term of office: 3 years)
Member Board of Directors, SAF-HOLLAND S.A.
Managing Director and CEO, SAF-HOLLAND GROUP GmbH (until January 31, 2009, and renewed since December 18, 2009)
Managing Director, Luruna GmbH

Dr. Siegfried Goll
(election date: June 18, 2007; term of office: 3 years)
Member Board of Directors, SAF-HOLLAND S.A.
Vice Chairman Supervisory Board, Rohwedder AG
Member Advisory Board, VOSS Holding GmbH & Co. KG
Member Supervisory Board, Witzenmann GmbH
Member Supervisory Board, Rheinmetall AG
Chairman of Administrative Council, Leuze Geschäftsführungs GmbH

Richard W. Muzzy
(election date: June 18, 2007; term of office: 2 years, and extended for a further 3 years)
Member Board of Directors, SAF-HOLLAND S.A.
Member Supervisory Board, Besser Company
Member Supervisory Board, Paragon Tool & Die
Member Supervisory Board, Irwin Seating Holding Company

Gerhard Rieck
(election date: June 18, 2007; term of office: 4 years)
Member Board of Directors, SAF-HOLLAND S.A.
Member Supervisory Board, VOSS Automotive GmbH
Member Supervisory Board, KNORR-BREMSE Systeme für Nutzfahrzeuge GmbH
Managing Director, REACT GmbH - engineering and consulting - Ingenieure Rieck & Partner

Martin Schwab
(election date: June 18, 2007; term of office: 2 years; resigned: November 27, 2009)
Member Board of Directors, SAF-HOLLAND S.A.

Dr. Reiner Beutel
(election date: February 2, 2009; term of office: 3 years; resigned: December 18, 2009)
Member Board of Directors, SAF-HOLLAND S.A.
Managing Director and CEO, SAF-HOLLAND GROUP GmbH (election date: February 2, 2009; resigned: December 18, 2009)
Member Administrative Council, Mirror Controls International, the Netherlands
Vice Chairman Administrative Council, Haldex AB, Sweden (until April 16, 2009)
Member Administrative Council, Key Plastics Corp., USA

Detlef Borghardt
Managing Director, SAF-HOLLAND GROUP GmbH
Managing Director, D+MB GmbH

Jack Gisinger
Managing Director, SAF-HOLLAND GROUP GmbH

Sam Martin
Managing Director and COO, SAF-HOLLAND GROUP GmbH

Steffen Schewerda
Managing Director, SAF-HOLLAND GROUP GmbH
Managing Director, EGAL GmbH

Wilfried Trepels
Managing Director and CFO, SAF-HOLLAND GROUP GmbH
Managing Director, Via Montana GmbH

Dr. Martin Kleinschmitt
Managing Director and CRO, SAF-HOLLAND GROUP GmbH
Managing Director, Noerr Consulting AG

Members of the Management Board

Rudi Ludwig

Chief Executive Officer (CEO) (until January 31, 2009 and again since December 18, 2009)

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

Dr. Reiner Beutel

Chief Executive Officer (CEO) (since February 2, 2009, until December 18, 2009)

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

Sam Martin

Chief Operating Officer (COO)

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

Wilfried Trepels

Chief Financial Officer (CFO)

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

Dr. Martin Kleinschmitt

Chief Restructuring Officer (CRO)

Dr. Martin Kleinschmitt has been a member of the Management Board since August 1, 2009 as Chief Restructuring Officer. As a recognized expert, he has supported the company's restructuring process. Dr. Martin Kleinschmitt had previously worked as CFO of the German subsidiary SAF-HOLLAND GmbH on an interim basis from 2002 until early 2005. Dr. Martin Kleinschmitt has been a lawyer with the Noerr partnership since 2001 and leads the consulting subsidiary Noerr Consulting AG. He studied law at the Freie Universität Berlin.

Detlef Borghardt

Head of Trailer Systems Business Unit

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

Jack Gisinger

Head of Powered Vehicle Systems Business Unit

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

Steffen Schewerda

Head of Group Operations

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

Financial Glossary

Adjusted EBIT: Earnings before interest and taxes (EBIT) is adjusted for special items, such as depreciation and amortization from purchase price allocations, impairment of goodwill and intangible assets as well as restructuring and integration costs .

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

Cash-generating unit: Cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

DSO: Trade receivables / sales per day (= sales / 360 days)

Effective income tax rate: Income tax / earnings before tax x 100

Equity ratio: Equity / total assets x 100

Fair value: Amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties.

Gross margin: Gross profit / sales x 100

IFRS/IAS: (International Financial Reporting Standards / International Accounting Standards): The standard international accounting rules are intended to make company data more comparable. Under the EU resolution, accounting and reporting at exchange-listed companies must be done in accordance with these rules.

Inventory turnover rate: Inventories / cost of sales per day

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

Personnel expenses per employee: Personnel expenses / average number of employees

Prime Standard: Prime Standard is a market segment of the German Stock Exchange that lists German companies which comply with international transparency standards.

R&D ratio: R&D cost and capitalized development cost / sales x 100

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

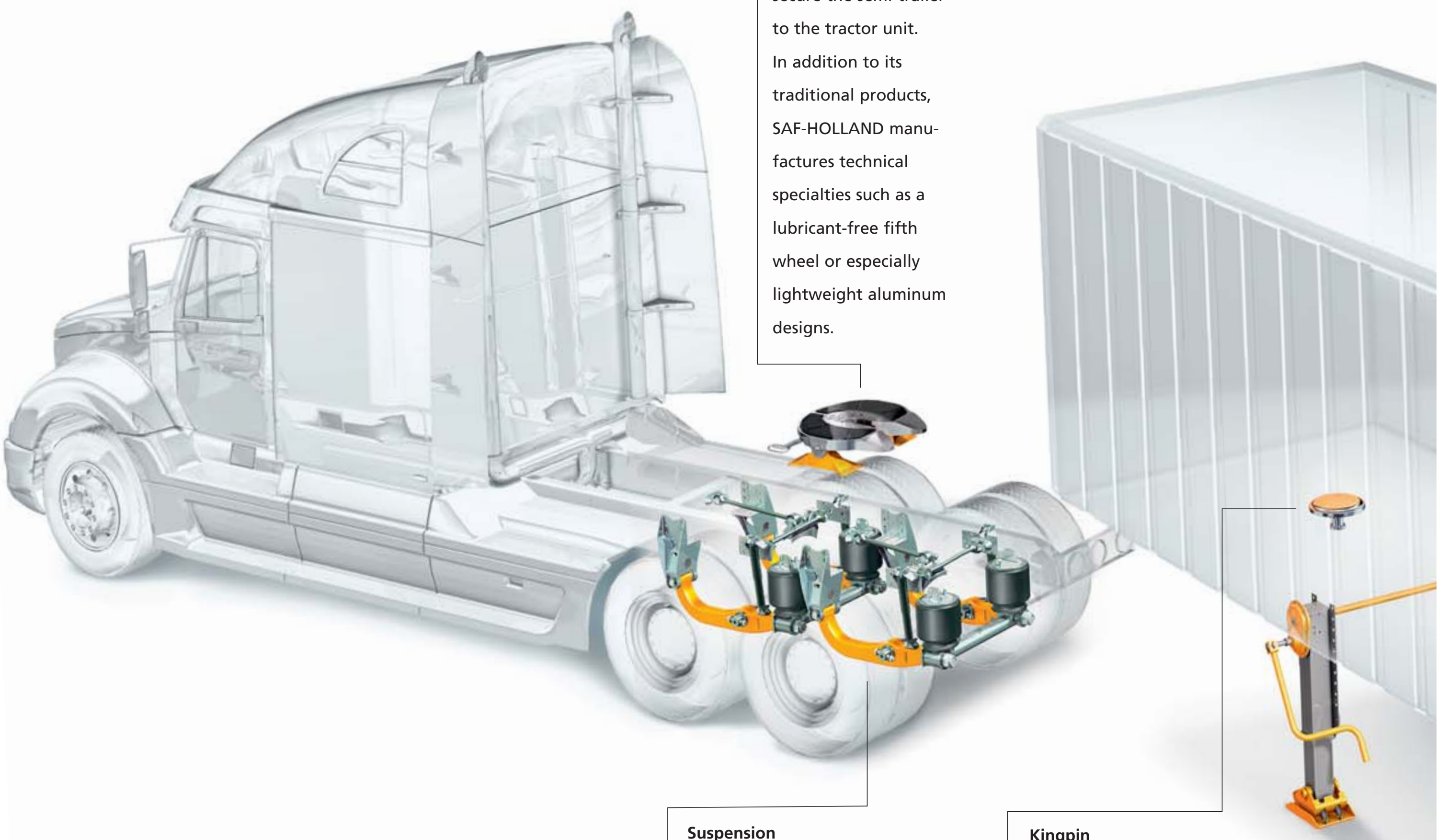
Return on capital employed (ROCE): Adjusted EBIT minus income tax (= adjusted EBIT x group income tax rate) / capital employed (= capital assets plus deferred assets minus deferred tax liabilities plus net working capital)

Sales per employee: Sales / average number of employees

Value in use: Present value of future cash flows.

Technical Glossary

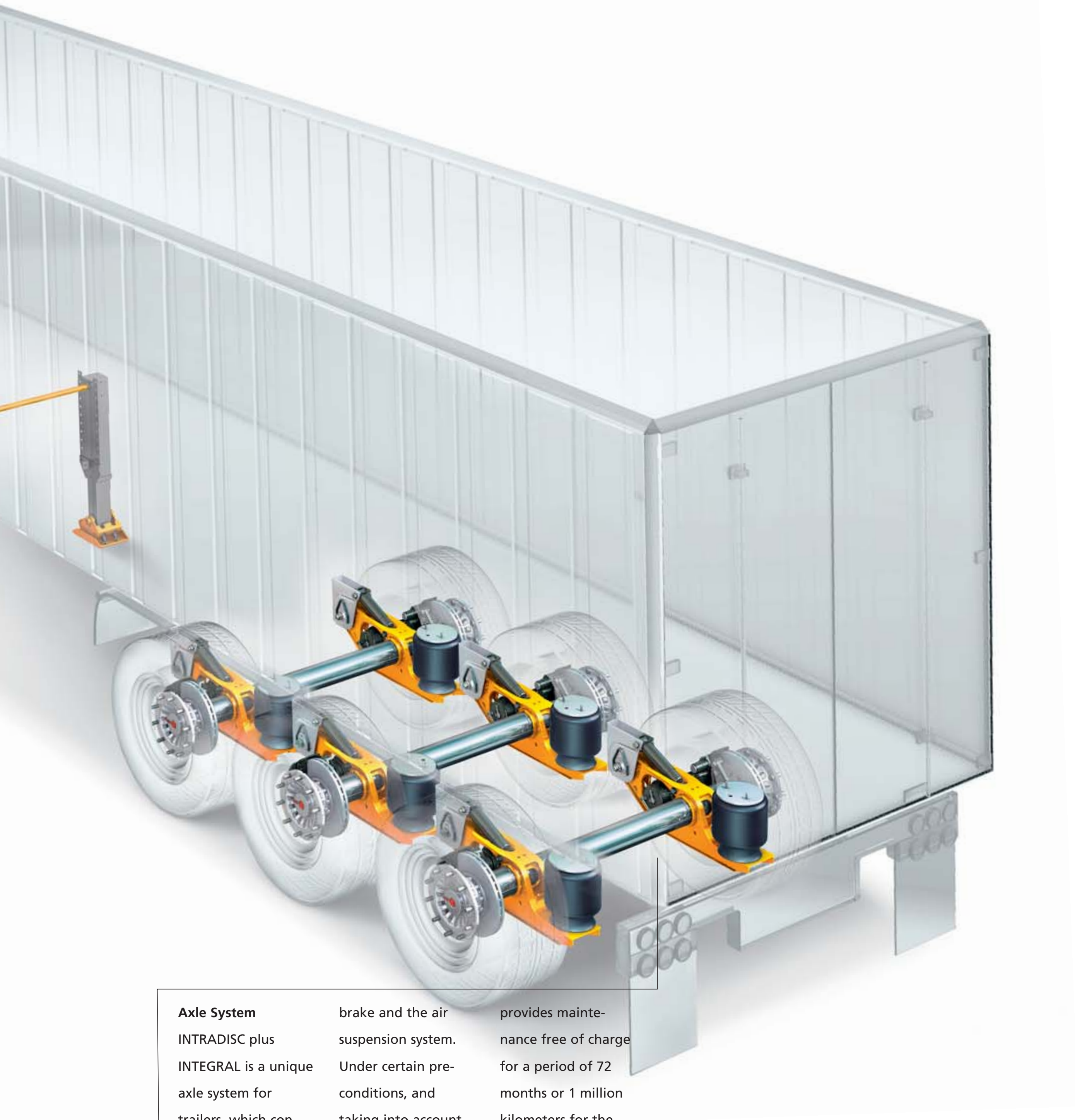
Fifth Wheel
Mounts with the kingpin and serves to secure the semi-trailer to the tractor unit. In addition to its traditional products, SAF-HOLLAND manufactures technical specialties such as a lubricant-free fifth wheel or especially lightweight aluminum designs.



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

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

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



Axle System
INTRADISC plus INTEGRAL is a unique axle system for trailers, which consists of the axle itself fitted with a disk brake and the air suspension system. Under certain preconditions, and taking into account the existing warranty terms, SAF-HOLLAND provides maintenance free of charge for a period of 72 months or 1 million kilometers for the INTRA ALL-IN axle system.

Financial Calendar and Contact Information

Financial Calendar

April 22, 2010	Annual General Meeting
May 27, 2010	Report on Q1 2010 Results
August 26, 2010	Report on Half-Year 2010 Results
November 18, 2010	Report on Q3 2010 Results

Contact Information

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