RELIABLE ON THE ROAD.

ANNUAL REPORT 2011

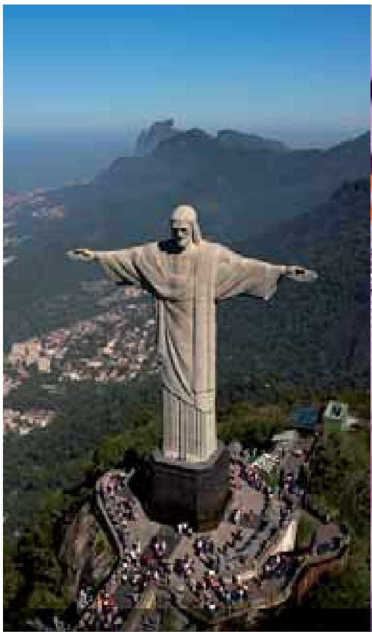
MARKETS. OPPORTUNITIES. GROWTH.
Competence transported globally: how SAF-HOLLAND taps the potential of promising markets with its global presence.

CAPITAL. EARNINGS. VALUES.
Laying the groundwork for the future: why the optimized financing secures and fosters the growth course of the Company.

AMBITION. DEMAND. QUALITY.
Milestones of value: what links our products to the resource conservation and climate protection megatrends.

PROXIMITY. SERVICE. CONTINUITY.
Together on the road to success: why 9,000 parts- and service stations increase the original equipment business and create economic independence.

SAF Holland




SAF

Key Figures

EUR million	2011	2010	2009
Sales	831.3	631.0	419.6
Cost of sales	-682.8	-514.0	-351.4
Gross profit	148.5	117.0	68.2
as a percentage of sales	17.9	18.5	16.3
Adjusted result for the period	27.3	2.9	-15.6
as a percentage of sales	3.3	0.5	-3.7
Adjusted EPS in EUR[1]	0.75	0.14	-0.75
Adjusted EBITDA	71.3	52.7	16.7
as a percentage of sales	8.6	8.4	4.0
Adjusted EBIT	57.3	37.1	1.5
as a percentage of sales	6.9	5.9	0.4
Operating cash flow[2]	46.5	46.0	48.3

1) Adjusted net result / 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	2011	2010	2009
Europe	456.6	311.3	196.7
North America	331.9	279.2	198.9
Other	42.8	40.5	24.0
Total	**831.3**	**631.0**	**419.6**

Sales by Business Unit

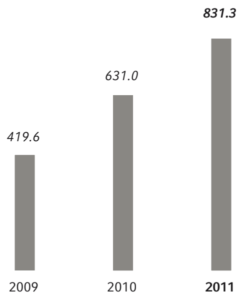
EUR million	2011	2010	2009
Trailer Systems	472.8	322.8	175.1
Powered Vehicle Systems	154.0	127.5	98.3
Aftermarket	204.5	180.7	146.2
Total	**831.3**	**631.0**	**419.6**

Other Financial Information

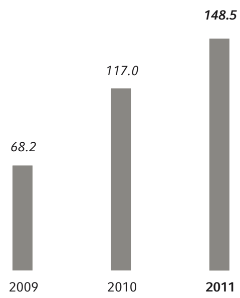
	12/31/2011	12/31/2010	12/31/2009
Total assets (EUR million)	536.5	484.7	458.1
Equity ratio (%)	35.8	5.1	5.2

	2011	2010	2009
Employees (average)	3,107	2,619	2,320
Sales per employee (kEUR)	267.6	241.0	180.9

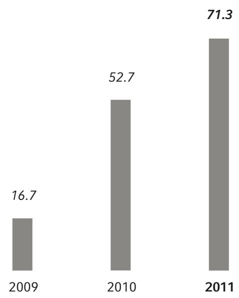
Sales EUR million

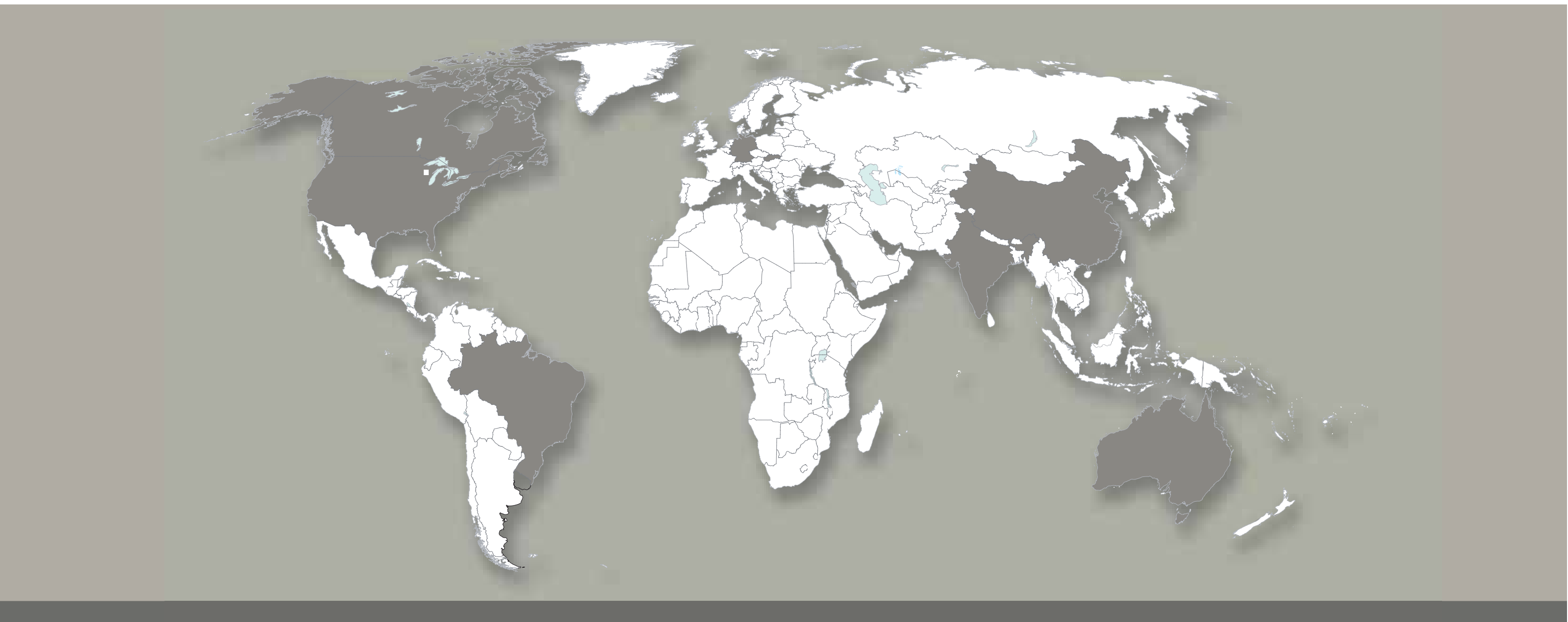


Gross Profit EUR million



Adjusted EBITDA EUR million





SAF-HOLLAND with 16 production locations around the world

Canada
Woodstock
Norwich

USA
Holland
Muskegon
Warrenton North
Warrenton South
Wylie
Dumas

Brazil
Jaguariuna

Germany
Keilberg
Wörth am Main
Frauengrund
Singen

India
(Joint Venture)
Madurai

China
Xiamen

Australia
Melton

RELIABLE ON THE ROAD.

ANNUAL REPORT 2011

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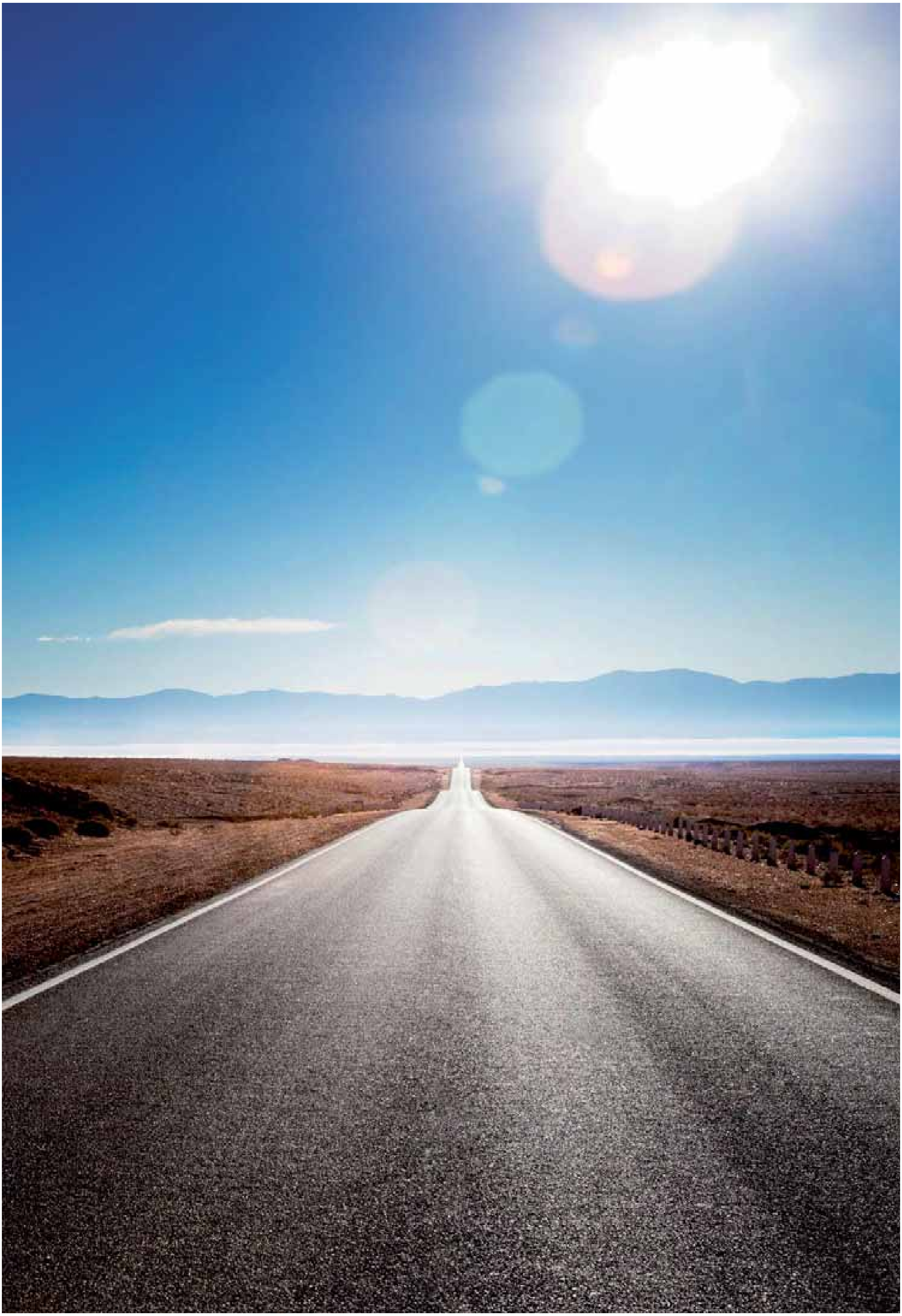
RELIABLE ON THE ROAD.

The financial year 2011 marked a period of global reorientation for SAF-HOLLAND. In order to drive global growth more decisively, the Company uses its traditional strengths: innovation tailored to market needs and outstanding product quality are combined with further enhanced presence on the truck and trailer markets. This creates the conditions for a reliable strategy with clear prospects.



Reliable on the road. >> 002–005

WELL POSITIONED – IN ALL FIELDS

A successful turnaround, convincing key figures and the right strategic course for the coming year: SAF-HOLLAND is forging ahead with the motto “Reliable on the Road”. In four thematic areas of this Annual Report, customers, experts and industry insiders describe their views on the globally-active company from their respective specialist perspectives.

Market strategy with global focus

No judgment is clearer than that of the market. International customers and business partners drive well with products and services from SAF-HOLLAND. And that not only in established, traditional markets such as North America and Europe. In other continents, too, demand for truck and trailer systems is continually increasing. Especially in the emerging BRIC countries – Brazil, Russia, India and China – market experts such as Karin von Kienlin see attractive growth regions for SAF-HOLLAND. More on this topic in the section “Markets. Opportunities. Growth.” beginning on page 14.

Financial strength for further growth

The wide-reaching market activities of SAF-HOLLAND are the best way possible to counter economic fluctuation. The Company has also positioned itself well for this task with its finance strategy. A solid capital structure, strong profitability, geographic expansion and diversified businesses are the right answer to the market cycles. Dr. Nikolaus Förster, Editor in Chief of the German economic magazine Impulse, explains why SAF-HOLLAND was named “Turnaround Company of the Year 2011” in the section “Capital. Earnings. Values.” beginning on page 40.

Jack Gisinger*,*
Head of the Powered Vehicle Systems Business Unit and Group Engineering

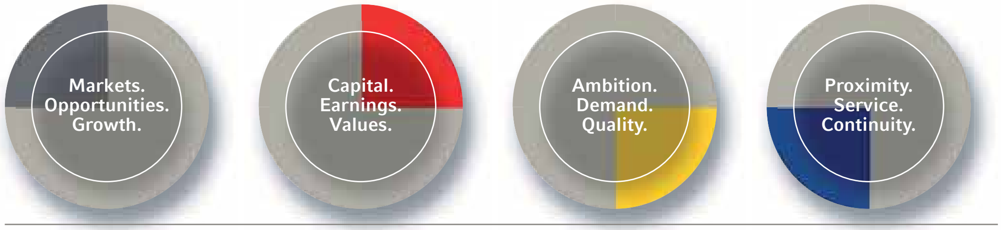
Innovation and quality all down the line

The fact that SAF-HOLLAND did not make any cutbacks in product development despite the difficult overall economic situation is paying off: Innovation leadership strengthens the position of the Company in established markets and sets it apart from the competition in emerging markets. Maximum quality is the guiding principle of our corporate culture. And customers have confirmed the success of this direction. Tim Cowen, for example, President of Cowen Truck Line in the United States. Products from SAF-HOLLAND are improving safety and productivity in his trucking company. The entire interview with Tim Cowen is in the section “Ambition. Demand. Quality.” beginning on page 70.

Sustainable success through customer focus

For decades, original equipment manufacturers (OEMs) and end customers as well as spare parts suppliers, workshops and service partners have been working together with SAF-HOLLAND in a spirit of partnership. These partnerships will be broadened in core markets as well as in emerging markets through a further expansion of the parts- and service network. Customers appreciate the ongoing dialogue and the outstanding level of performance. Similarly, Livio Ambrogio, President of the Italian trucking company Ambrogio Trasporti, said: “In all regions in which we operate, we notice: the service from SAF-HOLLAND is every bit as good as the quality of the product.” More on this theme in the section “Proximity. Service. Continuity.” beginning on page 82.

Reliability in every respect



Strong market position in Europe and North America as stable backbone of the Company	Solid capital structure as long-term anchor of confidence in the capital markets	Innovative quality assurance as a guarantee for reliable products	Highly developed Aftermarket Business Unit as a pillar of intensive customer loyalty

» The actions of SAF-HOLLAND follow a clearly-defined mission statement in all markets and at all international locations. Our objective is to adapt the strength of the Company to the respective regions. Maximum proximity to OEM, OES and end customers creates the foundation that allows us to be in the best possible position as successful premium manufacturers in both established and new markets. «

Foreword from the Management Board

Ladies and Gentlemen,
Dear Shareholders,

For SAF-HOLLAND, 2011 was both a good and important year in several respects. We reached and even exceeded the ambitious goal of profitable growth we set for ourselves. We further expanded our market position internationally, strongly increased sales by 31.7% and substantially improved earnings. Adjusted EBIT grew considerably in comparison to the previous year by 54.4%.

The financial profile of SAF-HOLLAND also proved to be ideally optimized. With the successful capital increase that was carried out in March 2011, we were able to reduce net debt by 47.2% and increase our own equity base to a ratio of 35.8%, which gives our Company greater flexibility and independence.

We significantly increased the worldwide presence of SAF-HOLLAND in 2011. This is in line with our growth strategy, at the center of which is geographical expansion with a well-balanced portfolio. In the context of the strategy, we make use of the global increase in transport volumes as a driver of growth and boost new sales potential through technology transfer. In addition, we are strengthening our international Aftermarket business and getting involved in the BRIC countries – Brazil, Russia, India and China.

During financial year 2011, SAF-HOLLAND expanded its operating business in Turkey and intensified its activities in the Middle East as well as North and Central Africa, also through the founding of a company in Dubai.

For the efficient expansion of SAF-HOLLAND's strong market position, our Company has a series of impressive trump cards:

- the strong positioning worldwide with core markets in Europe and North America as well as the growing presence in emerging markets

- the continued substantial pent-up demand for investments in trucks and trailers, especially in North America and Europe

- the successful establishment and expansion of our Trailer Systems Business Unit in North America as a consequence of the technology transfer of our core competence in axle systems from Europe to North America

- the introduction of shorter braking distances for trucks in North America. This creates good conditions for a growing interest in disc brake technology. SAF-HOLLAND is a leader in the area of disc brake axle systems for trailers in Europe and sees good potential to benefit from these strengths, also in North America

Detlef Borghardt,
Chief Executive Officer (CEO)

- a unique network with over 9,000 parts- and service stations in about 30 countries for on-site customer support and a secure supply of spare parts
- a global, broad customer base with relationships to trucking companies and fleet operators established over decades
- close cooperation with several hundreds of trailer producers and virtually all active truck manufacturers worldwide
- recognized strong brands and leadership within the industry in quality, technology and value
- innovative products, which address global demand trends, especially in regard to weight reduction, fuel efficiency and optimized total costs of ownership.

In order to further increase the market share of its products, SAF-HOLLAND is continually expanding its portfolio. A particular focus is on products that contribute to higher security or to efficiency enhancements.

As far as the market situation is concerned, the activities of our original equipment and aftermarket businesses complement each other nicely: on one hand the strong market penetration of original equipment products advances growth in the international spare parts business. On the other hand, the wide-reaching network of parts- and service stations contributes to increasing sales in the original equipment business since end customers rely on SAF-HOLLAND products in the configuration of their commercial vehicles.

With its stable positioning and favorable business development aided by the market, SAF-HOLLAND is on a good path for the future. This Annual Report, for which we have chosen “Reliable on the Road” as a main theme, also serves as proof of this development. A motto that applies not only to our Company, but also in particular to our many customers – trucking companies and fleet operators, who count on the reliability of our products day-to-day and enjoy trouble-free operation.

For financial year 2012, we expect a favorable business development – subject to a suitable general economic environment. For 2013 we also expect, from today’s perspective, positive business development with further growth in sales.

On behalf of my colleagues on the Management Board and the Board of Directors, I thank our customers, suppliers, business partners, employee representatives and employees for their good cooperation in reporting year 2011. At the same time, I thank our shareholders for their commitment to the Company. We appreciate your trust and will continue to dedicate ourselves to SAF-HOLLAND in a powerful and value-oriented manner.

Sincerely,

Detlef Borghardt

Detlef Borghardt
Chief Executive Officer (CEO)

Management Board

Detlef Borghardt

Chief Executive Officer (CEO)

Detlef Borghardt has been CEO of SAF-HOLLAND since July 1, 2011. He was previously responsible for the Trailer Systems Business Unit from June 20, 2007 and additionally assumed the role of Deputy CEO in January 2011. Borghardt joined the former SAF in 2000 as Head of Sales, Service and Marketing and assumed overall responsibility for the Trailer Systems segment in the middle of 2007 as a member of the Management Board. Before joining SAF, Detlef Borghardt held a number of management positions at Alusuisse-Lonza in Singen, Germany. These included Head of Marketing, Sales and Engineering as well as Sales Manager for Aluminum Extrusions. Mr. Borghardt holds an engineering degree in vehicle design from the University of Applied Sciences in Hamburg.

Wilfried Trepels

Chief Financial Officer (CFO)

Wilfried Trepels has been Chief Financial Officer (CFO) of SAF-HOLLAND since June 20, 2007. He joined the former SAF Group as Chief Financial Officer in 2005. Previously, from 2001 to 2005, Mr. Trepels was Managing Director of Dürr Systems GmbH, a subsidiary of Dürr AG, and from 1998 to 2001 he was Managing Director of Schenck Process GmbH, also a subsidiary of Dürr AG. Prior to that he worked for Dürkopp Adler AG in Bielefeld, Germany, as Director of Finance and Accounting. Mr. Trepels holds a degree in business administration from the University of Aachen.

Jack Gisinger

Head of the Powered Vehicle Systems Business Unit

Jack Gisinger has been responsible for the Powered Vehicle Systems Business Unit and Group Engineering since June 20, 2007. Jack Gisinger began his professional career in the Company in 1980 and held a number of leading positions in engineering and management, including General Manager of Holland's European operations. Gisinger holds a B.S. in aeronautical engineering and an M.S. in mechanical engineering.

Steffen Schewerda

Head of the Trailer Systems Business Unit

Steffen Schewerda has been the member of the Management Board responsible for Group Operations at SAF-HOLLAND since June 20, 2007. On July 1, 2011 he took on additional responsibility for the Trailer Systems Business Unit. Steffen Schewerda has been with the Company since 1997, serving as Head of Material Management and Logistics. He later took on responsibility as Head of Production at the German locations and Head of Industrial Engineering. Steffen Schewerda studied engineering at the University of Aachen and holds an MBA from the University of Augsburg and Pittsburgh.

Alexander Geis

Head of the Aftermarket Business Unit

The Board of Directors appointed Alexander Geis, in his function as Head of the Aftermarket Business Unit, to the Management Board on July 1, 2011 after he had assumed overall responsibility for the segment on October 1, 2009. As Head of this Business Unit, he is responsible for the strategic and operative alignment of the global spare parts business. His professional career at SAF-HOLLAND began in 1995 in the sales area. In the following years Alexander Geis took on various tasks and responsibilities with a continuous growth in responsibility in the Company. These included Sales Director Foreign Markets and Director Spare Parts as well as Vice President and, most recently, President of the Aftermarket Business Unit. Alexander Geis holds an MBA from the University of Maryland, USA.

Report from the Board of Directors

Dear shareholders,
Ladies and Gentlemen,

2011 was a successful year for SAF-HOLLAND: we were able to significantly increase both sales and earnings. The pleasing business development was abetted by the favorable market environment. It resulted in particular, however, from our initiatives aimed at stabilization and growth. These are having an increasing impact.

Regular exchange with the Management Board

The Board of Directors closely followed and supported the development of the Company in financial year 2011. We dealt extensively with the corporate planning, the current business development, the financial situation as well as with other fundamental issues. The Board of Directors also monitored the risk management of the Group. The management informed us regularly and in a timely manner on all relevant occurrences, both orally and in writing. The focus was on order, sales and earnings development, product and market developments as well as on financing activities. All decisions were discussed in detail. The Board of Directors exercised its due tasks in accordance with the law and the Articles of Incorporation with great care.

A tremendous success was recorded in the past financial year with the improvement of the debt and equity financing. The measures relating to this were a key topic in the consultations and decisions of the Board of Directors – from the change agreement with the banks and the capital increase through to the planning of further steps.

On several occasions, the optimization of internal control and security systems were on the agenda. The issues dealt with included, among other things, complementing the existing risk management system with a Group-wide compliance management system. From an organizational perspective, both should be placed under the umbrella of an internal control system. In this manner, we intend to continue to strengthen an awareness for compliance by our employees in all of the companies and in all of the countries in which we are active.

Bernhard Schneider,
Chairman of the
Board of Directors

Personnel changes on both Boards

During the Annual General Meeting 2011, Rudi Ludwig announced that he was resigning as CEO of the Company at his own request effective June 30, 2011. On July 1, 2011 he was succeeded by his former deputy, Detlef Borghardt. Effective September 30, 2011, Rudi Ludwig also stepped down from his position in the Board of Directors. Detlef Borghardt also assumed this role as of October 1, 2011 as co-opted member.

As CEO and Director, Rudi Ludwig saw the Company through many years of development and laid the groundwork for its continued success. In the middle of the financial and economic crisis he returned to the head of the Group in order to lead it through this difficult situation. SAF-HOLLAND owes a debt of thanks to Rudi Ludwig.

In connection with the change at the head of the Company, there were also further changes in the Management Board from July 1, 2011. Steffen Schewerda, in addition to his responsibilities as Head of Group Operations, became Head of the Trailer Systems Business Unit. Alexander Geis, responsible for the Aftermarket Business Unit, was named full member of the Management Board. He had previously been a part of the committee as deputy member.

There were also changes in the composition of the Board of Directors in the reporting year. By resolution of the Annual General Meeting, the mandate of Richard W. Muzzy was extended through the Annual General Meeting 2013 and my mandate was extended through the Annual Gerneral Meeting 2015. Further, Samuel Martin was appointed to the committee until the Annual General Meeting 2013. Gerhard Rieck resigned from the Board of Directors with the end of his contract term on April 28, 2011. We would like to thank him for his commitment and the trusting cooperation.

Focus of consultations

The Board of Directors came together for eight meetings in financial year 2011, one of which was an extraordinary meeting. No Director participated in less than half of all the meetings. Members of the Management Board were also guests at a number of meetings.

Two resolutions were passed in 2011 using the written circulation procedure. The first circulated resolution in January dealt with the objectives of the SAF-HOLLAND Group for 2011; the second resolution, in August, dealt with appointments to the Audit Committee.

The focus of the extraordinary meeting on February 24, 2011 was on the upcoming steps for the optimization of financing. We discussed in detail the change agreement for the existing credit lines negotiated with the banks and approved its signing. Furthermore, we talked about the execution of the capital increase which was tied to the agreement, in particular with regard to its conditions and timing.

In the balance sheet meeting convened on March 16, 2011 we dealt with the annual financial statements for the financial year 2010 in the presence of the auditors. We subsequently discussed issues related to the capital increase and made decisions in this regard.

On April 28, 2011 the management informed us on the key figures for the successfully completed capital increase as well as the signing of the change agreement relating to the credit agreements by the banks involved. In addition, further financing options were discussed, also including the issue of a capital market instrument.

At the meeting on May 17, 2011 we dealt intensively with the refinancing strategy presented by the management and decided in favor of the issue of a capital market instrument. It was also decided to merge the German Group companies into SAF-HOLLAND GROUP GmbH and to rename this company SAF-HOLLAND GmbH.

Our annual strategy meeting took place on August 15 and 16, 2011. The Board of Directors examined in detail the corporate strategy and fundamentally confirmed the points already determined in the previous year. On this basis, we approved strategic steps for the Business Units and various functional areas.

On August 17, 2011 the Board of Directors decided, among other things, on the establishment of a subsidiary in Dubai. In addition, a decision was made to create a Group-wide compliance organization.

At the meeting on November 15, 2011, we discussed conceptional, structural and organizational aspects of the compliance management system to be created. The concept presented by the management was approved. Relevant guidelines and processes are to be implemented by May 2012. Following intensive discussion of the changed general market situation, the implementation of the planned capital market instrument was suspended and management was commissioned with the preparation and evaluation of alternative financing measures. In addition, we dealt with issues relating to the corporate governance area at this meeting.

Budget planning for 2012 was the focus of our consultations on December 14, 2011. Following intensive discussions, we approved the planning for the three Business Units and for the Group submitted by the management.

In financial year 2011, the Board of Directors had one committee, the Audit Committee. It met four times and dealt primarily with the quarterly figures as well as the annual financial statements. In place of Gerhard Rieck, Richard W. Muzzy was elected to the committee on August 17, 2011. The Chairman of the committee reported on a regular basis to the full Board on the results of the committee meetings.

Corporate Governance

In February 2011, the Board of Directors and the Management Board approved the Declaration of Compliance 2011 in accordance with the German Corporate Governance Code. The current Declaration of Compliance as signed by the Board in February 2012 can be found in the Management Report on page 29.

Audit of the consolidated financial statements and balance sheet meeting

On April 28, 2011 the Annual General Meeting elected Ernst & Young S.A., Luxembourg as auditors for financial year 2011. The Board of Directors issued the order on October 24, 2011. Ernst & Young audited the consolidated financial statements as prepared by SAF-HOLLAND S.A. as at December 31, 2011. The auditors came to the conclusion that the consolidated financial statements give a true and fair view of the financial position and financial performance of SAF-HOLLAND S.A. They confirm that the Management Report is consistent with the consolidated financial statements.

The consolidated financial statements and report of the auditors were submitted to the Board of Directors in a timely manner. Following the relevant preparatory work of the Audit Committee, the Board of Directors discussed the results of the audit at its meeting on March 13, 2012. The auditor participated in these consultations, reported on the results of his audit and was available to respond to detailed questions.

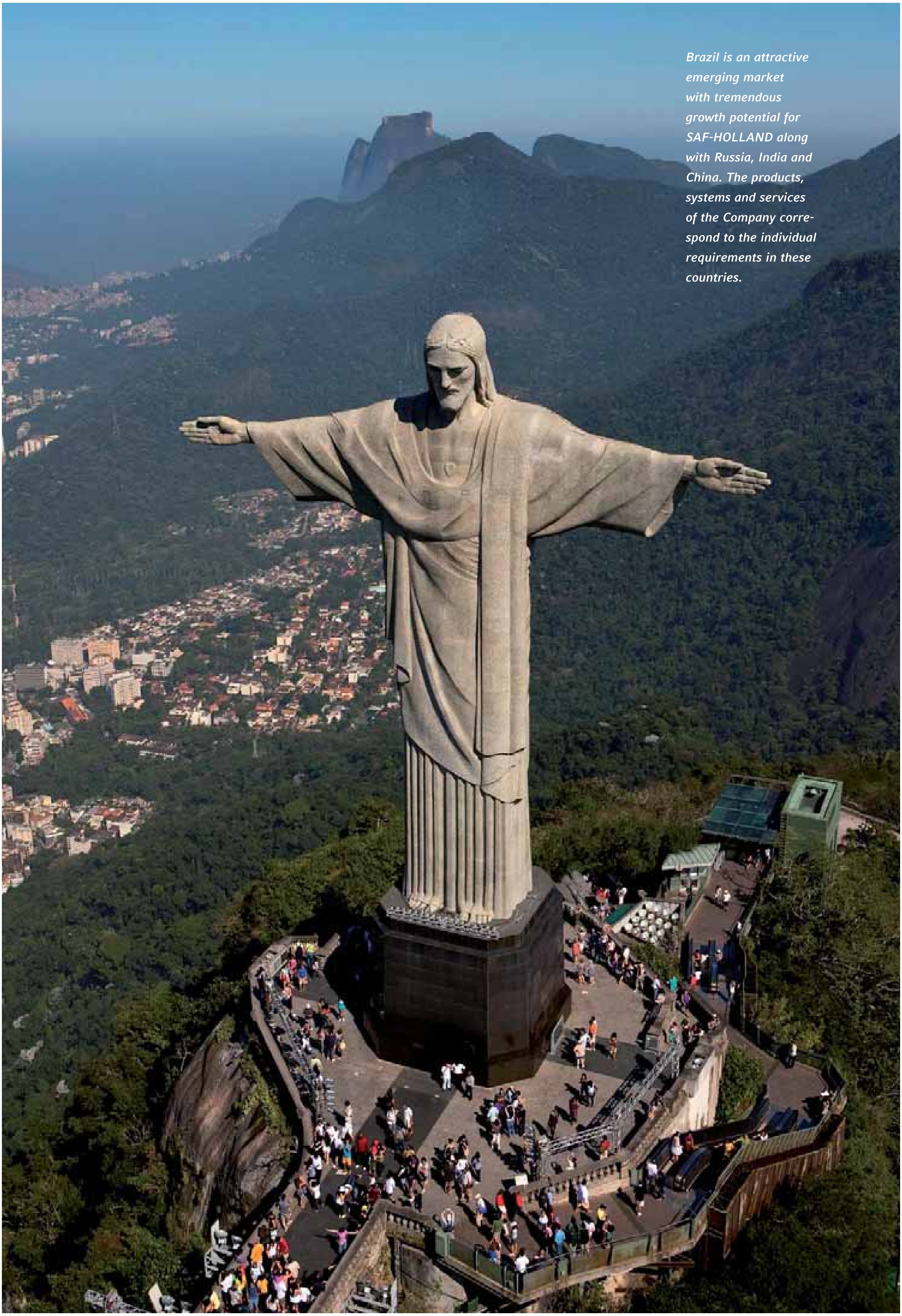
The year 2011 saw SAF-HOLLAND successfully manage the economic and financial crisis. The Company can now turn to the product and market tasks it faces with renewed energy and a focus on further growth. The Board of Directors would like to thank the management and employees for their tremendous commitment and their successful performance as well as the employee representatives for the constructive cooperation they provided also in difficult times.

Luxembourg, March 2012

Bernhard Schneider
Chairman of the Board of Directors

MARKETS. OPPORTUNITIES. GROWTH.

Growth markets that encompass the world. Around the globe SAF-HOLLAND is taking advantage of opportunities to tap new sources of revenue. This dynamic market strategy takes full advantage of a very promising environment: continuous development among European and North American customers as well as strong growth in the transport volumes of emerging economies – the Company is expanding its global market share step by step and region by region.



Brazil is an attractive emerging market with tremendous growth potential for SAF-HOLLAND along with Russia, India and China. The products, systems and services of the Company correspond to the individual requirements in these countries.

COMPETENCE TRANSPORTED GLOBALLY

Constant development in the core markets of Europe and North America, accelerated growth in emerging markets: SAF-HOLLAND is strengthening its key position as an international systems provider with innovation and market-specific products for original equipment manufacturers (OEM) of trucks and trailers. In addition, the accelerated expansion of the Aftermarket Business Unit is solidifying success with end customers – fleet operators and trucking companies.

European and North American markets are the backbone of SAF-HOLLAND, proving themselves to be stronger than ever. Double-digit growth rates in all Business Units demonstrate that the Company is taking advantage of the opportunities presented by this positive market development. In particular, the Trailer Systems Business Unit attained a sales increase of 46.5% in 2011. And the prospects for future growth are excellent – for example in the USA. SAF-HOLLAND finds itself in the passing lane as the leading manufacturer and supplier of a broad product portfolio. With axles from our own on-site production and a new generation of integrated air suspension systems, the Company takes advantage of opportunities to expand its position as a systems provider. New legal and safety requirements open additional opportunity for growth, such as regulations for a 30% reduction of the braking distances of heavy trucks starting in the middle of 2013.

Well-positioned worldwide

As a direct result of continued global population growth, more and more goods have to be transported on the roads and highways. This global development heightened SAF-HOLLAND's performance in not only the original equipment business, but also the spare parts activities of the strongly expanding Aftermarket Business Unit. The growth drivers include an expanded international business, the entry into new markets and comprehensive regional customer service. An example is the recently founded subsidiary in Dubai. It is increasing sales of spare parts in the Middle East and additionally serves as a bridge to North and Central Africa. Consistent customer-orientation is also a major focus in Central and East European countries, such as Russia. SAF-HOLLAND has provided its growing group of customers with a new and attractive

Sustainable growth

*Average annual GDP growth 2012-2015**
in %

Source: Economist Intelligence Unit (EIU); Oxford Economic Forecast OEF); L.E.K. analysis, economy watch

** expected*

Randy Flanagan,
Director, Sales & Marketing – Americas, Trailer Systems Business Unit

selection of particularly competitive branded products. To meet the ever growing international demand, SAF-HOLLAND has accelerated Aftermarket services, merged logistics activities in Aschaffenburg, Germany and built a new central warehouse in Cincinnati, Ohio (USA). Additional logistic centers will be added in Central America and Southeast Asia in 2012.

Fast growth in emerging markets

In China and Brazil, SAF-HOLLAND is advancing its activities in order to exploit the potential of these vibrantly growing economies with their increasing transport volumes. In the process, the Company locally develops, manufactures and distributes premium products that are designed to suit the individual market demands. In the Chinese and Brazilian markets these primarily include axles, landing gear as well as fifth wheels and, increasingly, integrated mechanical suspension systems.

With annual growth rates of about 10%, more goods will be transported on Chinese roads for the foreseeable future than on roads in Europe. SAF-HOLLAND's strategy recognizes the opportunities brought about by this change: the Company meets growing demand for market-specific products in emerging markets and makes even greater use of its innovation competence.

» In North America, SAF-HOLLAND has the most comprehensive product portfolio of the trailer industry. We are the only company here that can offer both mechanical and air suspension systems for trailers. Another distinguishing characteristic is that, as a premium supplier, SAF-HOLLAND always relies on consultation. In doing so, we first listen closely to the customers in order to get to know their needs and then discuss appropriate solutions together. «

UPTURN IN QUALITY AND VOLUME

A conversation with Karin von Kienlin, Managing Director of international consultants L.E.K. Consulting, on the development of established and emerging markets.

» Truck transport provides around 80% of the national product transportation in developed countries and 60-75% in emerging markets. Total freight traffic is expected to more than double in BRIC countries in the next 15 years. «

Ms. von Kienlin, the transport volumes in Europe and North America are rising. How does the future look? Is continued growth to be expected?

» At the moment, continuous annual growth in transport volume has been calculated for the long term in Europe of 2-3% and 1-2% in the USA. Decisive reasons for the increase stem from the increasingly international division of labor, which will experience additional momentum through further access to the East and growth in emerging markets. It requires large supplies of goods and longer transport distances. «

Will road transportation benefit?

» Especially in Europe the inland waterways and the railways are already used to capacity and the expansion of this infrastructure is capital intensive. In addition, the makeup of goods to be transported is moving away from mass product lines and toward individual small-sized goods. All of this is good for road transport. «

INTERVIEW WITH KARIN VON KIENLIN

Which percentage does road transport hold today?

» Truck transport provides around 80% of the national product transportation in developed countries and 60-75% in emerging markets. Total freight traffic is expected to more than double in BRIC countries in the next 15 years. Due to enormous investments in the expansion of road infrastructure, a large share of this will go to truck transportation. «

Speaking of BRIC countries, where do you see the best growth opportunities for systems providers like SAF-HOLLAND?

» Russia and Brazil will come closer to the technological standards of the European and North American markets. With an expected positive price trend, both countries represent attractive growth markets for SAF-HOLLAND, as do China and India. China is by far the largest market in respect to the volume sold. In order to be competitive in interesting sub-segments in these countries, products certainly have to suit local customer and regulatory requirements and on-site production sites need to be built. «

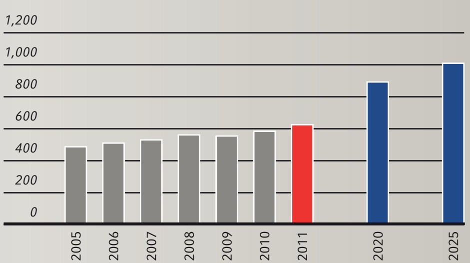
How much priority is given to service networks on location?

» A developed service network fosters presence: it simplifies cooperation with local truck and trailer OEMs in the original equipment business, just as it does with end customers in the Aftermarket business. Service centers are especially necessary in the spare parts area since corresponding service will also be demanded alongside the needed spare part. Rapid growth will take place in the coming years in BRIC countries, so a large repair market is to be expected. In order to minimize downtimes, the customers in these countries will also increasingly call upon professional repair services. «

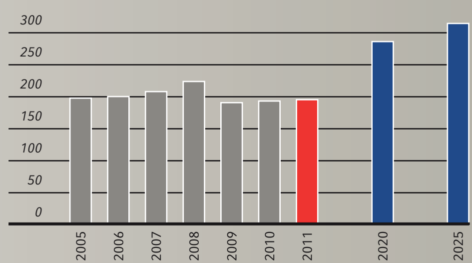
> » Russia and Brazil will come closer to the technological standards of the European and North American markets. Both countries represent attractive growth markets for SAF-HOLLAND, as do China and India. «

BRIC countries offer tremendous potential

Brazil *Volume of goods transported in billion tonne-kilometers*



Russia *Volume of goods transported in billion tonne-kilometers*



Source: ProgTrans AG, World Transport Reports Edition 2010/2011, Volume II: 13 countries of Europe and Overseas

Karin von Kienlin, Managing Director of international consultants L.E.K. Consulting

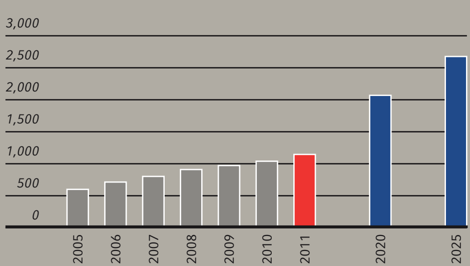
In the trailer area, innovative technologies exist right alongside traditional solutions. Does each of these also have a reason to exist in the long-term?

» Newer technologies generally offer weight advantages, they are easier to maintain and fulfill higher safety requirements. But, they are also more expensive to acquire. Therefore, many price-sensitive customers select traditional technology. In Europe and North America air suspension systems, for example, have approximately an 80% share. In BRIC countries the share is currently below 20%.
In these emerging markets the new technologies will take a growing market share from traditional technologies, but won't significantly weaken their leading position. «

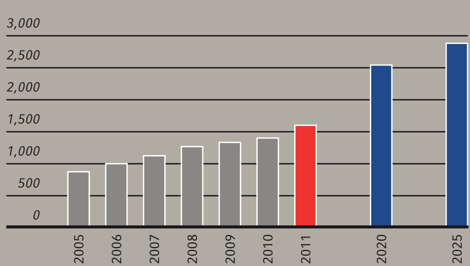
Going back to the truck and trailer market in Europe and North America: the general legal framework requires ever higher environmental and safety requirements. How does that play itself out?

» Stricter legal requirements generally lead to better technologies and correspondingly higher prices. Take safety requirements, for example. Among other things, electronically controlled air suspension systems and brake equipment count among new such developments in the trailer area. On one hand, these increase the average price since they are more expensive. On the other hand, however, they offer the potential for differentiation to quality suppliers like SAF-HOLLAND. «

India *Volume of goods transported in billion tonne-kilometers*



China *Volume of goods transported in billion tonne-kilometers*



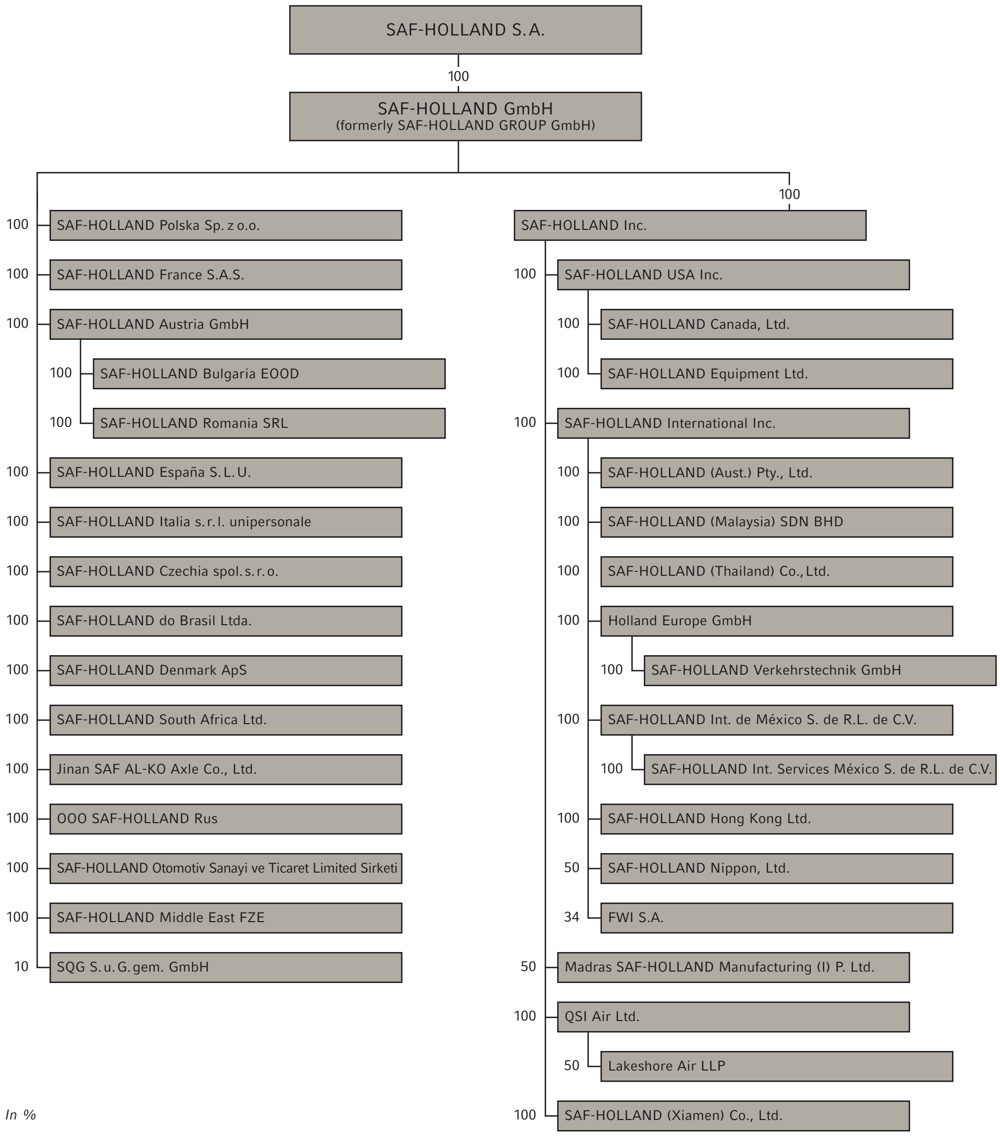
Group Management Report

CORPORATE STRUCTURE

ORGANIZATION AND COMPANY STRUCTURE

SAF-HOLLAND is one of the world's leading manufacturers and providers of premium systems and components for commercial vehicles. With axle and suspension systems, kingpins and landing gear as well as fifth wheels and coupling devices, SAF-HOLLAND offers one of the most comprehensive product portfolios for trucks and trailers in the industry.

Legal Group structure



In %

Segments: market presence with three Business Units

The Company is comprised of three Business Units. The Trailer Systems Business Unit produces axle and suspension systems, landing gear and kingpins for trailer manufacturers. The Powered Vehicle Systems Business Unit manufactures fifth wheels and axle suspension systems for manufacturers of trucks and busses. In the Aftermarket Business Unit, SAF-HOLLAND ensures the constant supply of spare parts for the transport industry. The three Business Units are each responsible for their operating business as well as earnings and are equipped with all of the resources they require for this purpose. We have centrally organized significant areas for the support of the Business Units.

Segment and client base of the Business Units

Business Unit	Segment	Client base
Trailer Systems	Development, production and distribution of: • Axle systems • Suspension systems • Landing gears • Kingpins	Trailer manufacturers (OEM)
Powered Vehicle Systems	Development, production and distribution of: • Fifth wheels • Suspension systems	Truck and bus manufacturers (OEM)
Aftermarket	Distribution of: • Systems and components as spare parts to the transport industry	Fleet operators (end customers) Spare parts dealers Workshops

Locations: production and service worldwide

As an internationally active company, SAF-HOLLAND currently operates 16 production facilities in Europe, North and South America, Asia, India and Australia. With this positioning we are among the most geographically diversified companies in the manufacture and sale of components and systems for the truck and trailer market.

Service points in 30 countries

The Aftermarket Business Unit’s service network is spread throughout the world and is operated in part in cooperation with well-known manufacturers. We currently have more than 9,000 services points, dealers and workshops in 30 countries. In the core markets of North America and Europe, our service network covers all areas and is significantly more comprehensive than the networks run by most of our competitors. In emerging growth markets like Brazil and Russia, SAF-HOLLAND is continually expanding the number of service stations.

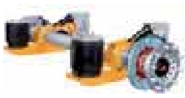
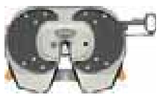
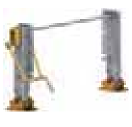
Service points around the world

Products: key components for trucks and trailers

We supply the global truck and trailer market with key components. As important components, the products from our Trailer Systems Business Unit, for example, can account for up to 40% of the value of a standard European trailer. At the same time, our product portfolio is more extensive than the portfolios of most of our competitors. Both establish SAF-HOLLAND as one of the leading partners for the truck and trailer manufacturers around the world.

Our broad network of service stations is one of the main reasons why fleet operators specifically request products by SAF-HOLLAND when placing orders with truck and trailer manufacturers. The network thus boosts both sales in the Aftermarket Business Unit as well as the original equipment business.

Regional markets of products with product examples

Region	Trailer Systems Business Unit	Powered Vehicle Systems Business Unit
Brazil	 Mechanical Suspension with Drum Brake	 Fifth Wheel, lightweight cast made of spheroidal iron
	 Rigid Axles with Drum Brake	–
China	 Rigid Axles with Drum Brake	–
	 Landing Gear	–
North America	 Air Suspension System/Slider with Disc Brake	 Air suspension for heavy duty drive axles
	 Landing Gear	 Fifth Wheel – forged Aluminum
	 Kingpins	 Rigid mount Pintle Hook
Europe	 Air Suspension System with Disc Brake	 Fifth Wheel with grease-free NoLube Technology
	 Landing Gear	–
Russia	 Leaf Spring Suspension in single, tandem or tri-axle configurations	 Fifth Wheel for heavy duty transportation
India	–	 Bus air suspension

Markets: leading position in Europe and North America

Our global activities comprise production, sales and service. Europe and North America are the key markets for SAF-HOLLAND. In Europe we are one of the top two leading suppliers of axles and axle systems for trailers as well as for fifth wheels. In North America, we are the leading supplier of fifth wheels, kingpins and landing gear as well as the third largest supplier of trailer suspension systems and axles. Globally, SAF-HOLLAND is recognized as one of the industry leaders with regard to quality, technology and value.

We combine the strong position in established markets with a growing presence in emerging countries such as Brazil, Russia, India and China. In this context, we do not necessarily supply vehicle manufacturers and their customers in the individual markets with the entire product range. Our focus in Brazil, for example, is on fifth wheels as well as suspension systems and axle systems for trailers. In China, on the other hand, we are present with landing gear and axle systems for trailers.

Economic and legal influences

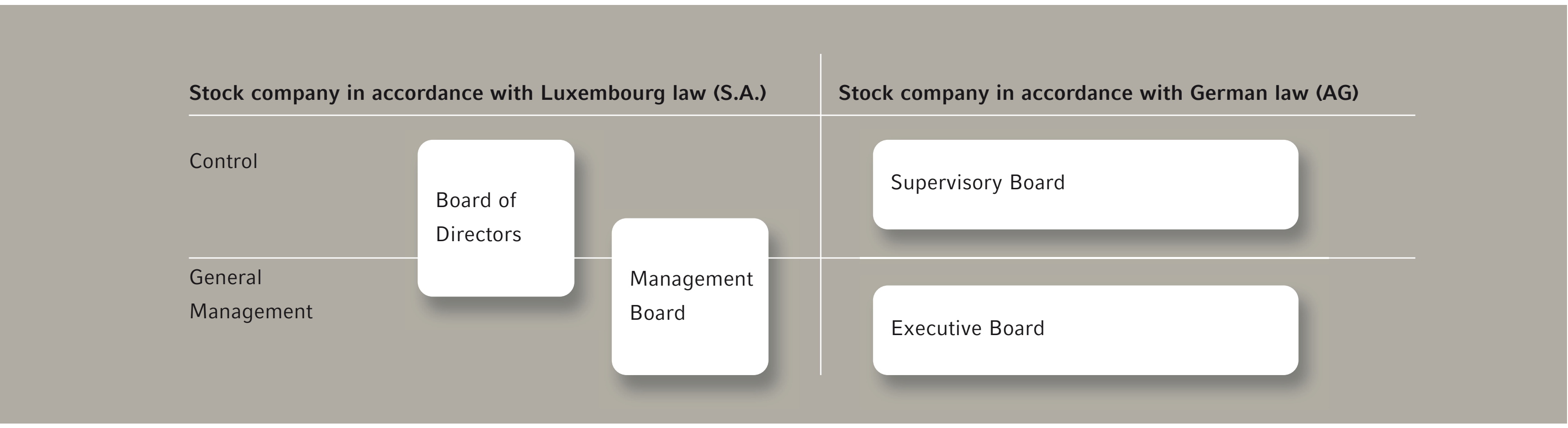
An important economic success factor for SAF-HOLLAND is transport volume. Favorable economic framework conditions boost the volume of goods that are transported. It also increases when production units, for reasons relating to cost, are shifted to lower wage countries, which means that greater distances must be covered in order to reach the end user. Transport requires the appropriate infrastructures. The logistics sector and also the market opportunities of SAF-HOLLAND are therefore closely related to the further expansion of global road networks.

On the legal side, regulatory requirements influence the purchasing decisions of customers and can act as growth drivers. The global trend toward reducing emissions thus fosters the volume of more energy-efficient, low-emission and lighter trucks. Stricter safety standards, for example in relation to braking distances or load safety, support the demand for new technologies and can also have an impact on our business.

Management and control in accordance with Luxembourg corporate law

SAF-HOLLAND is incorporated as a Société Anonyme (S.A.) in accordance with the laws of Luxembourg. Management and control are thus organized differently than is the case with a German stock corporation. Whereas corporate law in Germany calls for a two-tier model with an Executive Board and Supervisory Board, the management structure of a S.A. is oriented toward the single-tier principle of the Anglo-American board system.

Management and control in Luxembourg and German corporate law



Board of Directors

A key characteristic of the single-tier system is the Board of Directors. Its most important task is to ensure that the company management acts in the interest of the shareholders. With this intention, the competences of the Board of Directors include both supervisory functions as well as management duties.

Similarly to a German Supervisory Board, the Board of Directors elects a Chairman from among its members and establishes various committees. Generally, the Board includes both external members, the so-called Non-Executive Directors, and operationally active members of the relevant company, the Executive Directors. The members of the Board of Directors are elected by the Annual General Meeting.

At SAF-HOLLAND, the Board of Directors currently consists of a total of five members. Four of these elected representatives, including the Chairman Bernhard Schneider, are Non-Executive Directors. The fifth seat in the body is held by the Chief Executive Officer (CEO) of SAF-HOLLAND. This means that only one member of the Board is directly involved in the daily business of the Company. The Board of Directors makes decisions on the basis of a simple majority, in accordance with the Articles of Incorporation. For the exercising of its duties, the Board of Directors has formed one committee: the Audit Committee, whose tasks are comparable to the audit committee in a Supervisory Board.

More detailed information on the activities of the committee can be found in the Report from the Board of Directors on page 10. An overview of the mandates of Board members is provided on page 157.

Management Board

The Board of Directors at SAF-HOLLAND has assigned a Management Board. This body is responsible for and steers the operational management of the Company. The members of the Management Board are appointed by the Board of Directors. The body currently consists of a total of five members, including Detlef Borghardt as Chief Executive Officer (CEO) and Wilfried Trepels as Chief Financial Officer (CFO).

The CEO of the Management Board is also a member of the Board of Directors. In financial year 2011, Rudi Ludwig was thus simultaneously member of both bodies from January 1 until June 30. Following the change at the head of the Management Board on July 1, 2011, Detlef Borghardt has been a member of both bodies since October 1, 2011.

For the purposes of sustainable value creation, the Board of Directors and the Management Board work closely together in the interest of the Company and its shareholders. More detailed information on the Management Board can be found on page 8.

Changes in personnel

Gerhard Rieck left the Board of Directors following the expiration of his contract as of April 28, 2011, Rudi Ludwig as of September 30, 2011. Within the scope of the Annual General Meeting on April 28, 2011, shareholders approved an extension of the mandates of Bernhard Schneider and Richard W. Muzzy until 2015 and 2013 respectively and elected Samuel Martin as member of the committee.

Board of Directors as of December 31, 2011

Bernhard Schneider	Chairman
Ulrich Otto Sauer	Deputy Chairman
Detlef Borghardt	Member
Samuel Martin	Member
Richard W. Muzzy	Member

Rudi Ludwig was CEO of the Management Board until June 30, 2011. He was succeeded by Detlef Borghardt, who was previously responsible for the Trailer Systems Business Unit. Alexander Geis, Head of Aftermarket, on July 1, 2011 moved from deputy member of the Management Board to full member of the Management Board. Steffen Schewerda took over responsibility for the Trailer Systems Business Unit in addition to his responsibilities as Head of Group Operations. In addition, CFO Wilfried Trepels as well as Jack Gisinger (Powered Vehicle Systems) continued to be members of the Management Board.

Management Board as of December 31, 2011

Detlef Borghardt	Chief Executive Officer (CEO)
Wilfried Trepels	Chief Financial Officer (CFO)
Alexander Geis	Head of Aftermarket
Jack Gisinger	Head of Powered Vehicle Systems
Steffen Schewerda	Head of Trailer Systems

Annual General Meeting

The shareholders of SAF-HOLLAND exercise their voting rights at the Annual General Meeting. Each share is granted one vote. The Annual General Meeting takes place each year on the fourth Thursday in April and, thus, within the first six months of the financial year. The Board of Directors presents the annual and consolidated financial statements to the shareholders. The Annual General Meeting decides on the annual financial statements of the SAF-HOLLAND S.A., the appropriation of profits and on ratifying the actions of the members of the Board of Directors as well as those of the external auditor, whom they also appoint. They resolve on changes to the Articles of Incorporation and significant entrepreneurial measures. These include, among other things, the election of the members of the Board of Directors and extension of mandates. The convening of the Annual General Meeting along with the agenda and relevant documentation is published on the Company's website. The significant date for the legitimization of the shareholders is the beginning of the fifteenth day before the Annual General Meeting (record date). Shareholders can exercise their voting rights through an authorized representative of their own choice, a voting rights respresentative of the Company bound by instructions or in writing.

Directors' Dealings

In accordance with Section 15a of the German Securities Trading Act (WpHG), managers of the company are obligated to disclose their own transactions with shares or derivative financial instruments when the value of the purchase or sale meets or exceeds a total of EUR 5,000 within a calendar year. This obligation also applies to persons who are closely related to these managers. For the reporting year 2011, SAF-HOLLAND has three Directors' Dealings reports that are published on our website in the financial news category at http://corporate.safholland.com/investor.html.

Main features of the remuneration system

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. The CEO of the Management Board receives no remuneration for his work on the Board of Directors.

For the Management Board, SAF-HOLLAND maintains a performance-related remuneration system underpinned by short and mid-term performance agreements. In addition, there is a share-based remuneration component for members of the Management Board that is geared toward the medium to long-term success of the Company.

Disclosures pursuant to Article 11 (3) of the Luxembourg Law on Takeovers of May 19, 2006

a) Information regarding paragraph a) of the law (structure of capital) can be found on page 38 of this Annual Report.
b) There are no restrictions on the transfer of shares.
c) In connection with the requirements of Article 11 (1) c) there is currently one shareholder who holds 5% or more of the total shares.
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) As at December 31, 2011, 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 an Annual General Meeting 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 Annual General Meeting 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 in the "Equity" chapter 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.

Corporate governance and declaration of conformity

As a company in accordance with Luxembourg corporate law whose shares are listed exclusively in Germany, SAF-HOLLAND is subject to neither the German nor the Luxembourg requirements regarding corporate governance. Because, however, we consider responsible and transparent corporate governance as an important basis for the success of the Company, we voluntarily comply with the recommendations and suggestions of the German Corporate Governance Code. We do, however, face limits when this is not compatible with Luxembourg corporate law or our single-tier management structure. The resulting limitations are reflected in the declaration of compliance in accordance with Section 161 of the German Stock Corporation Act, which we submit voluntarily.

In February 2012, the Board of Directors submitted the following statement of independence according to 7.2.1 of the German Corporate Governance Code which is permanently available on our website at http://corporate.safholland.com/en/investor.html

"**Declaration of compliance with the recommendations of the German Corporate Governance Code**

The Board of Directors of SAF-HOLLAND S.A. declares that SAF-HOLLAND has complied, since the declaration of compliance was issued in February 2011, and will comply with the recommendations of the Government Commission's German Corporate Governance Code in its version of May 26, 2010 as published by the Federal Ministry of Justice on July 2, 2010 in the German Federal Gazette, taking into account the above-mentioned particularities of its legal structure, with the following exceptions:

- Clause 3.8 of the Code: The liability insurance policies taken out for the Board of Directors do not provide for a deductible. A deductible does not appear necessary to ensure that members of the Board of Directors act responsibly and solely in the interest of the Company.

- Clauses 3.10, 4.2.5, 5.4.6, 6.6 and 7.1.3 of the Code: The Company's annual report does not contain a separate corporate governance report (no. 3.10). As a result there is no section containing disclosures regarding the remuneration of members of the Board of Directors (no. 4.2.5 and 5.4.6) nor are stock option programs and similar securities-based incentive systems of the Company listed (no. 7.1.3). Consequently, no disclosure will continue to be made of the owner-ship of shares in our Company or related financial instruments by the members of the Board of Directors if these directly or indirectly exceed 1% of the shares issued by our Company; correspondingly, separate disclosure broken down by members of the Board of Directors will not be made if the entire holdings of all members of the Board of Directors exceeds 1% of the shares issued by our Company (no. 6.6). The expenses associated with creating a separate corporate governance report seem unreasonable. Shareholders' need for information is ensured by full compliance with disclosures required by law. Considerations as to why the Company does not comply with individual recommendations of the Code also stem from the reasons for the individual deviations already listed.

- Clause 4.2.3 (2 and 3) as well as clause 5.4.6 of the Code: With the exception of one member, the members of the Board of Directors do not receive performance-related compensation in addition to fixed compensation. The monetary components of remuneration of individual members of the Board of Directors therefore do not include, other than the aforementioned exception, variable components in addition to the fixed components (no. 4.2.3 (2 and 3)).

- Clause 4.2.3 (4) of the Code: Contracts for members of the Board of Directors have a term of two to four years, and as such, payments in the case of service in the Board ending prematurely will not exceed four years' compensation. As a result, the payments may exceed the severance cap of two years' compensation. This is primarily because existing contracts do not yet contain delimitation clauses. However, payments always relate to the remaining term of the employment contract.

- Clause 4.2.4 (5) of the Code: In the case of service in the 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. As in section 4, this is due to existing contracts which do not yet contain delimitation clauses.

- Clause 4.2.4 (6) 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.

- Clause 5.3.3 of the Code: The Nomination Committee of the Board of Directors was dissolved. Establishing a Nomination Committee no longer seems appropriate with the reduction of the Board of Directors from eight to five members.

- Clauses 5.1.2 and 5.4.1 of the Code: The age limit for members of the Board of Directors may not exceed 68 years at the time of election. The Company reserves the right to make exceptions. A strict age limit appears unreasonable as it does not allow a sufficient conclusion based on the competence and performance of the member.

- Clause 5.4.1 of the Code: The Board of Directors' mid-term plans include the appropriate participation of women; it does not, however, consider concrete goals for its composition appropriate for the purpose of balancing various selection criteria.

- Clause 7.1.2 of the Code: Our Company's interim reports will, for the time being, not be made publicly accessible within 45 days of the end of the reporting period. It seems sufficient for these financial statements to be made available pursuant to the provisions of the Exchange Rules of the Frankfurt Stock Exchange, as amended (quarterly reports within two months of the end of the reporting period), and the provisions of the German Securities Trading Act (Wertpapierhandelsgesetz), as applicable."

CORPORATE CONTROLLING

A key instrument for internal corporate controlling is the direct involvement of the Heads of the Business Units in the Management Board. This fosters the constant flow of information in both directions which in turn guarantees clear agreements and short reaction times.

Specific parameters for Group-wide control

Among the external indicators of corporate controlling are, in particular, parameters from the areas of customer structure and satisfaction as well as the development of market share. These key figures are gathered differently according to product groups and regions.

With regard to internal indicators, we analyze business development and goal conformity of the operating business as relates to orders received, production, quality, delivery reliability, volume, personnel and investments. The decisive criterion is the profitability of the Business Units which we determine in line with performance measures gross margin and adjusted EBIT.

As a key performance indicator for the Group and the most significant indicator for sustainable profitability, SAF-HOLLAND uses adjusted EBIT – earnings before interest and taxes adjusted for non-operational one-time effects. The adjustments serve to more precisely reflect development of the operating earnings situation. EBIT is adjusted for the following factors: depreciation and amortization arising from purchase price allocation, reversals of impairment of intangible assets as well as restructuring and integration costs.

A further key performance indicator is net working capital. As the difference between current assets less cash and cash aquivalents, current liabilities and other provisions, this value reflects the funds tied up in the operating business. It is thus an indication of the available liquidity potential. Generally, SAF-HOLLAND seeks to gear its production to demand, combined with strict receivables and supplier management, controlled days of inventory and turnaround times, as well as efficient production. Key performance indicators also include equity ratio and cash flow. In this context, it is our objective, beyond the financing of our operations, to also generate funds for the payment of debt.

OBJECTIVES AND STRATEGY

SAF-HOLLAND is geared toward profitable growth. At the same time, it is our goal to protect the company as well as possible against potential general economic fluctuation or weaker growth rates in individual country markets.

Strategic alignment based on four pillars

In order to achieve our goals, we pursue a strategy that is grounded on four pillars: use of the globally increasing transport volume, leveraging potential through technology transfer, international expansion of the Aftermarket business and commitment in BRIC countries.

Growing transport volumes

With the growth in population, transport volumes also expand. SAF-HOLLAND will benefit from this development. Because trucks and trailers manage not only transport that is fully transacted on the roads – they are also at the beginning and the end of every other logistics chain. Additional Information on the development of the global transport volume can be found in the Opportunity Report on page 67ff.

Advantages from technology transfer

Technology transfer is of central importance for us – it is an ideal way to leverage new volume potential. Through technology transfer we open up synergies between the activities in mature and emerging markets, as well as between the business activities in our core markets of North America and Europe. We are thus driving, for example, our North American initiatives in the area of integrated axle systems with the help of experience gained in Europe.

Involvement in Aftermarket

With our involvement in the original equipment business on the one hand and in Aftermarket on the other, SAF-HOLLAND opens up sustainable synergies. The two areas complement each other. The strong market penetration of our products boosts the Company's growth in the international spare parts business. Conversely, our comprehensive network of service stations ensures that end customers specifically request products by SAF-HOLLAND in the configuration of their commercial vehicles, which increases sales in the original equipment business.

Positioning in BRIC countries

A broad regional alignment enables us to compensate for unfavorable developments in the markets of individual regions or countries. SAF-HOLLAND is present in both the established markets and in emerging markets.

Strategic alignment of the Business Units

SAF-HOLLAND pays particular attention to further expanding its strong market position. To this end, we want to increase market share in both established markets and in new markets. The background is that with globally favorable positioning, we can benefit at a disproportionately high rate from increasing transport volumes around the world. Of significant importance is also our position as technology and quality leader. It allows us to offer our customers concrete cost and competitive advantages. It also gives the brand its particular strength.

Trailer Systems and Powered Vehicle Systems with strong market products

With the goal of further increasing the market share of our products in mind, we are continually expanding our portfolio. The focus is on products that create synergies within the overall program or which take advantage of opportunities that arise as a result of a market consolidation or on the basis of stricter regulatory requirements. Products that make a contribution to increased safety or to an increase in efficiency are given top priority by SAF-HOLLAND.

Aftermarket Business Unit provides stability

Business development in the Aftermarket Business Unit is less impacted by economic fluctuations and characterized by greater stability. The further expansion of its business share increases the independence of SAF-HOLLAND from demand swings in the original equipment business. We therefore pursue the strategy of further strengthening our distribution network and expanding the range of spare parts we offer. In addition to our premium products, we also offer standard brands, so-called A2 brands. They are targeted toward markets with a large share of trucks and trailers that are at an advanced age.

Strategic positioning in the regions

In order to gain market share, in the USA we market, among other things, products that are not yet as strongly represented there as they are in Europe. In this context our technological competence is proving itself. With the disc brake technology that is more usual in Europe, SAF-HOLLAND is offering, for example, an answer to the new US regulations on the reduction of braking distances for heavy commercial vehicles. We also want to grow in the North American trailer market with our full range of axle systems.

Growth countries, with increasing wealth and the expansion of their infrastructure, are expanding transport volumes. As a result, the need for trucks, trailers and service stations is also expanding. This creates a very promising situation for SAF-HOLLAND. We are therefore seeking to further penetrate these markets, with a focus on the BRIC countries. To this end, the production and product activities in China and Brazil in particular are being expanded.

In emerging market countries, SAF-HOLLAND offers products geared toward the particular needs of the region. We are thus meeting the current needs of these countries and, at the same time, have the opportunity to develop along with the individual markets, not only in terms of quantity, but also in terms of quality.

Strategic investments

SAF-HOLLAND has held a good third of the shares in the French joint venture FWI since 2006. The remaining shares are held by the foundry AFE Industries.

Strategic financing targets flexibility and independence

We set up the financing of SAF-HOLLAND in such a way that it allows for flexible action in the interest of our growth strategy. The liquidity needed for further expansion and a low debt ratio form the key components of our efforts. More information on this issue can be found in the Financing chapter on page 56ff.

RESEARCH AND DEVELOPMENT

Research and development are of significant strategic importance for SAF-HOLLAND because a technological edge secures our path toward market success. The focus of our R&D activities are innovations that address global demand trends, especially in the areas of weight reduction and total cost of ownership.

R&D activities consistently geared toward the needs of the markets

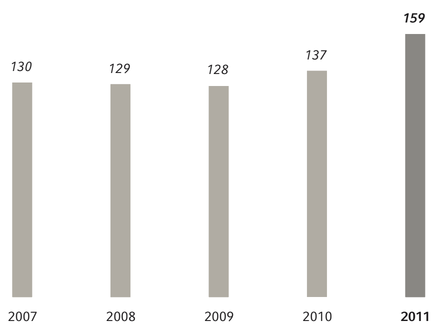
All research and development activities are consistently geared toward the benefit for the customer and seek to offer new and further developed products with a significant value added. In order to ideally meet the expectations and the needs of our customers, their input flows directly into the development of products and corresponding services. This results in quality solutions which give our OEM and end customers additional competitive advantages in their respective businesses.

Ongoing research and development is the foundation of our innovative product offering. In the process, we are strengthening SAF-HOLLAND's position through targeted technology transfer. A current example of this is the expanded product program for North America with the adapted series of air suspension trailer axles.

Beyond that, our research and development activities are also making a contribution to the global expansion of our OEM business. With market and needs oriented diversification of our product range we are securing our competitive position in emerging market countries. An example from the reporting year are the axle systems we developed specifically for the Chinese market.

At the most important international trade fair, the Mid-America Trucking Show (MATS) in Louisville, Kentucky (USA), we presented our newly developed suspension systems for trailers in spring 2011. Sales have started successfully and the annual production was sold out at an early stage. A significant increase in capacity is planned for the end of 2012.

Employees in development, application engineering and testing worldwide



R&D costs foster company growth

Because company growth at SAF-HOLLAND is based primarily on our own technologies, it is important that we are committed to advancing our research and development activities. As a result, the annual budget was increased. Expenses for research and development totaled EUR 15.0 million in the financial year 2011 (previous year: EUR 13.7 million). Development expenses of EUR 1.2 million (previous year: EUR 0.6 million) were capitalized. The R&D ratio, the share of expenses to sales, was thus 1.9% (previous year: 2.3%).

Five year overview of research and development

	2011	2010	2009	2008	2007
R&D expenses including capitalized development costs (EUR million)	**16.2**	14.3	12.0	13.5	11.8
R&D ratio (expenses as a percentage of sales)	**1.9**	2.3	2.9	1.7	1.5

R&D activities are supported by extensive product testing to promote product quality

The results of research and development activities at SAF-HOLLAND are innovative products and components. They comply with the most demanding quality standards, satisfy the most stringent safety requirements and offer tremendous reliability. The new technologies are also particularly maintenance friendly. Beyond that, we create additional weight advantages with durable lightweight elements which reduce fuel consumption or allow for heavier loads. As our end customers, fleet operators and trucking companies benefit from the advantages of increased efficiency and lower lifecycle costs. They are able to work even more economically with products from SAF-HOLLAND, they can further optimize the quality of their own services and make a contribution to environmental protection through increased energy efficiency.

All of our development activities are accompanied by wide-ranging measures to secure and optimize product quality. Five test stations for process-integrated functional tests are available for this purpose around the world. At the servo-hydraulic test station in Bessenbach, Germany, for example, both initial sample tests and series monitoring of axle components for trailer systems are carried out. The facility reproduces the kinds of conditions that were previously measured on test routes, computer assisted and practice oriented. In addition to the durability tests in the test stations, the components are also subjected to field tests with extreme hot and cold conditions.

In their quality assurance activities, our specialists are constantly exchanging experience and information with customers, suppliers and service areas. In addition, we also conduct continuous cooperations beside others with the German Technical Review Association (TÜV) and the technical university in Eindhoven, the Netherlands, among others.

At the beginning of 2011, we launched a research and development project with the German federal state of Bavaria for the further weight reduction of vehicle chassis. The project is being supported by the Bavarian Ministry of Economics with an amount of about EUR 600,000 over the term of the project.

SHARE PRICE DEVELOPMENT

A STOCK EXCHANGE YEAR WITH TWO FACES

For the financial world, 2011 was a very uneven year, which in Europe was attributable primarily to the worrisome budgetary situation in some countries and the corresponding pressure on the euro. Uncertainty among investors was also reflected in the development of the German stock indices.

Financing strategy buoys share price

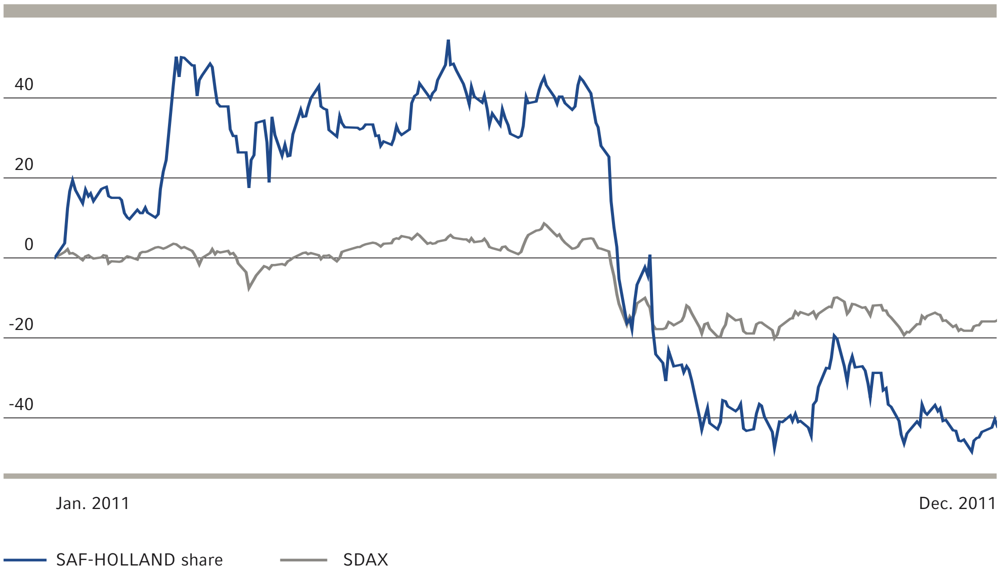
Building on the year-end price of EUR 6.14 attained in 2010, our shares had a promising start to the new year. A rapid rise saw the share reach a price of more than EUR 9.00 by mid-February in a friendly environment. On May 31 a high for the year of EUR 9.47 was achieved. Throughout the entire first half of the year, the share developed better than the comparative index: while the SDAX increased by 4.7%, the SAF-HOLLAND share added 28.5%. The disproportionately strong performance shows that the market has acknowledged both the debt reduction of the Company that was made possible by the capital increase and the refinancing measures that have been taken.

The second half of the year began with growing concerns over the euro, an increasing sovereign debt crisis of individual European countries and increased financial policy activities. As a sign of increasing nervousness in the capital markets, the indices experienced a significant downturn from August onward. The SAF-HOLLAND share also suffered considerable losses. It was impacted to a greater extent than the market as a whole. The fact that the earnings development of one Business Unit in the second quarter was apparently below the expectations of a few capital market participants also impacted the share price.

Share price catches up to the market

In October the price rose again temporarily, with the publication of preliminary figures for the third quarter making a contribution. Subsequently, the share moved sideways along with the rest of the market and ended the year with a closing price of EUR 3.56. Compared to the beginning of the year, this corresponds to a decline of 42%. Our benchmark index SDAX lost about 15% over the course of the year.

Development of the SAF-HOLLAND share price vs. SDAX (in %)



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With a strong price increase in the New Year

2012 began promisingly for stock exchanges. Both the apparent solution to the financial crisis in Greece and the sound economic data from the USA aroused positive expectations with regard to further global economic development. Stock market activity benefited from the increasingly friendly environment and growing levels of confidence: share prices returned to their former strengths, moving up considerably.

In this favorable scenario, the SAF-HOLLAND share price also made significant gains in the first two months of the year. In the middle of January, it rose to a price of more than EUR 4.00 and reached EUR 5.15 at the end of February. Compared to the closing price at the end of the year 2011, this corresponds to an increase of approx. 45%. In the same period, the SDAX rose by 16% to 5,140 points.

SUCCESSFUL CAPITAL INCREASE IN MARCH

On February 24, 2011, SAF-HOLLAND and its banking syndicate agreed on an adjustment to the existing credit agreement with significantly improved conditions for our Company. The new conditions were to take effect when a capital increase with a volume of at least EUR 90 million had been executed by the end of October 2011.

On March 24, 2011, SAF-HOLLAND announced a resolution to increase the share capital of the Company by EUR 205,351.00 from EUR 207,022.75 to EUR 412,373.75. By the end of March we had placed a total of 20,535,100 new ordinary bearer shares with a nominal value of EUR 0.01 at a price of EUR 7.00. 95% of the shares were allocated to institutional investors. 5% of the new shares went to retail investors in Germany, whereby the public offering was nearly four times oversubscribed.

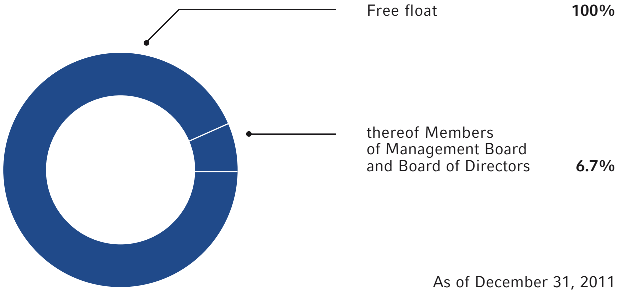
Net proceeds of EUR 139.4 million from the capital increase were used primarily for the repayment of financial liabilities and to strengthen the Company's equity base. At the same time, our financing conditions with the banking syndicate improved significantly as a result of the successful implementation of the measures. Additional information on the capital increase and the amendment agreement with the banking syndicate can be found on page 56ff.

The new shares were admitted to trading of the Company's existing listing on the regulated market of the Frankfurt Stock Exchange on March 28, 2011. On December 31, 2011 the share capital of SAF-HOLLAND was EUR 412,373.75. This corresponds to 41,237,375 ordinary shares each with a nominal value of EUR 0.01.

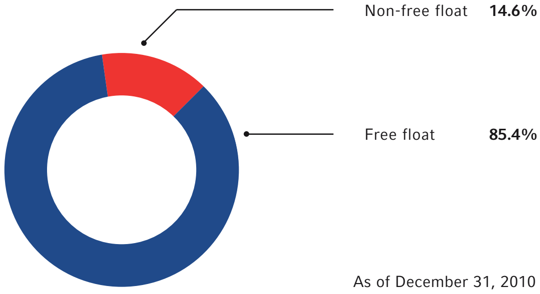
Shareholder structure: free float further increased

Through the capital increase of March 2011, the free float, the volume of freely traded shares, increased to 92.7%. This figure was back up at 100% in the fall due to the expiration of the six-month lock-up agreement with the Members of the Board of Directors and Management Board. Particularly institutional investors from the USA, the United Kingdom and Germany have our shares in their funds.

Shareholder structure 2011 in %



Shareholder structure 2010 in %



Market capitalization and trading volume

On the basis of the year-end price, our share had a market capitalization of EUR 146.8 million at year’s end. The SAF-HOLLAND share is listed on the regulated market of the Frankfurt Stock Exchange and fulfills the transparency criteria of the Prime Standard. It has been part of the SDAX since 2010. The average trading volume in the reporting period was 257,992 shares per day.

INVESTORS AND CAPITAL MARKET RELATIONSHIPS

Investor relations with international activities

The focus of our investor relations efforts is on timely and ongoing dialogue with the capital market. Relationships with investors and analysts are constantly expanded and intensified.

The broad spectrum of investor-relations activities includes regular company presentations from management at roadshows and capital market conferences – in Germany as well as in the USA, the United Kingdom, Scandinavia, Austria and Switzerland. In 2011, for example, we held several discussion rounds with American investors in New York and Boston. In October, numerous analysts and investors attended a Capital Market Day event at our head office in Bessenbach. We also provided information within the scope of telephone conferences and individual discussions as well as through comprehensive press and media activities.

An essential building block of our financial communication is the Internet: on the company website http://corporate.safholland.com/en/investor.html we make current information available, including reports and presentations which are available for download.

Current analyst studies are broadly positive

SAF-HOLLAND is analyzed by several banks and brokers. West LB, UniCredit and Equinet joined Cheuvreux, Commerzbank, Steubing and Viscardi as analysts at the beginning of 2011. Montega followed by the end of 2011. The coverage of our Company was further expanded and the shares placed more strongly in the focus of private and institutional investors. The most recent estimates of the analysts are generally buy recommendations.

Current analysts estimates

Feb. 14, 2012	**Equinet Bank AG**	**buy**
Feb. 9, 2012	**WestLB AG**	**buy**
Jan. 11, 2012	**Montega AG**	**buy**
Jan. 5, 2012	**Steubing AG**	**buy**
Nov. 17, 2011	**Cheuvreux S.A.**	**outperform**
Nov. 9, 2011	**Commerzbank AG**	**buy**
Oct. 25, 2011	**UniCredit Bank AG**	**buy**
Sept. 1, 2011	**Viscardi AG**	**buy**

Dividends linked to sound equity ratio

SAF-HOLLAND's goal continues to be the participation of our shareholders in the Company's success and to make a dividend payout equal to 40-50% of SAF-HOLLAND S.A.'s available net earnings. A condition for this is a solid foundation with an equity ratio of about 40% reported in the annual financial statements. We made good progress toward this ratio in 2011. The Board of Directors proposes to the Annual General Meeting that no dividend be paid out for the reporting year.

Key share figures

WKN/ISIN	**A0MU70/LU0307018795**
Stock exchange code	**SFQ**
Number of shares until March 23, 2011	**20,702,275 shares**
Number of shares from March 24, 2011	**41,237,375 shares**
Designated Sponsors	**Commerzbank AG, Cheuvreux S.A.**
Highest/Lowest price for the year[1]	**EUR 9.47 / EUR 3.18**
Closing price at end of year[1]	**EUR 3.56**
Market capitalization[2]	**EUR 146.8 million**
Adjusted earnings per share[2]	**EUR 0.75**

1) XETRA-closing price in euro.

2) Based on number of shares outstanding as of December 31, 2011

3) Based on the weighted average number of shares outstanding in the period under review.

CAPITAL. EARNINGS. VALUES.

Economic developments follow rules of their own. In the context of the world economy, creating a business that can act with confidence in the long term depends on having a strategic vision and consistent growth planning – as well as a solid financial strategy. SAF-HOLLAND focuses on long-term value in financing. Key factors: stable equity base, reduced external financing and sufficient liquidity to remain quick and ready to act independently at all times.

SAF-HOLLAND used financial year 2011 to give the capital structure of the Company a sustainably optimized balance. This creates security for the implementation of further innovations and expansion projects through which the Company can also create value in the future.

LAYING THE GROUNDWORK FOR THE FUTURE

Those who desire long-term success must be able to quickly and effectively react to economic volatility. SAF-HOLLAND has taken advantage of past lessons and has optimally positioned the Company to overcome cyclical challenges. A substantially improved financial position in connection with greater profitability, geographic expansion and a diversified business model combines to provide an important basis.

Solid capital structure, a high level of independence, monetary flexibility and the financial strength for further growth – these are the key components of realignment at SAF-HOLLAND. With its successful capital increase, the Company created the key room to maneuver for making substantial improvements.

Borrowed capital considerably reduced

The cash inflow generated was primarily utilized to reduce the amount of net debt. Approximately EUR 139 million were used for the repayment of bank loans, which reduced net debt by 47.2%. At the same time, it was possible to achieve better conditions for the existing credit line with the banking syndicate. Both factors resulted in significant interest savings for SAF-HOLLAND. Should key debt figures continue to improve, the interest rate margin will be lowered even further, according to the amendment agreement. The banks also waived the opportunity for simplified liquidation of securities.

Equity and profitability increased

The assets position of the Company, which had already been optimized through the capital increase and the reduction of debt, also benefited from positive business development. The equity ratio reached 35.8%, a clear indicator of the Company's financial stability and increased independence from lenders. In combination with a solid liquidity position, the conditions have been created for taking advantage of opportunities in the market with speed and flexibly.

- » **Net debt reduced by 47.2%**
- » **Equity ratio increased to 35.8%**
- » **Net working capital < 10% of sales**
- » **Efficiency improvements accelerate profitability**
- » **40 to 50% dividends of available net income planned**
- » **Geographic expansion with balanced portfolio**

Wilfried Trepels,
Chief Financial Officer

Progress in the optimization of cost structures is boosting profitability while initiatives that create a leaner corporate structure reduce administrative expenses and make an important contribution to increased efficiency in management.

Increased stability with presence and products

The growth strategy at SAF-HOLLAND also includes mechanisms that protect against market cycles. In addition to a diversified product range, geographic expansion plays a particularly significant role here. In order to combat economic fluctuation, SAF-HOLLAND combines the good prospects of participation in emerging markets with steady growth in its established core markets. The Company is therefore accelerating the growth of the Aftermarket business in Europe and North America, for example. And for good reason: the Business Unit not only counts as an important contributor of earnings, it also provides an additional source of stability.

Emerging markets as additional source of stability: With assembly plants on site, market-specific technologies and product campaigns, SAF-HOLLAND is advancing its business development. Within the next three years, the Company intends to increase its sales volume tenfold in the BRIC countries – and thereby become less dependent on the economic situation in established markets.

» Our objective is to further optimize external financing. Although we are financed through to the end of September 2014, we are nonetheless reviewing other options. One possibility relates to the issue of a capital market instrument. For such a scenario, we have already negotiated a new, flexible credit line with a small group of banks. This would take effect following the issue of such an instrument. It is also part of our strategy to halve financing costs in the coming years. «

TURNING THE CORNER TO SUSTAINABLE GROWTH

Editor-in-Chief Dr. Nikolaus Förster explains why the business magazine "impulse" awarded SAF-HOLLAND the title of "Turnaround Company of the Year 2011".

» The turnaround must be sustainable. The more impressive a company's reorganization concept, the higher its chances at winning. «

Dr. Förster, your magazine declared SAF-HOLLAND "Turnaround Company of the Year 2011". Could you provide some background information for this award and explain why it is given?

» The general media frequently reports on successful companies, but it often ignores those who have succeeded in leading their business out of a difficult crisis. We wanted to change that with the turnaround company award. The winners have achieved the extraordinary in a difficult situation. «

Was there a much greater number of candidates as a result of the global financial and economic crisis?

» Of course, the past years nearly ruined many companies. Companies which were previously in a good position. But crises are not always dependent on the economy, they are often caused internally. So there's no lack of companies struggling with a crisis even during calmer times. «

INTERVIEW WITH DR. NIKOLAUS FÖRSTER

What criteria do you look at when selecting potential companies?

» It's very important for the jury that the companies remain intact at their core – even if employees had to be let go and the business model was modified. And the turnaround must be sustainable, so just getting back in the black doesn't cut it in the first instance. The more impressive a company's reorganization concept, the higher its chances at winning. «

Is there any single measure, in your opinion, that was decisive in the success of the turnaround at SAF-HOLLAND?

» An important signal was sent out when the top managers themselves collected a sum in the million range and invested it into the Company. Their commitment gave a clear message: We believe in the Company – and in the turnaround. This certainly helped in negotiations with the bank consortium, which lasted several months. Without this new financing agreement with the banks, the following steps, such as the capital increase and reducing the credit lines in the end, would have hardly been possible. «

Which activities in particular made SAF-HOLLAND stand out?

» SAF-HOLLAND not only introduced a radical savings plan, as did many other companies, it immediately sought out a dialogue with employees and the works council in order to ensure their support – as in the case of cutting vacation or Christmas bonuses. When the Company had to let employees go, who were in part later re-hired, the Company also took care to ensure that people of all ages had to go – not just the young ones. This served to maintain a healthy age balance in the workforce. It was also important that management, who had to ask their employees to make difficult sacrifices, took a voluntary reduction in holiday entitlement, salary and bonuses. «

» Difficult times, however painful they may be, offer not only the opportunity to recognize one's own weaknesses, but also the chance to construct a more efficient business model and company as a whole. «

SAF-HOLLAND - the path to new success

MAY

Sale of private equity shares opens up new prospects for the share price

DECEMBER

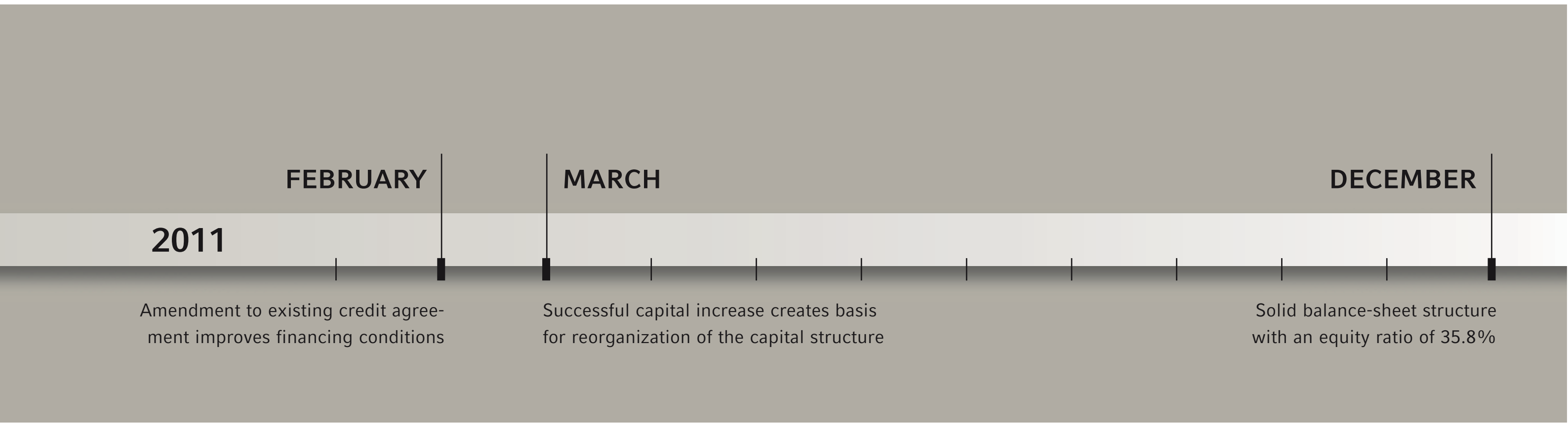
Extraordinary Annual General Meeting, increase in authorized capital

2010

With this award, you're emphasizing the contribution of restructuring to sustainable growth. Where do you see the greatest opportunities and potential for mid-sized companies in this area?

» Entrepreneurs generally don't concern themselves with their own business model until it's not working quite so well anymore. It's just not seen as necessary as long as good profits are being made. Economic history shows that markets change during crises in particular – and that's precisely when new companies are formed. Difficult times, however painful they may be, offer not only the opportunity to recognize one's own weaknesses, but also the chance to construct a more efficient business model and company as a whole. «

Dr. Nikolaus Förster,
Editor-in-Chief of the business magazine "impulse"



FINANCIAL POSITION AND FINANCIAL PERFORMANCE

GENERAL FRAMEWORK CONDITIONS

Overall economic development

Global economic growth slowed considerably in 2011. According to the Kiel Institute for the World Economy (IfW), growth is expected to amount to 3.8% as compared to 5.1% in the previous year. Along with increasing prices for raw materials and uncertainty in the financial sector, there has been a particularly dampening effect from controversy over the reduction of the U.S. deficit, the debt crisis in Europe and the weaker economic data from emerging economies. Growth in world trade also lost momentum. The World Trade Organization (WTO) anticipates an increase of 5.8% in 2011 after it originally forecast a rise of 6.5%.

Europe: development differs among member states

In the European Union, gross domestic product (GDP) is expected to increase by 1.6% with significant differences existing among the 27 member states. Estonia recorded growth of 8.0%, while Greece experienced a decline of -6.2%. Uncertainty in relation to the European debt crisis as well as restrictive financial policy slowed economic growth, particularly in the Euro zone. In Germany the real GDP according to the German Federal Statistical Office's preliminary calculations increased by 2.9%.

North America: slight increase in a difficult environment

In the USA, while the economy gathered pace over the course of the year, it only achieved moderate growth of 1.7% from a full-year perspective. The significant structural obstacles continued to include high levels of debt in public and private budgets as well as a surplus in the real-estate market.

BRIC states: consistently high demand

The limited growth of the more advanced economies as well as partially falling raw material prices restricted the overall economic production of emerging economies. Among the BRIC states of significance to SAF-HOLLAND, Brazil in particular experienced a decline. The country's economic conditions however continue to be favorable, so that increasing production is already expected in 2012.

In Russia, economic development benefited from both the high price of oil and from the effects of subsidies in the run up to the parliamentary elections held at the beginning of December. With a GDP increase of 4%, the economy is estimated to have grown to a greater extent than in the previous year. India and China, however, were probably unable to continue their double-digit economic growth in the reporting year, though both countries continued to record above average growth rates. For India, a GDP increase of 6.7% is anticipated. In China, according to initial estimates, production increased by 9.5% with stable domestic demand making a particular contribution.

Economic growth 2011 in important markets

	2011	2010
European Union	1.6%	1.8%
Euro zone	3.0%	1.8%
Germany	2.9%	3.7%
United States	1.7%	3.0%
Brazil	3.5%	7.5%
Russia	4.0%	3.5%
India	6.7%	10.4%
China	9.5%	10.3%

Sources: Institute for the World Economy IfW (December 2011), German Federal Statistical Office (January 2012)

Industry-specific development

The worldwide market for commercial vehicles grew significantly faster than the overall economy in 2011. According to estimates from industry data specialists LMC Automotive, 2.66 million trucks (previous year: 2.49 million) with a total weight of more than six tons were sold worldwide. The German Automotive Industry Association (VDA) expects global sales of 3.1 million units, which amounts to an increase of 7% in comparison to 2010.

Europe: economic boost through catch up effects

In Western Europe, according to the VDA, sales of heavy trucks increased by 25%, and by 70% in the new EU states. Catch up effects provided positive trends for both trucks and trailers. In Germany, initial registrations almost reached the record highs achieved prior to the crisis. According to surveys carried out by the Association of International Motor Vehicle Manufacturers (VDIK), 330,000 commercial vehicles were newly registered. The market for heavy commercial vehicles over 16 tons gross vehicle weight increased by 22%. The consistently high demand in the first half of the year initially slowed in the second half of the year. Alongside growing uncertainty in terms of the overall economic and financial situation, tighter lending for investment financing put pressure on the European market at the same time. Towards the end of the year, however, business was once again recovering perceptibly.

North America: strong growth in heavy trucks

Market development in the USA was characterized by significant pent-up demand as a result of the financial and economic crisis of 2007 to 2009. Consequently, the North American truck industry's growth was considerably stronger than that of the overall economy in 2011. The number of new class 8 heavy trucks rose sharply. In the second quarter, sales more than doubled as compared to the previous year. According to projections from the market research company FTR Associates, 68% more trucks in this category were delivered in 2011 than in 2010. According to FTR, the trailer sector developed dynamically. The number of units produced in the USA increased by 75% in comparison to the previous year.

BRIC states: Russia and Brazil as forerunners

In Brazil, the commercial vehicle market increased by 14% in the reporting year according to information from VDA. More than 40,000 trailers were registered. The commercial vehicles market in Russia grew considerably more, increasing by more than a third. With 1.2 million units sold, China is still the world's largest commercial vehicle market. In 2011, however, the country could not maintain the high sales figures from the previous year: 9% fewer vehicles were sold than in 2010. Significant causes of the decline include cancelled premiums in the bus sector and consolidation trends resulting from the disproportionate 44% increase in demand of the previous year.

OVERVIEW OF BUSINESS DEVELOPMENT

SAF-HOLLAND was able to participate to a significant extent in the favorable development of the industry and thus to expand the Company's position in world markets. With a sales increase of 31.7%, SAF-HOLLAND's business grew at a considerably higher rate than the overall market. We clearly exceeded our objective of increasing Group sales by a quarter. Also in relation to profitability we achieved striking progress. Adjusted EBIT rose by 54.4%, sharply underscoring the effectiveness of our initiatives aimed at profitable growth.

Objectives fulfilled 2011

Objectives 2011	**Results 2011**
Sales growth of 25% on the previous year	**Sales growth of 31.7%**
Further improvement in earnings	**Increase of 54.4% in adjusted EBIT**
Net Working Capital < 10% gross profit	**9.6% (previous year: 9.1%)**

Significant events in the 2011 financial year

In line with our strategy of broad geographical coverage, we strengthened our international presence again in 2011. SAF-HOLLAND has been represented in Turkey since the beginning of the reporting year by a regional company based in Istanbul. The country on the Bosphorus is becoming increasingly important for the truck and trailer market. Ultimately, Turkey is one of the high-growth economies in the world and demand for commercial vehicles increases along with transport volumes. Almost all large European manufacturers are either already present or currently expanding production capacities in the country.

We have also increased our activities in the Middle East as well as in North and Central Africa, a region SAF-HOLLAND has been active in for some time. For this purpose, a regional company was founded in Dubai that supplies spare parts to fleet operators in this increasingly important region. From this new location, we can offer our customers better availability of parts along with shorter delivery times and a simplified order process.

Europe and North America: significant progress in all Business Units

The Trailer Systems Business Unit was able to expand its market position and increase its share of the European market. We are benefiting from the fact that the competitor Meritor withdrew from the European original equipment business in 2011. The American company held an estimated share of less than 10% in the trailer axles market.

The launch of further suspension systems for trailers in North America was a significant step forward. At the Mid-America Trucking Show (MATS) we introduced our now complete product family of air suspension systems for trailers. Through these innovations, SAF-HOLLAND now offers a wide range of suspension systems for almost all customer needs in North America. Supplying the North American market with axle and suspension systems is a fundamental part of our growth strategy there. It is our mid-term goal to double our market share for these products.

In the Powered Vehicle Systems Business Unit in particular, we have succeeded in slightly increasing our market share in the fifth wheel sector. From the second half of the year, bottlenecks burdened production of casting materials. We were, however, able to secure timely and reliable supply to our customers with additional shifts and overtime in production. Just as in Europe, SAF-HOLLAND also benefited from its strong market position for fifth wheels in the USA. The market share in this product segment in the USA could thus be further expanded. The major project from a public sector customer generated high utilization of capacity in the reporting year. The focus in the area of research and development was on new suspension systems for special vehicles for heavy-duty applications to be sold from the end of 2012. The North American market proved to be particularly dynamic, with development strongly characterized by pent up demand following the recent financial crisis.

Through the restructuring of the German spare parts warehouses we achieved both benefits to customers as well as internal optimization in the Aftermarket Business Unit. This was primarily due to the merging of the two warehouses in Singen and Aschaffenburg to the Aschaffenburg location which thereby developed into the European logistics headquarters for the spare parts business. Here customers can now order parts from the entire product range of SAF-HOLLAND, which greatly simplifies orders. SAF-HOLLAND is benefiting from streamlined delivery processes, as different parts are now assembled together and can be sent in one shipment.

With the future in mind, our warehouse structure in North America was also reorganized in 2011. In May we opened a central logistics center in Cincinnati, Ohio that serves the entire North American market. It covers an area of around 8,000 square meters and replaces numerous decentralized warehouses. Significant advantages include – as in Europe – shorter delivery times and streamlined delivery processes.

BRIC states: further penetration of future markets

We are taking advantage of the growth potential in BRIC countries in two stages: for the time being, SAF-HOLLAND is primarily active with products that meet today's requirements. As these markets continue to develop, we can then make the transition to increasingly higher performing and quality products. To this end, we presented a new mechanical suspension system in Brazil in 2011. In order to expand the production opportunities on site, our subsidiary in São Paulo has also begun the production of fifth wheels.

In the reporting year we benefited from demand in the Russian market in the OEM sector as well as in the aftermarket. Our strong position in Poland played a key role, since trailers in particular were primarily exported to Russia from there. In order to approach the Russian market directly, SAF-HOLLAND presented the entire product range during the ComTrans trade fair in Moscow. At this, the most important Eastern European commercial vehicle trade fair, we gained several manufacturers as customers as well as renowned partners for the spare parts business.

In China, our activities continued to develop on a high level. In addition to landing gear production, we also began with the production of trailer axles in 2011. Our main focus is on a robust axle system that was specifically developed for the local market. The suspension systems prevailing in China are primarily mechanical in nature. However, in the premium market segment, we are already selling air suspension systems for silo and tank trailers, for example.

Product development opens up competitive advantages

Our product development in 2011 addressed the most important global market trends: weight reduction, fuel efficiency and improved total costs of ownership. In the Trailer Systems Business Unit, together with the brake manufacturer Haldex, we designed a new lighter trailer disc brake. Compared to conventional systems, it is twelve kilograms lighter per axle. With a wheel end that has also been newly developed, the weight of a trailer's axle drops by another 20 kilograms. Thus, a total of 96 kilograms can be saved for a three-axle trailer. Together with aluminum wheel rims, up to 204 kilograms of weight reduction is possible. Further savings can be achieved by using an aluminum fifth wheel that is offered exclusively by SAF-HOLLAND.

Company organizational structures simplified

We streamlined SAF-HOLLAND's corporate structure during the reporting year. Various domestic Group companies were retroactively merged into the German parent company, SAF-HOLLAND GROUP GmbH as of January 1, 2011. It now handles the operational business of the former SAF-HOLLAND GmbH and, following a corresponding rebranding, also bears its name.

We also have simplified our corporate structures in the USA as a first step. Accordingly, SAF-HOLLAND Holdings (USA) Inc. was merged into SAF-HOLLAND Inc.

EARNINGS SITUATION

Sharp increase in sales

SAF-HOLLAND was able to benefit extensively from the favorable development of the commercial vehicle industry. This applies in particular to the core regions of Europe and North America, where our sales grew much faster than the market. In total we achieved Group sales of EUR 831.3 million (previous year: EUR 631.0 million), which corresponds to an increase of 31.7% over the previous year. Adjusted for exchange rate effects, sales increased to EUR 849.4 million (previous year: EUR 631.7 million). All Business Units contributed to the marked sales growth.

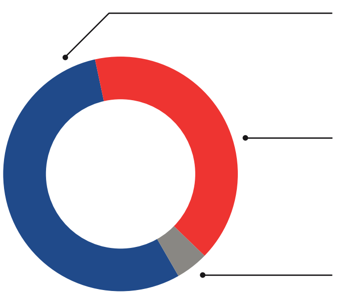
Sales development by region

EUR million	2011		2011 (exchange rate-adjusted)		2010	
Europe	456.6	54.9%	456.5	53.8%	311.3	49.4%
North America	331.9	39.9%	348.5	41.0%	279.2	44.2%
Other	42.8	5.2%	44.4	5.2%	40.5	6.4%
Total	**831.3**	**100.0%**	**849.4**	**100.0%**	**631.0**	**100.0%**

SAF-HOLLAND recorded the biggest increase in Europe. Here, we generated sales of EUR 456.6 million in the reporting year, thereby 46.7% more than in 2010. In North America, sales climbed by 18.9% to EUR 331.9 million. In all other regions we generated combined sales of EUR 42.8 million (previous year: EUR 40.5 million).

The positive order development required a corresponding increase in our production capacities in the first half of the year. In the American plant in Wylie, Texas, a third shift was introduced at the beginning of 2011. The German plant in Frauengrund also changed to the three-shift system in March 2011 due to the positive situation in orders. As a result, our European production facilities were well utilized.

Share in Group sales by region



Earnings development remains positive

Income statement

EUR million	2011		2010	
Sales	831.3	100.0%	631.0	100.0%
Cost of sales	-682.8	-82.1%	-514.0	-81.5%
Gross profit	**148.5**	**17.9%**	**117.0**	**18.5%**
Other income	1.4	0.2%	1.3	0.2%
Selling expenses	-48.9	-5.9%	-42.2	-6.7%
Administrative expenses	-37.5	-4.5%	-36.7	-5.8%
Research and development costs	-15.0	-1.8%	-13.7	-2.2%
Reversal of impairment of intangible assets	1.5	0.2%	5.2	0.8%
Operating result	**50.0**	**6.0%**	**30.9**	**4.9%**
Finance result	-23.7	-2.9%	-35.4	-5.6%
Share of net profit of investments accounted for using the equity method	0.6	0.1%	0.4	0.1%
Result before tax	**26.9**	**3.2%**	**-4.1**	**-0.6%**
Income tax	-0.1	0.0%	-4.2	-0.7%
Result for the period	**26.8**	**3.2%**	**-8.3**	**-1.3%**
Number of shares[1]	36,502,894		20,702,275	
Earnings per share in EUR[1]	**0.73**		**-0.40**	

1) Weighted average number of ordinary shares (see Note 7.2)

SAF-HOLLAND's financial position improved again in 2011. Driven by high business volume, gross profit grew by 26.9% to EUR 148.5 million (previous year: EUR 117.0 million). The gross margin of 17.9% is slightly below the previous year (previous year: 18.5%). This is primarily due to increased materials costs, which make up a considerable part of our cost of sales. A significant basis of this is the scrap steel index. We can pass on price increases in the area of materials to a certain extent, albeit with a delay.

Selling expenses increased in comparison to the previous year by 15.9% to EUR 48.9 million (previous year: EUR 42.2 million). Based on total sales its rate fell from 6.7% to 5.9%. A similar picture emerges with general administrative expenses, which in relation to sales accounted for 4.5% as compared to 5.8% in the previous year. Costs for research and development increased in 2011 to EUR 15.0 million (previous year: EUR 13.7 million) and amounted to 1.8% of sales (previous year: 2.2%).

The finance result in the amount of EUR -23.7 million (previous year: EUR -35.4 million) primarily reflects lower interest expenses as a result of optimized financing. This also includes unrealized foreign exchange gains of EUR 4.2 million (previous year: EUR 0.0) from inter-company loans.

In 2011, income taxes totaled EUR -0.1 million (previous year: EUR -4.2 million). The low income tax rate of 0.4% mainly resulted from the initial recognition of deferred tax assets from interest carry-forwards in Germany due to the improved financial situation.

The result for the period of EUR 26.8 million exceeded the comparable figures from the previous year of EUR -8.3 million. After adjustment, this figure amounts to EUR 27.3 million (previous year: EUR 2.9 million).

Reconciliation of adjusted earnings figures

EUR million	2011	2010
Result for the period	26.8	-8.3
Income tax	0.1	4.2
Finance result	23.7	35.4
Depreciation and amortization from PPA	6.4	6.7
Reversal of impairment of intangible assets	-1.5	-5.2
Restructuring and integration costs	1.8[1]	4.3[1]
Adjusted EBIT	**57.3**	**37.1**
as a percentage of sales	6.9	5.9
Depreciation and amortization	14.0	15.6
Adjusted EBITDA	**71.3**	**52.7**
as a percentage of sales	8.6	8.4
Depreciation and amortization	-14.0	-15.6
Finance result	-23.7[2]	-35.4
Restructuring and integration costs	5.8[3]	2.4
Adjusted result before taxes	**39.4**	**4.1**
Income tax	-12.1[4]	-1.2
Adjusted result for the period	**27.3**	**2.9**
as a percentage of sales	3.3	0.5
Number of shares	36,502,894[5]	20,702,275
Adjusted earnings per share in EUR	**0.75**	**0.14**

1) Thereof depreciation and amortization in the amount of EUR 0,3 Mio. (previous year: EUR 0.5 million)

2) Finance income includes unrealized foreign exchange gains on foreign currency loans in the amount of EUR 4.2 million.

3) Mainly one-time effects from the early redemption of bank loans of EUR 4.4 million and swaps of EUR 0.7 million as well as an initiated bond issue of EUR 0.7 million

4) In the calculation of the adjusted result for the period, a uniform tax rate of 30.80% (previous year: 30.80%) was assumed. One-time effects from the creation of deferred tax assets on previously unrecognized interest carry-forwards in the amount of EUR 9.4 million are not considered (see Note 5.3).

5) Weighted average number of shares outstanding in the period under review.

Adjusted EBIT for the Group reached EUR 57.3 million (previous year: EUR 37.1 million), which corresponds to an increase of 54.4%. In relation to sales, this results in an adjusted EBIT margin of 6.9% for 2011 (previous year: 5.9%). We were therefore able to achieve our target figure despite noticeable increases in the prices for materials. Adjusted earnings per share increased from EUR 0.14 to EUR 0.75, although the number of shares outstanding had almost doubled due to the capital increase.

Five year overview of earnings situation

EUR million	2011	2010	2009	2008	2007
Sales	831.3	631.0	419.6	798.8	812.5
Adjusted EBIT	57.3	37.1	1.5	41.2	60.5
as a percentage of sales	6.9	5.9	0.4	5.2	7.4
Adjusted EBITDA	71.3	52.7	16.7	54.7	72.5
as a percentage of sales	8.6	8.4	4.0	6.8	8.9
Adjusted earnings before taxes	39.4	4.1	-21.8	18.8	34.8
as a percentage of sales	4.7	0.6	n.d.	2.4	4.3
Adjusted result for the period	27.3	2.9	-15.6	13.4	22.3
as a percentage of sales	3.3	0.5	n.d.	1.7	2.7
Adjusted earnings per share in EUR	0.75[1]	0.14[2]	-0.75[2]	0.69[3]	1.15[3]

1) On the basis of 36,502,894 shares.
2) On the basis of 20,702,275 shares.
3) On the basis of 19,438,287 shares.

Performance of the Business Units

Overview of the Business Units

	Trailer Systems Business Unit		Powered Vehicle Systems Business Unit		Aftermarket Business Unit		Adjustments/ Eliminations		Total	
EUR million	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Sales	472.8	322.8	154.0	127.5	204.5	180.7	–	–	831.3	631.0
Cost of sales	-430.0	-301.7	-128.4	-97.4	-123.5	-112.2	-0.9	-2.7	-682.8	-514.0
Gross profit	**42.8**	**21.1**	**25.6**	**30.1**	**81.0**	**68.5**	**-0.9**	**-2.7**	**148.5**	**117.0**
as a percentage of sales	9.1	6.5	16.6	23.6	39.6	37.9	–	–	17.9	18.5
Other income and expense	-28.0	-30.1	-11.4	-7.7	-48.9	-42.6	-2.9	0.5	-91.2	-79.9
Adjusted EBIT	**14.8**	**-9.0**	**14.2**	**22.4**	**32.1**	**25.9**	**-3.8**	**-2.2**	**57.3**	**37.1**
as a percentage of sales	3.1	-2.8	9.2	17.6	15.7	14.3	–	–	6.9	5.9

Trailer Systems grows by 46.5%

In 2011, the main source of sales continued to be the Trailer Systems Business Unit, which generated 56.9% of Group sales. On the basis of very strong demand, particularly in Europe and North America, it was possible to increase sales by 46.5% to EUR 472.8 million (previous year: EUR 322.8 million). The dynamic increase in sales also stimulated earnings, which improved in relation to the adjusted EBIT from EUR -9.0 million in 2010 to EUR 14.8 million in 2011. The gross margin of 9.1% is 2.6 percentage points above the figure of the previous year, but it remained below our expectations. This is mainly due to higher raw material prices, of which we couldn't immediately, and later only partially, pass on. It also became clear that due to high demand, bottlenecks were appearing in the supply of materials. In North America we were therefore only able to provide some components with delays. And finally, burdens arose from the expansion of production in Brazil and China.

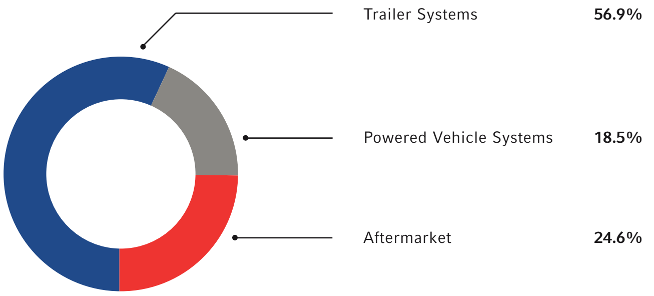
Sales growth of 20.8% in Powered Vehicle Systems

The Powered Vehicle Systems Business Unit increased sales by 20.8% to EUR 154.0 million (previous year: EUR 127.5 million). The Business Unit's share of Group sales declined slightly to 18.5% (previous year: 20.2%), which is entirely attributable to the strong growth of the Trailer Systems Business Unit. With an adjusted EBIT of EUR 14.2 million (previous year: EUR 22.4 million), the Powered Vehicle Systems Business Unit was not able to maintain the high figure from the previous year. The fact that a lucrative government contract expired had an impact here. There were also increases in the prices of materials and material shortages to contend with in this Business Unit, which primarily affected our production in North America. The segment's gross margin reached 16.6% (previous year: 23.6%)

Aftermarket Business Unit increases gross margin to 39.6%

In 2011, the Aftermarket Business Unit showed itself to be an important source of sales and earnings. With sales growth of 13.2% to EUR 204.5 million (previous year: EUR 180.7 million) the segment remains SAF-HOLLAND's second largest Business Unit and contributes 24.6% to Group sales. Earnings development confirmed our expectations: the adjusted EBIT increased from EUR 25.9 million to EUR 32.1 million. The gross margin of 39.6% is above the previous year figure of 37.9%. In relation to further growth, the Aftermarket business remains on track. With the logistics centers in Cincinnati and Aschaffenburg, the expansion of the dealer network in Central America and the new international subsidiary in Dubai, major projects were realized in 2011.

Share in Group sales by Business Unit



FINANCIAL POSITION

Financial management targets flexibility and independence

The fundamental goal of our financial policy is to continually improve the strength of SAF-HOLLAND's financial profile. To this end we are increasing the equity ratio, reducing debt financing and ensuring liquidity that allows flexible action and steady growth.

Financing optimized thoroughly and sustainably

In financial year 2011, SAF-HOLLAND significantly strengthened the Company's financial position. Precursors to the further growth path were the capital increase that was successfully carried out as well as significant debt repayments and a reduced utilization of bank loans.

The Company's net debt was reduced by 47.2%. As of December 31, 2011, liabilities from interest-bearing loans and borrowings amounted to EUR 175.0 million (previous year: EUR 310.7 million). They were therefore EUR 135.7 million lower than the previous year. On the reporting date net debt amounted to EUR 159.7 Million (previous year: EUR 302.1 million).

In order to achieve this significant progress we implemented a multi-level action plan in 2011. In February, as a first step we reached an agreement with our banking syndicate on an amendment to the existing credit facility. The amendment agreement linked to a capital increase introduced the prospect of more favorable financing conditions for SAF-HOLLAND, particularly a significantly lower interest rate margin.

In the second step, the required capital increase was carried out. By the end of March we issued – based on the decision taken at an extraordinary Annual General Meeting in December 2010 – 20,535,100 new shares at a price of EUR 7.00 per new share with institutional and private investors. The capital increase resulted in net proceeds for the Company of EUR 139.4 million.

Successful capital increase permits extensive loan repayments

In April, the new funds generated by the capital increase were used for the proportionate repayment of the loans. In total, we reduced the volume of existing credit lines by EUR 89.1 million. With the successful capital increase and the associated proportionate repayment of the loans, the requirements of the amendment agreement came into force: the interest rate margin for the remaining credit lines of approximately EUR 230 million initially decreased by 1.7 percentage points to 4.25%. Further reductions will take effect subject to the development of certain key debt figures. On this basis, from September to the end of November, the interest rate margin dropped to 4.0% and from December 2011 to 3.5%. In addition, the banks waived the opportunity of a simplified liquidation of securities prescribed in the original contract.

Alongside the bank loan, SAF-HOLLAND fully paid off loans that the Company was granted from members of the Board of Directors and Management Board in 2009. For this purpose, a further amount of EUR 1.4 million from the proceeds of the capital increase was used.

Loan repayment from the proceeds of the capital increase

Loans granted by the Board of Directors and the Management Board	Repayment	EUR 1.4 million
Euro-loan tranche "Facility A1"	Repayment	EUR 49.2 million
Dollar-loan tranche "Facility A2"	Repayment	USD 56.7 million
Accrued interest liabilities to April 2011 (PIK interest)	Repayment	EUR 14.3 million
Additionally: reduced use of the revolving credit line "Facility B"		

Agreed credit lines[1] as of the balance sheet date December 31, 2011

1) Valued as at the borrowing date exchange rate.

Euro-loan tranche "Facility A1"	EUR 22.7 million
Dollar-loan tranche "Facility A2"	EUR 17.4 million
Revolving credit line "Facility B"	EUR 188.8 million
Total	**EUR 228.9 million**

In order to avoid over-hedging of remaining interest payments, SAF-HOLLAND released interest rate hedge instruments with a nominal value of EUR 56.8 million and USD 40.0 million. In this connection, there was a partial repayment of other loans from the financing of the prolongation options for interest rate swaps in the previous year. To this end, one-time payments of EUR 0.7 million respectively EUR 7.4 million were made.

One-time costs of EUR 3.3 million were also incurred by the financing adjustments. They were deducted from the assets side as transaction costs from existing loans.

The early repayment of bank loans and hedging instruments led to additional expenses in the amount of EUR 5.4 million. For more information, see chapter 5.2.5 Financial Result.

In the course of the capital increase, directly attributable transaction costs in the amount of EUR 6.1 million were incurred. These were reduced by the corresponding income tax advantages deducted from the share premium.

We are looking into additional options in order to further improve borrowing. In this context costs of EUR 0.7 million were incurred which are recognized as finance expense under transaction costs. Further information can be found in the Outlook on page 78.

To a lesser extent SAF-HOLLAND is using the off-balance sheet financial instruments of factoring as well as operating leases in, for example, the purchasing of motor vehicles, computing modules or production systems.

Investment in the expansion of production capacities

In financial year 2011, SAF-HOLLAND invested a total of EUR 15.6 million throughout the Group (previous year: EUR 8.3 million). The investment ratio remained as intended under the level of 2% of sales. The primary focus was on replacement and expansion investments, with the target of adjusting production to growing demand at important locations worldwide.

SAF-HOLLAND generally orients investment decisions based on return on investment (ROI). It is intended that investments pay for themselves within three years. The return on investment should be under twelve months for investments in rationalization. Market studies and customer commitments, e.g. in the form of a letters of intent, are crucial for investments to open up new markets. In order to minimize risk in this area, usually only one product assembly plant is set up initially. Once notable sales successes have been noticed, SAF-HOLLAND expands the manufacturing depth and intensifies local commitment.

Liquidity markedly improved

As of December 31, 2011, cash available amounted to EUR 15.3 million (previous year: EUR 8.5 million). The overall liquidity as the sum of agreed credit lines and cash available less the amounts drawn at the borrowing date exchange rate increased as of December 31, 2011 to EUR 70.7 million (previous year: EUR 37.4 million).

Table summarizing the determination of overall liquidity

	12/31/2011				
kEUR	Amount drawn valued as at the period-end exchange rate	Amount drawn valued as at the borrowing-date exchange rate	Agreed credit lines valued as at the borrowing-date exchange rate	Cash and cash equivalents	Total liquidity
Facility A1	22,692	22,692	22,692	–	–
Facility A2	20,179	17,419	17,419	–	–
Facility B	133,408	133,408	188,800[1]	15,345	70,737
Total	**176,279**	**173,519**	**228,911**	**15,345**	**70,737**

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

Cash flow from operating activities before income tax payments remained positive at EUR 46.5 million (previous year: EUR 46.0 million). It was influenced by two opposing effects. On the one hand, strong earnings before taxes as compared to the previous year had a positive impact. On the other hand, the increase in net working capital based on the increased business volume had the opposite effect. Our objective is to keep the need for net working capital at a value of less than 10% of sales. In the reporting year, net working capital reached EUR 78.2 million (previous year: EUR 62.7 million) which makes up 9.6% of sales (previous year: 9.1%). The increase in net working capital reflects one-time effects from a discount payment program that was introduced in the USA in 2009 and was discontinued after the capital increase in the third quarter of the reporting year. The days of inventory outstanding amounted to 48 days in 2011 (previous year: 43 days). Our aim of realizing a goal of less than 47 days was thereby slightly failed. This resulted from, among other things, larger inventories being held due to increased business volume as well as temporary bottlenecks in supplier deliveries.

Cash flow from investing activities totaled EUR -12.1 million (previous year: EUR -7.2 million). Cash flow from financing activities totaled EUR -22.3 million (previous year: EUR -45.3 million). It reflects, among other things, net proceeds from the capital increase in the amount of EUR 137.7 million as well as the repayment of financial debt of EUR 89.1 million and the lower utilization of the credit line. Interest paid totaled EUR 30.0 million (previous year: EUR 15.0 million).

Five year overview of financial position

EUR million	2011	2010	2009	2008	2007
Operating cash flow before income tax payments	46.5	46.0	48.3	41.9	51.7
Net cash flow from investing activities	-12.1	-7.2	-7.5	-72.1	-33.8
Net cash flow from financing activities	-22.3	-45.3	-28.4	18.4	-4.7
Investments	15.6	8.3	8.1	74.2	35.0
as a percentage of sales	1.9	1.3	1.9	9.3	4.3

ASSETS

Equity ratio improved to 35.8%

The structure of the balance sheet improved considerably with the successful capital increase and partial repayment of liabilities to banks. Equity increased strongly to EUR 192.2 million (previous year: EUR 24.9 million). SAF-HOLLAND now has an equity ratio of 35.8% (previous year: 5.1%)

Asset structure analysis

As a result of positive business development in the reporting year, the balance sheet total increased to EUR 536.5 million (previous year: EUR 484.7 million). Inventories rose to EUR 90.4 million (previous year: EUR 68.1 million) and days of inventory outstanding grew to 48 days (previous year: 43 days). Trade receivables increased to EUR 95.4 million (previous year: EUR 80.4 million) and the reach in receivables remained unchanged from the previous year at 42 days.

Non-current assets totaled EUR 327.8 million as of December 31, 2011 (previous year: EUR 317.9 million); current assets totaled EUR 208.7 million (previous year: EUR 166.1 million).

As a result of the partial repayment of liabilities to banks, non-current liabilities fell to EUR 219.9 million (previous year: EUR 362.4 million). Trade payables increased as a result of the increased business volume and their reach grew to 46 days (previous year: 44 days). At EUR 86.0 million (previous year: EUR 69.9 million), they contributed to the increase in current liabilities to EUR 124.4 million (previous year: EUR 97.4 million). In 2011 pension provisions totaled EUR 14.8 million (previous year: EUR 14.5 million).

Five year overview of assets

EUR million	2011	2010	2009	2008	2007
Total assets	536.5	484.7	458.1	537.4	554.6
Equity	192.2	24.9	23.8	72.1	108.2
Equity ratio	35.8%	5.1%	5.2%	13.4%	19.5%

Number of employees increases again

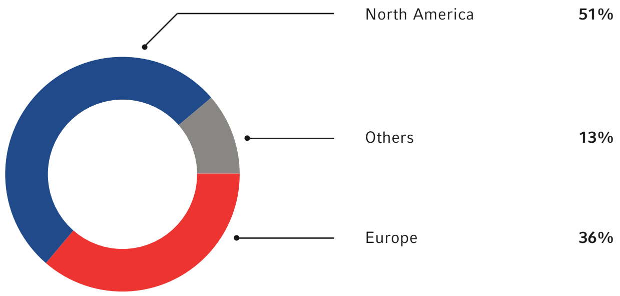
Due to the positive business development, we have hired new personnel during the reporting year. As of December 31, 2011, SAF-HOLLAND employed 3,155 people worldwide (previous year: 2,774) including temporary employees. The annual average number of employees at the Company was 3,107 (previous year: 2,619).

Development of employee numbers by region

	2011	2010	2009	2008	2007
Europe	1,130	990	896	1,011	1,335
North America	1,615	1,387	1,092	1,156	1,364
Others	410	397	343	293	275
Total	**3,155**	**2,774**	**2,331**	**2,460**	**2,974**
Annual average	**3,107**	**2,619**	**2,320**	**2,799**	**2,996**

Relating to the year-end figure, over half of the total workforce was employed in North America with 1,615 employees (previous year: 1,387). Europe follows in second place with 1,130 employees (previous year: 990) of which 1,021 (previous year: 868) are in Germany. The personnel structure primarily serves to strengthen our position for gaining additional market share. Production thus accounted for a major portion of the new hires. With regard to salaried employees, the focus was on the development, application engineering and sales areas.

Employees by region



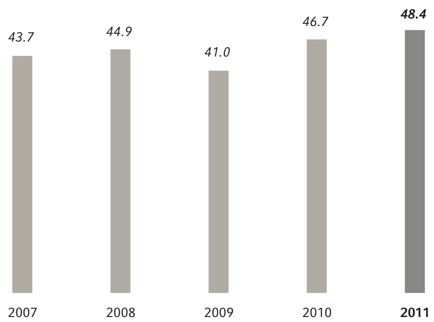
Agreements for increased flexibility in production

All new hires in our German production facilities were completed on the basis of a company agreement made at the beginning of 2011. It enables the flexible adjustment of 20% of the workforce in cases of market volatility. 10% of the employees can be hired on a temporary basis and a further 10% achieved through overtime work. We signed a supplementary labor agreement with the IG Metall trade union, whereby employees with temporary contracts can now be employed on a temporary basis for twenty months instead of twelve.

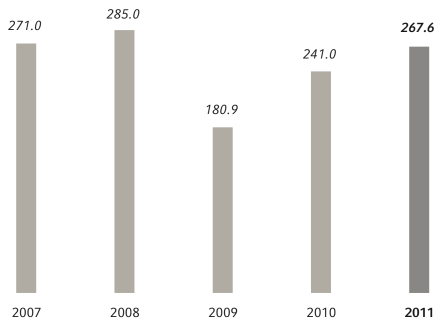
Sales per employee reflects increase in productivity

Personnel expenses in the Group, excluding restructuring and integration costs, amounted to EUR 141.9 million (previous year: EUR 119.3 million). From this, an average personnel expense in the amount of kEUR 48.4 per employee (previous year: kEUR 46.7), not including temporary workers, is calculated. Sales per employee reached kEUR 267.6 in the past financial year (previous year: kEUR 241.0)

Personnel expenses per employee excluding restructuring and integration costs and temporary workers (kEUR)



Sales per employee with temporary employees (kEUR)



Wide-ranging initiatives for employees

In August 2011, we started an employee award program in the USA with the target of recognizing and honoring outstanding service. By November, 14 employees were honored in the context of the program.

We remain committed to our education and training activities. As of December 31, 2011, SAF-HOLLAND trained 53 young people in Germany including 22 young professionals newly added in the reporting year. The vocational training rate of 5.8% remains above average. Following the successful completion of their apprenticeships, 27 trainees were taken on in a permanent position in 2011.

We have established a development program in company training for those with high potential. It combines internal and external training over a period of six months. Its aim is to provide technical, methodological and managerial competence in order to consolidate basic skills and prepare for future tasks. In addition, SAF-HOLLAND introduced management training in North America with the aim of increasing corporate effectiveness. With a view to 2012, an employee survey was prepared which, for the first time, will be carried out simultaneously in Europe and North America. The results should be available in early 2012 and will feed into our global human resources strategy.

Other intangible assets

One of SAF-HOLLAND's particular assets is the longstanding connection to customers and suppliers, which is built on trust. They form a stable base and provide additional impetus for our continued business growth.

Solid customer base in the global truck and trailer industry

Several hundred trailer manufacturers and almost all globally active truck manufacturers purchase our products and components. In addition, over decades we have set up established relationships with fleet operators around the world.

The cooperation with several of our customers is based on framework agreements as well as multi-year supply contracts with large OEMs. We like to take up the ideas of our customers in product development because our systems and components perform important functions in their final products. In addition, the close contact to many end users enables us to optimally adjust the product and service offers at SAF-HOLLAND to the needs of the customers.

SAF-HOLLAND's international leading market position is above all due to the fact that we meet customer requirements and possess proprietary technologies that distinguish our product range. Particular assets include total cost of ownership, reliability, safety and weight as well as our internationally renowned brands. A further advantage is our comprehensive service network with over 9,000 service stations for end customers. Our customer contacts are also solidified through regular surveys as well as warranties and product performance guarantees with above-average durations in the industry.

In financial year 2011, we were able to gain large and important new customers, particularly in the North American trailer business, in addition to our existing customer relationships and were able to establish long-term contracts with them.

Large circle of suppliers

Cooperation with high-performing suppliers is not only an important link in the value chain for SAF-HOLLAND, it also has a common goal: to offer our customers reliable products of the highest quality and delivery security. When purchasing parts and components, we put emphasis on a multi-supplier strategy. We therefore avoid dependency on individual suppliers. At the same time this procedure corresponds to our principle of producing in the countries where SAF-HOLLAND's products are sold whenever possible.

The circle of our worldwide suppliers for production material, often with whom we have been working for many years, includes about 550 companies. Among is a series of key suppliers with multi-year framework agreements, in which conditions such as quantities and prices are stipulated. The procurement processes are supported across companies and countries through modern information technology network solutions. In addition, we operate an intensive exchange of information and experience as part of our supplier management.

Organization and processing advantages

In our European plants, we use the progressive capability of the IT system Advanced Planner & Optimizer (APO) from SAP for planning the production capacity. As a supply chain management solution, APO aids, in particular, procurement and logistics and also the planning of capacities in the plants. On the basis of the respective current needs, inventory and capacity situation it allows the entire value chain to be planned with the involvement of the participating partners. As a result of positive experience in Europe, we expect to extend the use of APO to our organization in North America in 2013.

Focus on aspects of sustainability

SAF-HOLLAND attaches value to sustainable management. Performance indicators with respect to sustainability are implied in part in the Company strategy. Thus the constant weight reduction of our products contributes to reducing fuel consumption. The reduction in emissions that this achieves promotes climate protection. At the same time, the reduced need contributes to the conservation of resources.

The responsible use of natural resources is also an important consideration in product manufacturing. We are constantly working towards minimizing noise, dust and exhaust emissions produced during manufacturing. The Company's facilities in North America and Singen in Germany have environmental management systems certified to ISO 14001. Our worldwide commitment creates jobs and supports the local economic situation via contracts for local companies. In every country in which we are active, we focus our actions on ethical and moral principals.

GENERAL STATEMENT ON THE ECONOMIC SITUATION IN 2011

SAF-HOLLAND recorded consistently positive business development in the reporting year. Both in terms of sales and earnings, we were able to fully achieve our objectives. In addition, we managed to considerably optimize the balance sheet structure of the Company. With the successful capital increase and the corresponding changes to company financing, net debt was reduced and equity was sustainably strengthened. This makes a decisive contribution to securing the long-term liquidity and, in combination with greater cash flow, creates the scope for flexibility and strength for further growth.

OPPORTUNITIES AND RISK REPORT

Risk management system

Risk management at SAF-HOLLAND is well-equipped to recognize potential risks at an early stage and to implement appropriate counter-measures. Once risks have been recognized, they are communicated in a timely manner, systematically analyzed and continuously reviewed. The risk management system implemented by the Management Board is valid throughout the Group. It is continually reviewed and monitored by the Board of Directors.

Risks that have been identified are evaluated in accordance with various measures, parameters for their probability and for the potential damage they may cause. For each risk, control instruments and – insofar as it is possible – counter-measures are defined. We summarize individual risks in a risk field, each of which has an established risk policy.

Our risk management system also includes a control system as relates to accounting. In order to evaluate business development, each year we prepare a medium-term planning with a time horizon of five years as well as a budget divided into individual months. On the basis of current business figures, a forecast is drawn up quarterly for the relevant financial year. Sales planning and monitoring for conformity with targets is carried out on the basis of a rolling monthly forecast. SAF-HOLLAND continuously controls compliance with key figures through the reporting system.

Fields in the risk management system

General economic risks / Industry specific risks / Company specific risks						
↓	↓	↓	↓	↓	↓	↓
Strategic risks	Human resources risks	Operational risks: • *Product risks* • *Quality risks* • *Procurement risks*	Risks in technical development	Legal and regulatory risks	Information technology risks	Financial risks: • *Default/ credit risks* • *Currency risks* • *Interest rate risks* • *Liquidity risks*

Evaluation of the risk situation

The 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 impairments, allowances, and provisions. From today's perspective, there are no risks that would jeopardize the continued existence of SAF-HOLLAND. As compared to the previous year, the Company's risk profile has improved in a sustainable fashion, with the reduction in borrowed capital, a higher equity capitalization and the optimized liquidity situation all contributing to this development.

OVERVIEW OF RISKS

General economic risks

SAF-HOLLAND's business development is impacted by economic developments as well as corresponding developments in transport volumes. We counter the resulting risks through our commitment to the spare parts business which is less vulnerable to economic fluctuations and which we are further strengthening through the Aftermarket Business Unit. In addition, the increasing geographic diversification of our business segments is leading to greater independence. Regional economic developments can be more easily compensated for with an international alignment. In individual country markets, political changes can hinder the business development of SAF-HOLLAND. We counter this through intensive observation and analysis of political risks both prior to and following our entry into the market.

Industry specific risks

The principal risks include dependence on individual customers. At SAF-HOLLAND, sales distribution by customer roughly corresponds to the customers' market share. Ten major customers around the world account for approximately 45% of the OEM business. There are also a large number of small and mid-sized customers who are highly significant in their respective niches or markets. SAF-HOLLAND also increased its presence among this group of customers in particular over the past two years with the development of new applications. With its positioning in Europe and North America, the Group 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.

Company specific risks

Strategic risks

Strategic risks can arise primarily when market developments are wrongly evaluated. To prevent this from occurring, SAF-HOLLAND maintains close communication with its customers, combined with intensive observation of the market and competitors. The findings that result from these measures foster more accurate assessments and make it possible to avoid undesirable technological developments – the design and production of products that are rejected by the market. All of SAF-HOLLAND's significant strategies are underlaid with action plans and fall-back positions.

Human resources risks

In the human resources area, risks mainly relate to the loss of managers and individuals with particular expertise in key positions. We counter these dangers with an institutionalized succession planning and Group-wide knowledge management. Also of relevance are risks that arise through work stoppages. About 40% of our employees around the world are organized in trade unions. Precautions are taken through the establishment of strong contact with our works councils and union representatives. In Germany, company agreements were reached which could deviate significantly from the usual regional wage agreements if, as a result, jobs can be secured and our competitive position improved. There are also similar agreements in place with the different local unions in North America.

Production risks

We maintain sufficient insurance coverage for risks that result from operational interruptions or production downtimes. There are also plans in place for external procurement in order to ensure that our ability to deliver continues in such cases. In addition, SAF-HOLLAND ensures that a balance is achieved in the relationship between the complexity of the production processes and the requirements. Potential reductions in the in-house production also serve this goal. In order to limit investment risks, we strive to ensure that invested funds contribute a return on investment within a period of three years maximum.

Quality risks
SAF-HOLLAND manufactures in accordance with the highest quality standards. Our quality assurance begins as early as the development of a product and is consistently applied through to production. SAF-HOLLAND is comprehensively certified according to the international DIN ISO 9001 quality standard. The European locations of the Trailer Systems Business Unit are certified in accordance with ISO 3834-2; those of the Powered Vehicle Systems Business Unit in accordance with the standard ISO/TS 16949. Guarantee assurances vis-à-vis our customers are insured in advance. The precautions include, among other things, relevant test specifications or promises of delivery from suppliers. If, in exceptional cases, an exchange or recall nevertheless becomes necessary, our suppliers are involved – also with regard to the assumption of costs. In addition, we have product recall insurance and make sufficient provisions in the consolidated financial statements.

Procurement risks
In the supply of materials, risks arise in particular from the development of the raw-materials markets as well as through dependencies on individual suppliers. To limit this risk potential, SAF-HOLLAND relies on a multiple supplier strategy in relevant areas. With core suppliers we agree on multi-year framework agreements which define volumes and prices. Some of our customer contracts are tied to the price development of scrap steel or include corresponding clauses providing for negotiation. This gives us the possibility to offset rising raw materials prices with time delays.

Risks in technical development
Theoretically, it is imaginable that we would fail to sufficiently recognize and apply new developments in general technical progress. We counter any risks that might arise from such a situation with comprehensive monitoring. It covers technical advances that relate to our product spectrum as well as to the materials we use and the manufacturing processes we apply.

Legal and regulatory risks
In the truck market, legal regulations can impact demand behavior. Prior to stricter emission regulations taking effect, for example, customers in the USA shift vehicle purchases forward in order to avoid additional costs from low emission engines. In the following year this leads to a corresponding drop in sales volume. In order to be able to react to such fluctuations in a timely manner, we follow regulatory developments in our country markets. In addition, the forecasts and actual figures for vehicle registrations and production are evaluated regularly. Insurance coverage has generally been taken out against risks arising from legal regulations, such as product liability.

We review legal disputes and administrative procedures on an individual basis. We evaluate the potential results of such legal disputes by means of the information available to us and in consultation with our lawyers and tax advisors. Insofar as, in our estimation, an obligation will likely lead to a future cash outflow, we establish a provision for the net present value of the expected cash outflow, if this can be reliably measured. Complex questions are raised by legal disputes and tax issues and they are linked to numerous imponderables and difficulties due, among other things, to the situation, the circumstances of each individual case and the authority that is involved.

Information technology risks
We minimize risks related to information technology by maintaining needs oriented, efficient structures. Our comprehensive IT security concept ranges from access limitations and controls through to

data security measures. There are back-ups for important hardware structures. The probability of a production breakdown resulting from an IT failure is thus significantly reduced.

Financial risks

We control default risks through preventive liquidity checks and appropriate receivables management. In Europe, a substantial portion of customer receivables are hedged through commercial credit insurance. In addition, we also work with so-called house limits.

The Group is exposed to foreign currency risks that arise from the international nature of 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 generally low with regard to individual transactions. The risks from significant foreign currency transactions are, however, hedged by the individual companies in the amount of 70% of the budgeted volume through relevant financial instruments. If exchange rate changes are hedged using financial instruments, the financial instruments themselves may not have an incalculable influence on the earnings and asset situation of the Company.

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 the interest related 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'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.

We also report on financial risks and the risk management system as it relates to financial instruments in accordance with IFRS 7 in the notes to the consolidated financial statements in chapter 7.1 Financial Instruments and Financial Risk Management.

OVERVIEW OF OPPORTUNITIES

SAF-HOLLAND has a number of opportunities that will endure in the coming financial years and which will support the growth of the Group over the long-term.

Opportunities from development and framework conditions

A significant opportunity is presented by global population growth and the corresponding developments in transportation volumes. The United Nations assumes that there will be about 9.2 billion people in the world by 2050, nearly a third more than today's population. At the same time, urbanization will continue to grow. Both of these factors ensure that more goods will be transported. Forecasts call for an annual increase in freight traffic of 2.5% until 2030.

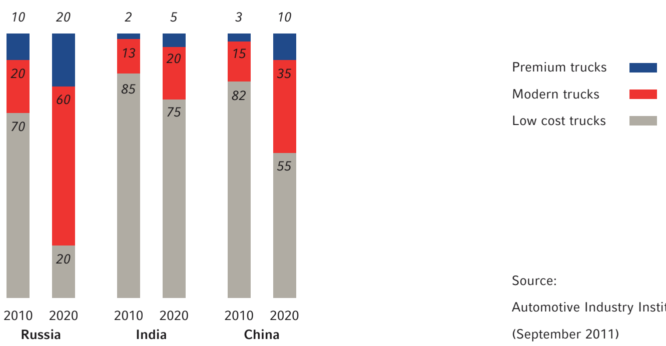
Overall economic and industry-specific opportunities

As a result of the upswing in emerging economies like Brazil, Russia, India and China as well the expansion of infrastructure in these countries, global transport volumes increase. This fosters the transport and logistics industry and, thus, the main growth driver for SAF-HOLLAND. Due to our strong international presence, we can benefit from this development to a significant degree.

Today, the global market for commercial vehicles is shaped by fundamentally different requirements. Established markets are shaped by innovation and a premium on quality. In emerging economies, on the other hand, demand for simple, low-cost components dominates. Global suppliers must therefore cover an extremely broad spectrum. SAF-HOLLAND is present in both the established markets and in future markets. This makes it possible for us to leverage sales potential with a technology transfer.

We initially supply future markets with low-cost components geared toward the needs of the market – components which meet the need for simple and proven products. In this way, we build up our reputation and competence in the market. This opens up sales potential today and, at the same time, creates promising perspectives because over the long term, emerging markets will match the level of the established markets. Then SAF-HOLLAND will be in a position to develop its local business upward in terms of quality by increasingly offering premium products. One typical example is suspension systems: more than 90% of the trailers in Brazil and China are currently running mechanical suspension systems. A gradual switch to air suspension systems will take place from which SAF-HOLLAND will be able to benefit.

Technological upswing of commercial vehicles in some BRIC countries *in %*



Source:
Automotive Industry Institute
(September 2011)

Growth impulses are also being provided by climate protection initiatives and initiatives to conserve fossil fuels which are gaining importance around the world. They increase requirements in relation to emission values and fuel consumption. Our products often lead to a weight reduction and thus contribute to the achievement of ecological objectives.

Weight reduction is also of importance in light of increasing energy costs: the higher the fuel price, the greater the interest in weight optimizing components. For a good reason – these products allow for lower fuel consumption or higher load capacity, which gives the fleet operators an economic advantage.

In the area of safety, regulations are also becoming more strict. Through our technological leadership, we are in a position to offer solutions here. In the USA, for example, new regulations have been introduced calling for shorter braking distances for heavy commercial vehicles. As a result, disc brake technology will become increasingly important in the USA. For SAF-HOLLAND this opens up an opportunity to establish itself as a leading provider of axle systems with disc brakes for trailers.

Company-specific opportunities

Our products are focused on the key purchase criteria of manufacturers and end users. SAF-HOLLAND has positioned itself in its markets as a quality supplier. From this perspective, we are able to benefit from the increasing quality awareness among the OEMs and fleet operators in the Trailer Systems and Powered Vehicle Systems Business Units.

The growth drivers for the Aftermarket business segment include the broad distribution of our products, i.e. the installed base, the expansion of our distribution network as well as the range of service stations and is continuously being expanded. The closely-meshed nature of this network is an advantage already today – one which makes entry into our market significantly more difficult for competitors.

EVENTS AFTER THE BALANCE SHEET DATE

No events of relevance for this report occured after the balance sheet date.

AMBITION. DEMAND. QUALITY.

The true qualities of an axle, fifth wheel or suspension system only come to light after many years of use. SAF-HOLLAND therefore sets the highest standards for the Company. Customers should be convinced day after day that their choice to buy the Company's products was the right one. Technical expertise in research and development in addition to our dedication to intelligent quality management are the cornerstones of our seal of quality.

Perfect results from a comprehensive approach: quality assurance measures from SAF-HOLLAND are reflected in the entire process chain – from product planning and development through to production monitoring.

MILESTONES OF VALUE

Constant innovation and quality assurance are not contradictory, but rather the guiding theme and recipe for success at SAF-HOLLAND. With the goal of replacing good with better, the benefit to OEMs and end customers is always in focus. The particular value of the products results in excellent reliability and low life-cycle costs.

Technical solutions from SAF-HOLLAND are not only in demand among manufacturers of trucks, trailers and semi-trailers, but freight forwarders and trucking companies are also increasingly choosing trucks and trailers with components from SAF-HOLLAND. And for good reason. The innovative technology embodied in our products contributes to the avoidance of down time thanks to a high degree of reliability, as well as to efficiency and environmental benefits.

Secure processes for guaranteed quality

Intensive research and development activities as well as consistent quality management have always been integral components of the strategy at SAF-HOLLAND. Prevention is the guiding principle of all quality assurance measures. Production processes are documented across departmental and unit lines in order to eliminate sources of errors at an early stage in the process in line with our forward-looking quality assurance vision. An interactive IT solution ensures the quick flow of information and transparency in the process, which results in reliable key figures and increased process awareness among employees, which in turn maximizes customer benefits.

Every element of quality assurance conforms to a comprehensive framework: reliable production processes are guaranteed by way of defined production standards and continual process inspections as well as quality and process auditing of suppliers. At the employees' workplaces – be it a desk or production facility – many small measures contribute to continual optimization along the lines of "total productive maintenance". The goal: "Zero mistakes, zero errors."

- » **Quality assurance according to the prevention principle**
- » **Optimal management through consistent process documentation**
- » **Regular audits of suppliers**
- » **Constant functional tests in five state-of-the-art testing facilities**
- » **Low total cost of ownership for end customers**

Jörg Kain,
Director Quality Europe and Asia, Trailer Systems Business Unit

Modern testing facilities for realistic endurance tests

Quality at SAF-HOLLAND is also guaranteed by five testing facilities throughout the world that carry out process-integrated functional tests. Here the components are put through endurance tests not only during the developmental stage, but also during serial production for continuous monitoring purposes. Servo-hydraulic simulation, for example, realistically replicates every situation encountered during transportation by using extreme physical force. In addition, all products must prove their consistent performance on a test track with temperatures ranging from minus 30 to plus 40 degrees Celsius. This results in components that fleet operators and trucking companies around the world take advantage of: for lower total costs of ownership as well as for the quality and reliability of their own services.

Forward-looking testing technologies make a large contribution to advancing quality management at SAF-HOLLAND. Stresses evaluated on test tracks are precisely reproduced at five state-of-the-art testing facilities in China, Germany, Canada and the USA. In this way the products have to repeatedly handle every challenge in simulation that they will meet over years of daily use.

» Maximum quality requires not only the right processes, but must also be a firm principle in the corporate culture. Our intranet-based process management system contributes to ensuring that employees at SAF-HOLLAND are fully aware of their contribution and can involve themselves directly in quality assurance. The result is a customer orientation that is lived across the whole production chain. «

EFFICIENT WITH A PASSION

Tim Cowen, President of Cowen Truck Line in Perrysville, Ohio, USA, discusses the practical importance of quality and innovation for North American trucking companies.

» A trucking company has to keep its costs under control if it wants to make a profit in North America. SAF-HOLLAND's products improve productivity and safety. So they make a direct contribution to the profit of every trucking company that uses them. «

Mr. Cowen, Cowen Truck Line Inc. has been a real success story for four decades now. How do you convey the company's quality standards to your drivers?

» We employ many drivers who have been with us for more than ten years, and they have taken our high standards of quality to heart. Direct communication with all Cowen employees and their training ensure that our demand for quality is understood and internalized. Our employees are proud of keeping these high standards and putting them into practice. Cowen Truck Line doesn't cut any corners, it stays right on course. «

How have expectations for truck and trailer systems changed over the years in your field of business?

» Regulations are increasing, especially from US environmental protection agencies regarding emissions reduction. At the same time the cost of gas and maintenance is rising. That's why Cowen Truck Line takes advantage of energy and cost-saving technologies. It's the only way to stay competitive. «

INTERVIEW WITH TIM COWEN

Close dialogue and reliable support from SAF-HOLLAND make up Tim Cowen's recipe for success at the company's own workshop.

Tim Cowen, President of Cowen Truck Line

How can the quality of a vehicle contribute to ambitious goals of efficiency and profitability?

» In many ways: more efficient use of work time, increased safety, more productivity as a result of less downtime due to technical reasons. «

In your opinion, how important is the total cost of ownership in comparison to the cost of procurement?

» Maintenance costs, which are part of the total cost of ownership, play an important role in procurement. Even personnel costs – considering bonuses, overtime and training – are sometimes more difficult to calculate than the total cost of ownership with trucks and trailer systems. That is if they are reliable and the maintenance is affordable. «

How do you rate the benefits of innovative developments such as the CBX40 air suspension system from SAF-HOLLAND?

» Everything that allows our drivers to work more safely and effectively benefits us. Plus the CBX40 suspension system is very easy to maintain – and that increases the efficiency of our workshop. «

SAF-HOLLAND: quality assurance worldwide

- **International supplier management**
- **20% of total procurement volume comes from countries outside Europe**
- **Quality agreements with suppliers based on ppm**
- **Process management contributes to the ongoing improvement in internal processes**

SAF-HOLLAND has product development centers throughout the globe. How well do you believe the Company's products meet the needs of a North American trucking company?

» In North America costs are high and can change by the hour. A trucking company has to keep its costs under control if it wants to make a profit here. SAF-HOLLAND's products improve productivity and safety. So they make a direct contribution to the profit of every trucking company that uses them. Reliable products and lower replacement costs are the keys to profitability and good calculation. «

What do you expect to see in the future when it comes to high-tech truck and trailer systems in the context of the North American market?

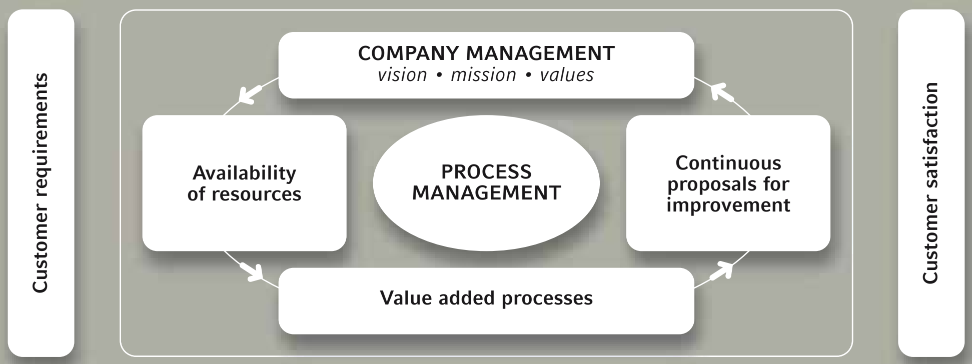
» Assistance systems, for example, that prevent rollovers and driving outside of lanes. Or efficient fuel systems that also allow for the use of natural gas. But also lighter components that help increase payload weight. «

You don't just manage a trucking company, but also a successful racing team. Are there any parallels to achieving top performance on the racetrack to doing the same on the highway?

» You've got to do your homework – whether it's road transportation or racing. Developing and testing new solutions is a key factor to any challenge. Trucking and racing are not nine to five jobs. You have to be passionate about it and show dedication to be successful. And you have to learn from your mistakes. «

» Maintenance costs play an important role in procurement. Even personnel costs – considering bonuses, overtime and training – are sometimes more difficult to calculate than the total cost of ownership with trucks and trailer systems. That is if they are reliable and the maintenance is affordable. «

Uncomplicated and regular maintenance instead of unplanned downtime in the workshop: customers see SAF-HOLLAND's quality standards every day.



SAF-HOLLAND: customer oriented quality management

OUTLOOK

GLOBAL TRENDS FOSTER GROWTH

The growth opportunities of SAF-HOLLAND are enhanced by the global developments in freight services and here all signs point to a long-term upward trend. Worldwide population growth, the economic upswing in emerging market countries as well as increasing urbanization and the ongoing globalization of the world economy are all factors boosting transport volumes. A major portion of freight transport volume will continue to be transacted on roads in the future.

Increase in freight volumes (2010–2025)

Western Europe	17%
Germany	23%
North America	11%
India	183%
China	120%

Source:
ProgTrans, World Transport Report 2010/2011

At the same time, SAF-HOLLAND is benefiting from international efforts to reduce fuel consumption and emissions. Our weight-optimized components can make a contribution to these efforts, making them even more attractive. In addition to sustainability aspects, economic factors are also important for our customers. Vehicles that are more fuel efficient allow for savings in operating costs – a powerful argument in times of rising energy prices.

ECONOMIC ENVIRONMENT

Economic growth initially weaker

According to forecasts, the global economy in 2012 should be stronger than in the fourth quarter of 2011, in terms of the full year, however, it will remain below the level of the previous year. The IfW forecasts global economic growth for 2012 of 3.4%, a figure which could increase to 4.0% in 2013. With regard to world trade, forecasts call for growth in 2012 of 4.5% and an increase of 6.5% in 2013.

Economy in USA stronger than in Europe

Insofar as the euro crisis does not become more acute and financial markets gain in terms of stability, a slow economic revival is anticipated in the euro zone. In 2012, the economic development should initially show a slight decrease and, in 2013, record a moderate increase of 1.2%. For Germany, increases in GDP of 0.5% in 2012 and 1.7% in 2013 are expected. It is likely that, in addition to increased investment, private consumption in particular will contribute to the stability. In the USA, economic stimulus packages are expiring, which could lead to temporary deterioration in the relevant areas. It is nevertheless expected that production here will rise and the GDP in 2012 will grow by 1.9% and by 2.2% in 2013.

BRIC countries with disproportionately high growth rates

Growth rates in emerging market countries should gain speed once again thanks to increasingly expansive economic policies. Average economic figures in these countries are forecasted to significantly exceed those of the global economy. For Brazil, the IfW anticipates growth rates of at least 5%. Noteworthy impetus will continue to be generated by domestic demand which in turn will be supported by higher real incomes in private households.

In Russia, the pace of growth could continue through 2012 but may see a slight decline in 2013. In India there are signs of an upward swing which could accelerate growth in both 2012 and 2013.

According to the forecasts, the Chinese economy will grow more slowly than in 2011, but with a growth rate of 8% it will continue to be substantially above the overall economic average.

Economic development 2012 and 2013 in important markets

	2012	2013
European Union	0.1%	1.3%
Euro zone	-0.1%	1.2%
Germany	0.5%	1.7%
United States	1.9%	2.2%
Brazil	5.0%	5.5%
Russia	4.0%	3.7%
India	7.0%	7.5%
China	8.0%	8.5%

Source: Institute for the World Economy IfW (December 2011)

Global market for heavy commercial vehicles expands significantly

From an economic perspective, recovery in the truck and trailer sector is traditionally delayed. Due to catch-up effects that continue to result from the crisis years, demand in the current year as well as the coming year are forecasted to increase. The German Automotive Industry Association (VDA) forecasts growth of 7% in the global market for heavy commercial vehicles. This corresponds to a level of 3.3 million vehicles sold. The production of trucks and trailers is thus likely to grow in all markets that are significant for SAF-HOLLAND.

Established markets: double-digit growth in the USA

In Western Europe, the market for heavy trucks should expand by 4% in 2012 according to the VDA. In the German commercial vehicle market, the Association of International Motor Vehicle Manufacturers (VDIK) expects 325,000 new registrations in the current year. This would not quite match the levels reached in 2011, but would continue to be in line with longstanding averages. The North American market for heavy trucks should, according to the forecasts, expand at a significantly higher rate and achieve growth of between 11 and 18% in 2012. The VDA predicts an increase of 17% for the North American market.

Strong demand in the BRIC countries

In Brazil, commercial vehicle volumes are being driven by the countries increasing export activities. In addition, more intensive infrastructure investments are having a positive effect here – particularly in connection with the coming football World Cup in 2014 and the Olympics in 2016. According to the VDA, the Russian market for heavy trucks will grow by 25% in 2012. In India, the replacement of old vehicles and major infrastructure projects are boosting volumes for commercial vehicles. Covering the replacement need as well as rising demand for heavy trucks continues to shape the market in China.

Average annual growth in trailer production (2010–2015)

	Trailer
Europa	10%
North America	11%
Brazil	5%
Russia	10%
China	5%

Source: L.E.K., market analysis February 2011

FUTURE DEVELOPMENT OF SAF-HOLLAND

Growth strategy will be continued

A key objective of SAF-HOLLAND continues to be a broadening of the independence of company growth from economic and market developments. To this end, we will, also in the future, rely on our strategy of geographic diversification and an expansion of the Aftermarket business segment.

To strengthen the global market position, additional market share will be gained in established areas. At the same time, we will strive for a further penetration into the BRIC markets. Tapping into volume potential through technology transfer is of lasting importance for SAF-HOLLAND. In product development, the focus continues to be on adaptations for local markets as well as innovations geared toward the global trends in weight reduction and decreased fuel consumption.

Advantages from technology transfer

In North America, more stringent regulations with regard to maximum braking distances for class 8 heavy trucks offer promising opportunities. These regulations take effect in 2013 and are generating growing interest in disc brake technology. Within the framework of technology transfer, SAF-HOLLAND can benefit from this development because, unlike in Europe, the majority of trucks and trailers in the USA are equipped with drum brakes. Positive momentum is also being provided by the sale of integrated axle systems which accelerated in 2011. Our new axle production in North America and the now complete range of suspension systems that we offer create a strong basis for an expansion of our market share. Currently, about 80% of our suspension systems for trailers in North America are equipped with axles from SAF-HOLLAND. In the current financial year, this figure should be increased to 100%. Overall in the Trailer Systems Business Unit we see a potential of EUR 100 million in sales that are to be exploited.

Focus on BRIC countries

In the course of our increasing commitment in future markets, we are pursuing a sales increase in the BRIC countries to a total potential of EUR 100 million. Depending on the overall economic conditions, this significant increase by 2015 should be achievable. In Brazil, SAF-HOLLAND is planning sales support initiatives in the current financial year for those products we produce in the country. In addition to OEM, we are also addressing fleet operators and dealers with this measure. In India, we intend to further expand the client base that had already been broadened in 2011 and thus benefit to a greater extent from the growing business potential.

Aftermarket as an important component of the expansion

We are consistently expanding the spare parts business which is both stable and profitable. The objective is to grow this Business Unit's share of Group sales in the medium term by about a third and to open up a potential of EUR 100 million sales. The increasing distribution rate of our original components with the expanding original equipment business is acting as a growth driver in this regard. In addition, we are again expanding our international sales and service network.

Business development: growth with appropriate framework conditions

The further development of the economy is difficult to predict. A substantial determinant will be how national debt in the USA and Europe develops. Beyond that, it is necessary, from our perspective, that governments introduce stimulus programs in addition to austerity measures. The further course of the USA following the presidential elections will also have a role to play.

The future business development of SAF-HOLLAND is closely linked to overall economic development. If the debt crisis does not become more acute and governments institute measures that allow them to regain trust, this will result in a favorable business development of SAF-HOLLAND in 2012. In the medium-term, we want to achieve Group sales of EUR 1 billion with an adjusted EBIT margin of 10%.

Financing further optimized

A low debt ratio and a greater degree of independence from lenders remain one of our most important goals. For the current financial year, SAF-HOLLAND is planning the diversification of its borrowed capital. This objective was prepared in 2011 insofar as we are in a position to react in the short term to a favorable capital market environment. The successful implementation of such a measure is, at the same time, a requirement for the validity of an already renegotiated credit line. It will contribute to ensure that SAF-HOLLAND has available the liquidity and financial strength required for sustainable growth.

A resumption of dividend payments is planned when the equity ratio as related to the annual financial statements meets a ratio of about 40%. Our dividend policy calls for 40–50% of the available net earnings in the separate financial statements of SAF-HOLLAND S.A. to be paid out to the shareholders.

Investments serve closer networking

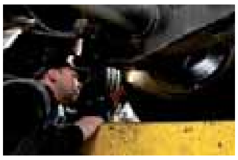
In the current and coming financial years, a focus of our investment activities will be on merging our existing SAP systems in Europe and North America. The project was launched in 2011 and we see the main burden for the necessary expenses and investments in the years 2012 and 2013. With the newly integrated platform, SAF-HOLLAND gains advantages in terms of the transparency and quicker availability of data and information, on the productivity of processes.

GENERAL STATEMENT ON THE FUTURE BUSINESS DEVELOPMENT

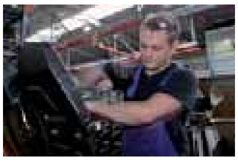
Well-positioned for profitable growth

We want to continue the growth course of SAF-HOLLAND. Our objectives will be supported by the strategic growth areas in which we are active. This applies for the most part to our Aftermarket business as well as the use of synergy potentials, especially in the North American trailer market and the growth opportunities that we will continue to tap into in the BRIC regions. At the same time, we are benefiting from continued pent-up demand for new trucks and trailers in the traditional core markets of North America and Europe. Particularly in North America, the truck industry is looking to the future with a degree of confidence and forecasts further growth in 2012 and 1013. In Europe, the forecasts of truck manufacturers are more cautious. The main reason for this is the higher level of uncertainty regarding the political and economic framework conditions in the region. For SAF-HOLLAND, the voices of the truck industry are, on the one hand, important indicators of future development, but on the other hand, the truck business contributes just 18% to the success of our Company. The main driver is the Trailer Systems Business Unit with about 57% and the Aftermarket Business Unit with nearly 25%. In general, we see good conditions for a positive business development at SAF-HOLLAND. Against this backdrop, we expect a favorable business development in 2012, subject to how things progress in Europe in relation to financial, political and economic issues. From today's perspective, we also anticipate positive business development with further growth in sales for 2013.

PROXIMITY. SERVICE. CONTINUITY.



Cooperation on a solid basis of trust: long-held partnerships between OEMs and end customers characterize our business relationships and understanding of what service means at SAF-HOLLAND. In that way both sides win: while the customers can rely on our full commitment to satisfy their needs, SAF-HOLLAND incorporates suggestions directly in the development of its products and services. In this way customer-oriented results always emerge.



As a spare parts supplier, SAF-HOLLAND is a trusted partner to original equipment manufacturers, dealer organizations and fleet operators. In addition, the Company issues service partner certificates to workshops that meet SAF-HOLLAND's rigorous demands for performance and customer satisfaction around the world. For customers, this means an international service network with uniform standards.

TOGETHER ON THE ROAD TO SUCCESS

Proximity to customers is the motor of economic success. SAF-HOLLAND is committed to trustworthy cooperation and open dialogue with our customers. Through personal exchange as well as regular customer surveys, the Company strengthens its profile as a technology leader and reliable service provider. This results in a feeling of security for OEMs and end customers in a highly competitive environment.

Up to 40% of a European standard trailer's value is derived from its axle and suspension systems. This makes the products from SAF-HOLLAND a focus of interest not only for OEMs, but for end customers as well. For decades the Company has cooperated with well-known producers in the European and North American commercial vehicles industry, both through the supply of largely standardized components and by way of cooperation in the Aftermarket Business Unit. At the same time SAF-HOLLAND fosters an ongoing dialogue with fleet operators and freight forwarders in order to guarantee reliable service in the everyday use of its products. That makes the Company a strong partner for end customers as well.

Broad presence and premium service

The trademark of SAF-HOLLAND's customer emphasis is its special focus on service. As a result, the Company is accelerating the expansion of its global Aftermarket presence. SAF-HOLLAND does not just increase its network of carefully selected official service partners and original part manufacturers in its core markets, but in the emerging markets of China, Brazil and Russia, new customers experience the advantages offered by SAF-HOLLAND from the start: fast availability of spare parts and dedicated service from one of the service points.

The spectrum of services is broad and offers high quality. Close customer support ranges from an emergency number available 24 hours to service vehicles for on-site customer support. In order to best handle their tasks, workshop employees can systematically gain further qualifications in special training offered by the Company. With the help of regular customer surveys,

- » Close partnerships with OEMs and end customers
- » Aftermarket cooperation with truck manufacturers
- » A network of over 9,000 service points becomes even tighter
- » Constant service-optimization through customer surveys
- » The SAF safe+easy program provides security in cost calculations

Klaus-Jürgen Stegmann,
Vice President
Sales and Marketing
Trailer Systems

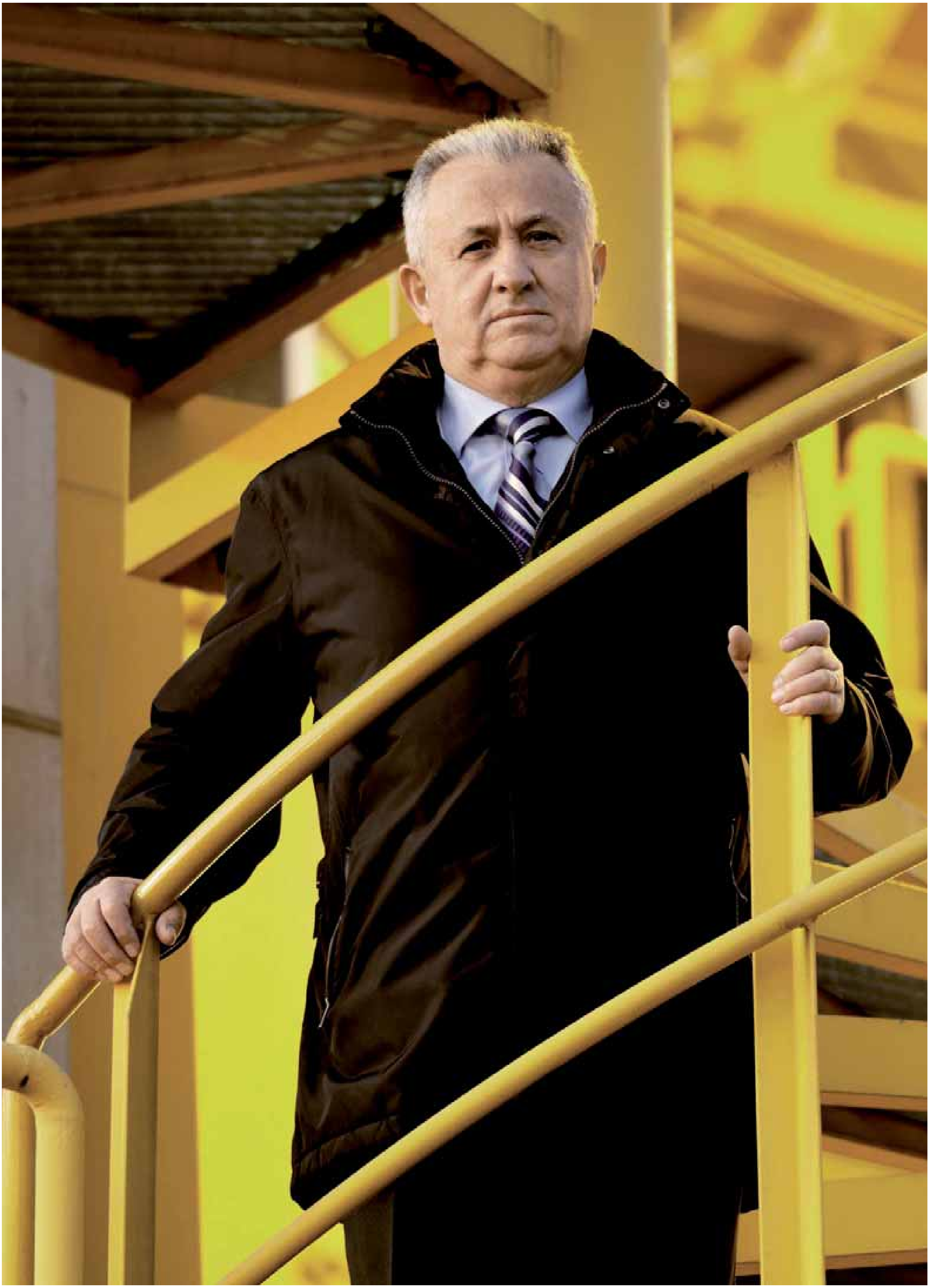
SAF-HOLLAND continuously evaluates the status quo of its service quality with the goal of continuos improvement.

Security of operating costs

As a result of customer feedback, SAF-HOLLAND develops innovations that have practical value. It’s not only products which correspond exactly to the specified requirements, but support services that are also strictly aligned to the needs of customers. The SAF safe+easy service program provides for hassle-free handling of all service and repair work as well as a guarantee to cover costs – calculated in advance based on the operational costs of the vehicle and a per-kilometer reimbursement rate. This allows customers to enjoy more continuity and security in the calculation of operational costs.

Strong brands with varying regional specializations give customers around the world an individualized performance promise. The brands SAF-HOLLAND, GF, NEWAY and TRILEX are a guarantee of quality in the initial procurement as well as in the Aftermarket Business Unit: With orginal parts and specially-coordinated services, they accompany customers throughout the entire service life of products from SAF-HOLLAND.

» As a listed Company with over 3,000 employees, SAF-HOLLAND is among the main players in its sector. Nevertheless, the Company has retained its familiar character. Our customers know: they benefit from close, cooperative dialogue with consistent contact partners from which lasting solutions and new ideas emerge. «



CONSTANT DIALOGUE AND FAST SOLUTIONS

Livio Ambrogio, President of forwarding company Ambrogio Transporti with its headquarters in northern Italy and European-wide activities, discusses the needs of the sector and his experience with SAF-HOLLAND.

» Over many years, SAF-HOLLAND has established itself as the preferred axle supplier – also within our company. And in all regions in which we are active, we notice that the service is as good as the high quality of the products. «

Mr. Ambrogio, what's your company's formula for building and enhancing long-running partnerships with customers?

» The chain of intermodal transport offers customers long-term capacity guarantees, stable prices and the security that goods arrive at their destination with as little environmental impact as possible. Ambrigio has established trust-based relationships with its customers by following these basic principles – year after year. «

In your opinion, what makes the difference for an innovative trailer in competition with other forwarding companies?

» Trailers are needed for very different goods and the requirements for freight protection are very high. Meticulous security provisions have to be followed and preventative measures taken in the case of accidents. The maximum reduction of trailer curb weights is important in order to increase capacity. Above all, axles and tires make the decisive difference when using the vehicle on the road. They should be capable of holding annual downtime as a result of maintenance and repair to a minimum. «

You rely on trailers with axles from SAF-HOLLAND in your fleet. Why is it important to you to know the producer of the trailer as well as the producer of its axle systems?

» Combined freight traffic depends on a well-organized service chain. This chain can only be as strong as each of its individual links.

In the last 40 years, our business has continuously become more intensely competitive. You may not allow any avoidable mistake. The movable components of a vehicle are always crucial in reliable and efficient transportation services. Over many years, SAF-HOLLAND has established itself as the preferred axle supplier – also within our company. And in all regions in which we are active, we notice that the service is every bit as good as the high quality of the products. «

Which role does the subsequent service quality play for you when deciding to purchase a trailer with all its components?

» This is very important considering the service life of such a trailer. Over the course of all these years, there has to be a wide range of reliable services – from technical support to the supply of spare parts. Proximity to customers has to be ensured and the customers should always know that their requirements are understood. «

In your opinion, what distinguishes the dialogue with your contact partners at SAF-HOLLAND in service contexts? And how would you describe the level of quality when your wishes are implemented?

» Through continued dialogue with our contact partners, we are well-positioned to properly handle the products. By contacting SAF-HOLLAND, technical problems are solved immediately, which reliably minimizes delays. Recently, for example, we had a technical problem with one

» Service quality is very important considering the service life of a trailer. Proximity to customers has to be ensured and the customers should always know that their requirements are understood. «

SAF-HOLLAND – strong partner on all continents

CENTRALIZED CONTROL

- Comprehensive offerings in service and aftermarket segments
- High quality standards based on strict certification catalogues

GLOBAL PROXIMITY

- More than 9,000 service points worldwide
- 24-hour service guaranteed

Livio Ambrogio, President of forwarding company Ambrogio Trasporti

As an established transportation provider with eight locations in Europe, Ambrogio Trasporti requires efficiency and reliability from its fleets.

of our vehicles. Thanks to direct contact with SAF-HOLLAND, we were able to solve the problem right away and quickly resume work. «

Long-lasting partnerships depend on consistent improvement. What are your hopes for future cooperation with SAF-HOLLAND?

» I treat relationships with our technical suppliers the same as those with our own customers. The basis for a lasting and successful business relationship is mutual understanding. There is security also in times of economic instability. It is necessary to ensure together that the values, which are the basis of cooperation, are preserved. «

GLOBAL SUPPLY

- **Seven central logistics centers ensure trouble-free operation**
- **Thirty regional spare parts warehouses for supply support**

INTERNATIONAL EXPANSION

- **Further growth in the service network**
- **Expansion in China, Brazil and Russia**

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kEUR	Notes	2011	2010
Result for the period			
Sales	(4)	831,317	631,053
Cost of sales	(5.1)	-682,858	-514,023
Gross profit		**148,459**	**117,030**
Other income	(5.2.1)	1,352	1,298
Selling expenses	(5.2.2)	-48,864	-42,228
Administrative expenses	(5.2.3)	-37,532	-36,663
Research and development costs	(5.2.4)	-14,975	-13,704
Reversal of impairment of intangible assets	(5.2.8)	1,530	5,171
Operating result	(4)	**49,970**	**30,904**
Finance income	(5.2.5)	5,264	640
Finance expenses	(5.2.5)	-28,963	-36,139
Share of net profit of investments accounted for using the equity method	(6.3)	639	453
Result before tax		**26,910**	**-4,142**
Income tax expenses	(5.3)	-108	-4,168
Result for the period		**26,802**	**-8,310**
Other comprehensive income			
Exchange differences on translation of foreign operations	(6.10)	1,501	11,460
Changes in fair values of derivatives designated as hedges, recognized in equity	(6.10)	-502	-2,798
Income tax effects on items recognized directly in other comprehensive income	(6.10)	92	819
Other comprehensive income		**1,091**	**9,481**
Comprehensive income for the period		**27,893**	**1,171**
Attributable to equity holders of the parent		**27,893**	**1,171**
Basic and diluted earnings per share in EUR	(7.2)	**0.73**	**-0.40**

CONSOLIDATED BALANCE SHEET

kEUR	Notes	12/31/2011	12/31/2010
Assets			
Non-current assets		**327,788**	**317,864**
Goodwill	(6.1)	46,311	45,822
Intangible assets	(6.1)	139,012	140,886
Property, plant, and equipment	(6.2)	100,746	100,630
Investments accounted for using the equity method	(6.3)	8,225	7,744
Other non-current assets	(6.4)	4,885	3,375
Deferred tax assets	(5.3)	28,609	19,407
Current assets		**208,699**	**166,056**
Inventories	(6.5)	90,400	68,082
Trade receivables	(6.6)	95,352	80,336
Income tax assets		144	731
Other current assets	(6.7)	7,458	8,361
Cash and cash equivalents	(6.8)	15,345	8,546
Non-current assets classified as held for sale	(6.9)	**–**	**738**
Total assets		**536,487**	**484,658**
Equity and liabilities			
Equity attributable to equity holders of the parent	(6.10)	**192,232**	**24,927**
Subscribed share capital		412	207
Share premium		245,661	106,454
Legal reserve		21	21
Other reserve		232	–
Retained earnings		-51,341	-77,911
Accumulated other comprehensive income		-2,753	-3,844
Non-current liabilities		**219,869**	**362,410**
Pensions and other similar benefits	(6.11)	12,600	11,730
Other provisions	(6.12)	4,695	4,089
Interest bearing loans and borrowings	(6.13)	163,504	306,917
Finance lease liabilities		14	40
Other financial liabilities	(7.1)	5,693	5,758
Other liabilities	(6.15)	286	273
Deferred tax liabilities	(5.3)	33,077	33,603
Current liabilities		**124,386**	**97,321**
Pensions and other similar benefits	(6.11)	2,237	2,732
Other provisions	(6.12)	5,410	5,748
Interest bearing loans and borrowings	(6.13)	11,530	3,758
Finance lease liabilities		67	131
Trade payables	(6.14)	86,038	69,938
Income tax liabilities		3,428	2,449
Other financial liabilities	(7.1)	99	–
Other liabilities	(6.15)	15,577	12,565
Total equity and liabilities		**536,487**	**484,658**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2011						
	Attributable to equity holders of the parent						
kEUR	Subscribed share capital (Note 6.10)	Share premium (Note 6.10)	Legal reserve (Note 6.10)	Other reserve (Note 6.10)	Retained earnings (Note 6.10)	Accumulated other comprehensive-income (Note 6.10)	**Total equity**
As of 01/01/2011	**207**	**106,454**	**21**	**–**	**-77,911**	**-3,844**	**24,927**
Comprehensive income for the period	–	–	–	–	26,802	1,091	27,893
Issue of share capital	205	143,540	–	–	–	–	143,745
Transaction costs	–	-4,333	–	–	–	–	-4,333
Other reclassifications	–	–	–	232	-232	–	–
As of 12/31/2011	**412**	**245,661**	**21**	**232**	**-51,341**	**-2,753**	**192,232**

	2010					
	Attributable to equity holders of the parent					
kEUR	Subscribed share capital (Note 6.10)	Share premium (Note 6.10)	Legal reserve (Note 6.10)	Retained earnings (Note 6.10)	Accumulated other comprehensive income (Note 6.10)	**Total equity**
As of 01/01/2010	**207**	**106,454**	**21**	**-69,601**	**-13,325**	**23,756**
Comprehensive income for the period	–	–	–	-8,310	9,481	1,171
As of 12/31/2010	**207**	**106,454**	**21**	**-77,911**	**-3,844**	**24,927**

CONSOLIDATED CASH FLOW STATEMENT

kEUR	Notes	2011	2010
Cash flow from operating activities			
Result before tax		**26,910**	**-4,142**
- Finance income	(5.2.5)	-5,264	-640
+ Finance expenses	(5.2.5)	28,963	36,139
- Share of net profit of investments accounted for using the equity method	(6.3)	-639	-453
+ Amortization, depreciation of intangible assets and property, plant, and equipment	(5.2.7)	20,676	22,808
- Reversal of impairment of intangible assets	(5.2.8)	-1,530	-5,171
+ Allowance of current assets		2,710	2,082
-/+ Gain/Loss on disposal of property, plant, and equipment		-584	103
- Gain on disposal of non-current assets classified as held for sale		-60	–
+ Dividends from investments accounted for using the equity method		22	11
Result before change of net working capital		**71,204**	**50,737**
- Change in other provisions and pensions	(6.11) / (6.12)	-20	-4,396
- Change in inventories	(6.5)	-23,661	-9,868
- Change in trade receivables and other assets	(6.6) / (6.7)	-16,740	-20,461
+ Change in trade payables and other liabilities	(6.14) / (6.15)	15,718	30,056
Cash flow from operating activities before income tax paid		**46,501**	**46,068**
- Income tax paid		-5,403	-6,630
Net cash flow from operating activities		**41,098**	**39,438**
Cash flow from investing activities			
- Purchase of property, plant, and equipment	(6.2)	-12,144[1]	-6,398
- Purchase of intangible assets	(6.1)	-1,887	-1,297
- Purchase of investments accounted for using the equity method		–	-85
+ Proceeds from sales of property, plant, and equipment		1,007	495
+ Proceeds from sales of non-current assets classified as held for sale	(6.9)	798	–
+ Interest received		117	108
Net cash flow from investing activities		**-12,109**	**-7,177**
Cash flow from financing activities			
+ Proceeds from capital increase	(6.10)	143,745	–
- Payments for transaction costs relating to the capital increase	(6.10)	-6,068	–
- Payments for expenses relating to amended finance agreement	(6.13)	-3,948	–
- Repayments of Management and Board of Directors loan	(6.13)	-1,098	-109
- Payments for finance lease		-131	-280
- Interest paid		-30,019[2]	-15,011
- Repayments of current and non-current financial liabilities	(6.13)	-89,100	–
- Change in drawings on the credit line and other financing activities	(6.13)/(7.1)	-35,725[3]	-29,912
Net cash flow from financing activities		**-22,344**	**-45,312**
Net increase/decrease in cash and cash equivalents		**6,645**	**-13,051**
Net foreign exchange difference		154	855
Cash and cash equivalents at the beginning of the period	**(6.8)**	**8,546**	**20,742**
Cash and cash equivalents at the end of the period	**(6.8)**	**15,345**	**8,546**

1) Capital expenditures on property, plant, and equipment came to kEUR 13,676, of which kEUR 2,116 was not cash effective as of December 31, 2011. This amount is reported under trade payables. Non-cash capital expenditures from the previous year of kEUR 584 were paid in the current year and are included in the "Purchase of property, plant, and equipment" item.

2) Including kEUR 14,272 (previous year: kEUR 0) from the repayment of the accrued PIK interest.

3) Including kEUR 7,355 from the partial repayment of other loans granted as part of the financing of the prolongation options for interest rate swaps (see Note 6.13) and kEUR 710 from the partial repayment of interest rate swaps (see Note 7.1).

Notes to the Consolidated Financial Statements

For the period January 1 to December 31, 2011

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 entered in the Register of Commerce at the Luxembourg district court under no. B 113.090. The shares of the Company are listed in the Prime Standard of the Frankfurt Stock Exchange under the symbol "SFQ" (ISIN: LU0307018795). They have been included in the SDAX since 2010.

The consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries (the "Group") as of December 31, 2011 were authorized for issue in accordance with the resolution of the Board of Directors on March 13, 2012. 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 (IFRSs) as adopted by the European Union and effective as of the reporting date.

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

The balance sheet presents current and non-current assets as well as current and non-current liabilities. The statement of comprehensive income is prepared according to the function of expense (cost of sales) method. Certain items in the consolidated statement of comprehensive income and the balance sheet are aggregated. They are disclosed separately in the notes to the consolidated financial statements.

The consolidated financial statements are presented in euros. Unless otherwise stated, all amounts are given in thousands of euros (kEUR).

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

In preparing the consolidated financial statements, management has made assumptions and estimates that affect the reported amounts of assets, liabilities, income, expenses, and contingent liabilities as of the reporting date. In certain cases, actual amounts may differ from these assumptions and estimates. Any such changes are recognized in profit or loss as soon as they become known. The following section details the key assumptions made concerning the future and other main sources of estimation uncertainty 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 financial year.

Impairment of goodwill and intangible assets with indefinite useful lives

The Group tests goodwill and other intangible assets with indefinite useful lives for impairment at least once a year and whenever there is an indication of impairment. The Group's impairment test as of October 1, 2011 is based on calculations of the recoverable amount using a discounted cash flow model. Future cash flows are derived from the Group's five-year financial plan. Cash flows beyond the planning period are extrapolated using individual growth rates. The recoverable amount depends heavily on the discount rate used in the discounted cash flow model, expected future cash inflows and outflows, and the growth rate used for purposes of extrapolation.

The assumptions are based on the information available at the time. In particular, expected business development reflects current conditions as well as realistic assessments of the future development of the global and industry-specific environment. The main planning assumptions are based on forecast unit volumes for the truck and trailer market as determined by market research companies and planning discussions with the Group's key customers. Although management believes that the assumptions used to calculate the recoverable amount are appropriate, any unforeseen changes in these assumptions could lead to an impairment charge that could adversely affect the Group's net assets, financial position, and results of operations. The basic assumptions for determining the recoverable amount of the various cash-generating units as well as intangible assets with indefinite useful lives, including a sensitivity analysis, are discussed in more detail in Note 6.1. As of December 31, 2011, the carrying amounts of goodwill totaled EUR 46.3 million (previous year: EUR 45.8 million) and intangible assets with indefinite useful lives amounted to EUR 29.9 million (previous year: EUR 27.9 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 requires the use of estimates for determining the fair value at the acquisition date, particularly for assets acquired in a business combination. Furthermore, the expected useful lives of these assets must be determined. The determination of fair values and useful lives of assets, and impairment testing in the case of indications of impairment are based on management's judgment. As of December 31, 2011, the carrying amounts of property, plant, and equipment totaled EUR 100.7 million (previous year: EUR 100.6 million) and those of intangible assets with finite useful lives amounted to EUR 109.1 million (previous year: EUR 113.0 million). Further details are given in Notes 6.1 and 6.2.

Deferred tax assets

At each balance sheet date, the Group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. Among other things, this requires management to assess the tax benefits 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 benefits achievable through available tax strategies, or if changes in current tax legislation restrict the timing or amount of future tax benefits.

Deferred tax assets are recognized for all unused tax loss carry-forwards to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Deferred tax assets for all unused interest carry-forwards are recognized to the extent that it is probable that they can be used in the future to reduce taxable income. As of December 31, 2011, the carrying amount of deferred tax assets for tax loss carry-forwards amounted to EUR 5.9 million (previous year: EUR 7.1 million). Unrecognized tax loss carry-forwards amounted to EUR 34.6 million (previous year: EUR 33.6 million). In addition, as of December 31, 2011 the carrying amount of recorded deferred tax assets for interest carry-forwards was EUR 28.4 million (previous year: EUR 14.0 million) and the amount of unrecognized taxable interest carry-forwards was EUR 5.1 million (previous year: EUR 34.8 million). Further details are given in Note 5.3.

Pensions and other similar benefits

The cost of defined benefit pension plans and post-employment medical benefits is determined using actuarial valuations. These actuarial valuations involve making assumptions about discount rates, expected returns on plan assets, future salary and wage increases, mortality rates, future pension increases, expected staff turnover, and healthcare cost trends. All assumptions are reviewed as of the balance sheet date. Management based the determination of the appropriate discount rates on interest rates for 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 returns in terms of their risk classification compared with 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 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, 2011, the carrying amount of pensions and other similar benefits was EUR 14.8 million (previous year: EUR 14.5 million). Defined benefit assets were recognized in the amount of EUR 4.0 million (previous year: EUR 2.1 million). Further details are given in Note 6.11.

Other provisions

The recognition and measurement of other provisions is based on an estimate of the probability of the future outflow of benefits, taking into account past experience and the circumstances known as of the balance sheet date. As a result, the actual outflow of benefits may differ from the amount recognized under other provisions. As of December 31, 2011, other provisions amounted to EUR 10.1 million (previous year: EUR 9.8 million). Further details are given in Note 6.12.

Share-based payment transactions

The Group initially measures the cost of phantom shares (appreciation rights) granted to members of the Management Board and certain managers at the fair value of the appreciation rights at the grant date and subsequently on each balance sheet date as well as on the settlement date. Estimating the fair value of share-based payment transactions entails determining an appropriate valuation technique, which is selected according to the terms and conditions of the agreements. When estimating fair value, this technique requires various inputs for which assumptions must be made. The main inputs are the expected life of the option, the volatility of the share price and the forecast dividend yield. The expected life of the phantom shares is based on current management expectations with regard to the exercise patterns of the participants and is not necessarily indicative of the actual exercise patterns of the beneficiaries. The expected volatility reflects the assumption that the historical volatility of a peer group over a period similar to the expected life of the phantom shares is indicative of future trends, and may therefore not necessarily be the actual outcome. Due to the past restructuring of the Group, the actual historical volatility of the Group was not used, since in management's view, it is not representative of the future share price performance. The carrying amount of obligations from share-based payment transactions is kEUR 119 (previous year: kEUR 63). Further details are given in Note 6.12.

Derivative financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from an active market, it is determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs 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, 2011, the carrying amount of derivative financial instruments was EUR 5.8 million (previous year: EUR 5.7 million). Further details are given in Note 7.1.

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, associates, and joint ventures are prepared for the same reporting period as the parent company using consistent accounting policies.

All receivables and payables, sales and income, expenses, and unrealized gains and losses from intercompany transactions are eliminated in full during consolidation.

Business combinations

Subsidiaries are fully consolidated from the date of acquisition, i.e., from the date on which the Company obtains control. Control exists if SAF-HOLLAND S.A. holds more than half of the voting rights or otherwise has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. An entity is deconsolidated as soon as the parent loses control over it.

Business combinations after January 1, 2009 are accounted for using the acquisition method in accordance with IFRS 3 (revised 2008). Under this method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured as fair value at acquisition date including the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred. The contingent consideration agreed is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

For the accounting of acquisitions prior to January 1, 2009, the following principles that deviate from the requirements described above were valid:

- Transaction costs directly attributable to the acquisition formed part of the acquisition costs.
- The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.
- Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration affected goodwill.
- Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it

- derecognizes the assets (including goodwill) and liabilities of the subsidiary,
- derecognizes the carrying amount of any non-controlling interest in the former subsidiars,
- derecognizes the cumulative translation differences recorded in equity,
- recognizes the fair value of the consideration received,
- recognizes the fair value of any investment retained,

- recognizes any surplus or deficit in profit or loss,
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Investments in associates and joint ventures

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

An associate is an entity over which the Group can exercise significant influence by participating in the entity's financial and operating policy decisions, but which it does 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 which are jointly controlled entities, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entities.

Investments in associates and joint ventures cease to be included in the consolidated financial statements using the equity method when the Group no longer exercises significant influence or no longer participates in joint control. Gains and losses on transactions between the Group and an associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture.

A comprehensive list of the Group's shareholdings is provided in Note 7.5.

Foreign currency translation

The consolidated financial statements are presented in euros, which is the Group'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. Foreign currency transactions are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. All exchange differences are recognized in profit or loss. Non-monetary items measured at historical cost in a foreign currency are translated at the rate prevailing on the date of the 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 closing rate. As of the balance sheet date, the assets and liabilities of foreign operations are translated into euros at the closing rate. Income and expenses are translated at the weighted average exchange rate for the financial year. The exchange differences arising on the translation are recognized in equity. On disposal of a foreign entity, the cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss. Exchange differences on borrowings that are 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 attributable to exchange 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 were EUR/USD = 1.29483 (previous year: 1.32521) and EUR/CAD = 1.32031 (previous year: 1.32503). The weighted average exchange rates for these two currencies were EUR/USD = 1.39088 (previous year: 1.32471) and EUR/CAD = 1.37536 (previous year: 1.36457).

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 other assets or liabilities of the acquiree are allocated to those 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

Intangible assets acquired separately are measured on initial recognition at cost.

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

Research costs are expensed in the period in which they are incurred. Development costs for internally generated intangible assets are only recognized as an intangible asset when the Group can demonstrate

- 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,
- the recoverability of any future economic benefits,
- the availability of resources to complete the asset, and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

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

For development costs, amortization begins when development is complete and the asset is available for use.

A distinction is made between intangible assets with finite useful lives and those with indefinite useful lives.

Intangible assets with finite useful lives are amortized over their useful lives and tested for impairment whenever there is an indication 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 financial year. Amortization is recognized in the expense category that corresponds to the intangible asset's function in the Group.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least once a year. The useful lives of these intangible assets are also 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 expand the acquired brands in the future, the brands are assumed to have indefinite useful lives. However, a finite useful life is assumed for acquired intangible assets such as technology and customer relationships.

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	3–10 years
Remaining useful life	19–35 years	4–13 years	7–10 years	Indefinite	14–15 years	1–7 years

Gains or losses on 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 recognized in profit or loss in the period in which the asset is derecognized.

Property, plant, and equipment

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

The cost of self-constructed property, plant, and equipment includes direct material and production costs, and any allocable material and production overheads. Administrative expenses are capitalized only if there is a direct connection to production. Ongoing maintenance and repair expenses are immediately recognized as expenses.

The cost of replacing components or of overhauling plant and equipment are only capitalized if the recognition criteria are met.

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

The residual values of the assets, useful lives, and depreciation methods are reviewed and, if appropriate, adjusted prospectively at the end of each financial 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. Gains or losses on the derecognition of the asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period in which the item 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 asset. All other borrowing costs are expensed in the period in which they are incurred.

Leases

The classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

Leases in which the Group as the lessee bears substantially all the risks and rewards incidental to ownership of the leased asset are treated as finance leases. Under a finance lease, the Group capitalizes the leased property at fair value or, if lower, at the present value of the minimum lease payments and subsequently depreciates the leased asset over its estimated useful life or, if shorter, over the contractual term. Lease payments are apportioned between finance charges 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 in which the Group is 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 Group's share of the profit or loss of the associate or joint venture is reported separately in the result for the period. Where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Goodwill resulting from the acquisition of an associate or joint venture is included in the carrying amount of the investment in the associates or jointly controlled entities and is neither amortized nor separately tested for impairment. After applying the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in 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 the difference between the fair value of the investment and the carrying amount of the investment and recognizes the amount in profit or loss.

Impairment of non-financial assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually on October 1 of each financial year. In addition, an impairment test is performed whenever there are specific indications of impairment. An impairment test is only performed for other intangible assets with finite useful lives, property, plant, and equipment, and other non-financial assets if there are specific indications of impairment.

Impairment is recognized in 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 costs to sell and 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 costs to sell, an appropriate valuation model based on discounted future cash flows is used. To ensure the objectivity of the results, these calculations are corroborated by valuation multiples, quoted prices for shares in publicly traded companies, or other available fair value indicators.

If the reason for impairment recognized in previous years no longer applies, 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 previous years. Such reversal is recognized through profit or loss.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

When a financial asset or financial liability is recognized initially, the Group measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

For the purpose of subsequent measurement, IAS 39 classifies financial assets into the following categories:

- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets
- At fair value through profit or loss
  - Held for trading
  - Designated upon initial recognition at fair value through profit or loss (fair value option)

IAS 39 classifies financial liabilities into the following categories:

- Financial liabilities at amortized cost
- At fair value through profit or loss
  - Held for trading
  - Designated upon initial recognition at fair value through profit or loss (fair value option)

The Group determines the classification of its financial assets and liabilities at initial recognition. Where permissible, any reclassifications deemed necessary are performed at the end of the financial year.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques include:

- using recent arm's length market transactions between knowledgeable, willing independent parties,
- reference to the current fair value of another instrument that is substantially the same,
- using a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details on how they are measured are provided in Note 7.1.

Primary financial instruments

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

The **held-to-maturity** category comprises non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. No financial assets were allocated to this category in the reporting period.

Available-for-sale financial investments are non-derivative financial assets that do not fall into any other category. After initial recognition, available-for-sale financial investments are measured at fair value, with any gains or losses net of income tax effects being recognized in accumulated other comprehensive income. This does not apply if the impairment is prolonged or significant, in which case it is recognized in profit or loss. The accumulated measurement gains or losses previously reported in equity are only recognized in profit or loss upon disposal of the financial asset. No financial assets were allocated to this category in the reporting period.

Financial instruments at fair value through profit or loss include **financial instruments held for trading** and financial assets and liabilities designated upon initial recognition **at fair value through profit or loss**. The Group has not designated any primary financial instruments upon initial recognition as at fair value through profit or loss.

After initial recognition, other primary financial liabilities are measured **at amortized cost** using the effective interest method. They include the Group's interest bearing loans and borrowings as well as its trade payables.

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 derivative financial instruments such as forward exchange contracts, interest rate swaps and caps to hedge risk positions arising from currency and interest rate fluctuations. The hedges cover financial risks from recognized hedged items, future interest rate and currency risks (hedged with interest rate swaps and caps), and risks from pending goods and service transactions.

The fair value of derivatives corresponds to the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using the mean spot exchange rate applicable on the balance sheet date, taking into account the forward premiums and discounts for the residual term of each contract, compared with the contracted forward exchange rate. Interest rate swaps are measured at fair value by discounting the estimated future cash flows, using interest rates with matching maturities.

Any measurement gain or loss is recognized immediately in profit or loss unless the derivative is designated as a hedging instrument in hedge accounting and is effective. A derivative that has not been designated as a hedging instrument must be classified as held for trading.

At the inception of the hedge relationship, the Group formally designates the hedge relationship and the risk management objective and strategy for undertaking the hedge. Depending on the type of hedge, the Group classifies the individual hedging instruments either as fair value hedges, cash flow hedges, or hedges of a net investment in a foreign operation. When entering into hedges and at regular intervals during their terms, the Group also reviews in each period whether the hedging instrument designated in the hedge is highly effective in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Only interest rate swaps, which are used as cash flow hedges, meet the criteria for hedge accounting in the Group. Cash flow hedges safeguard against fluctuations in future payment flows from recognized assets and liabilities and from highly probable forecast transactions. The effective portion of the gain or loss on these hedging instruments, 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 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, the amounts previously reported in equity are recognized in profit or loss.

Impairment of financial assets

Financial assets or a group of financial assets, with the exception of those recognized at fair value through profit or loss, are tested for indications of impairment at each balance sheet date. Financial assets are treated as impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has a negative impact on the estimated future cash flows of the asset.

For financial assets measured at amortized cost, the impairment loss is the difference between the carrying amount of the asset and the present value of the expected future cash flows determined using the original effective interest rate of the financial asset. An impairment loss directly reduces the carrying amount of the financial assets concerned, with the exception of trade receivables, whose carrying amount is reduced via an allowance account. Changes in the allowance account are recognized in profit or loss.

In case of available-for-sale financial investments, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investment below its carrying amount. Where such an asset is impaired, a loss previously recognized in equity is transferred to profit or loss. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income. Subsequent reversals of impairment losses with respect to available-for-sale financial investments are recognized directly in equity rather than in 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 obligation underlying the liability is discharged, canceled or expires.

Inventories

Inventories are measured 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 costs necessary to make the sale.

Costs incurred in 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, an appropriate proportion of manufacturing overheads based on normal operating capacity (but excluding borrowing costs), production-related administrative expenses and conveyance costs.

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 and disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable and the asset or the disposal group 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 completed sale within one year from the date of the classification.

Other provisions

A provision is recognized when 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 recognized as a separate asset only 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. If discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share-based payment transactions

Members of the Management Board and certain managers in the Group receive share-based payments in the form of phantom shares (share appreciation rights) in return for services rendered; these phantom shares can only be settled in cash (cash-settled share-based payment transactions). The cost of cash-settled share-based payment transactions is measured initially at fair value at the grant date using a Monte Carlo simulation. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured at fair value at each reporting date up to and including the settlement date. Changes in the fair value are recognized as expenses in the relevant functional area. No cost is recognized for appreciation rights that do not vest. If the conditions for a cash-settled share-based payment transaction are modified, these modifications are considered within the scope of the revaluation on the respective balance sheet date. If a cash-settled share-based payment transaction is canceled, the relevant liability is derecognized with an effect on profit or loss.

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 in profit or loss 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 years of service of the employees participating in the plans.

Past service cost is 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 is composed of 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 unrecognized past service cost and plus or minus unrecognized actuarial gains and losses. The value of any asset is limited to the sum of any unrecognized past service cost from retrospective plan amendments 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. Insofar as, in connection with fund assets, payment obligations exist as a result of minimum funding requirements for benefits already earned, this can also lead to the recognition of an additional provision if the economic benefit of a financing surplus is limited for the company, taking into account the minimum funding requirements yet to be paid.

In the North American companies, 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 retiree assistance.

Defined contribution plans

The Group's obligations from defined contribution plans are recognized in profit or loss within 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 block model is used for this. A provision is recognized in profit or loss 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 long-service awards to a number of employees. The corresponding obligations are measured using the projected unit credit method.

Taxes

Current income taxes

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 calculation of the amount is based on the tax rates and tax legislation in force on 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 ventures, 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. The tax rates and tax laws used to calculate the amount are those that are enacted as of 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 income 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 recognized in accumulated other comprehensive income and not in profit or loss for the period.

Revenue recognition

Revenue is 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 sales taxes or other duties. Revenue from the sale of goods and merchandise is recognized when the significant risks and rewards of ownership of the goods and merchandise sold have passed to the buyer. This usually occurs on delivery. Interest income is recognized after a period of time using the effective interest method. Dividends are recognized when the Group's right to receive payment is established.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the relevant costs. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

2.4 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous year with the following exceptions. As of January 1, 2011, the following standards and interpretations were applicable for the first time in the Group's consolidated financial statements:

- IAS 24 Related Party Disclosures (amended)
- IAS 32 Financial Instruments: Presentation (amended)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amended)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Improvements to IFRSs 2010 (May 2010)

To the extent that the application of a standard or interpretation impacts the presentation of the Group's net assets, financial position, and results of operations, these effects are described in more detail below.

IAS 24 Related Party Disclosures (amended)

The IASB has issued an amendment to IAS 24 that includes a clarification of the definitions of related parties. The new definition emphasizes a symmetrical view on related party relationships and clarifies how a person or key management personnel impacts related party relationships of an entity. Furthermore, the amendment provides for a partial exemption to the IAS 24 disclosure requirements for transactions with government-related entities and with entities that are controlled, jointly controlled, or significantly influenced by the same government-related entity as the reporting entity. The amended standard is effective for financial years beginning on or after January 1, 2011. The adoption of this amendment did not have any effect on the Group's net assets, financial position, and results of operations or require any additional disclosures.

IAS 32 Financial Instruments: Presentation (amended)

The IASB has issued an amendment that alters the definition of a financial liability in IAS 32 to allow entities to classify certain rights issues and options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amended standard is effective for financial years beginning on or after January 1, 2011. It has no effect on the Group's net assets, financial position, and results of operations as the Group does not have any such instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (amended)

The amendment was made to remove an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The amendment to IFRIC 14 is effective retrospectively for financial years beginning on or after January 1, 2011. In Canada, the Group is subject to minimum funding requirements, although this amendment to the interpretation has no effect on the Group's net assets, financial position, and results of operations this year.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 offers additional explanation of the accounting treatment applicable under IFRSs when an entity settles a financial liability by issuing shares or other equity instruments. The adoption of IFRIC 19 did not have any impact on the Group's net assets, financial position, and results of operations as no financial liabilities were extinguished with equity instruments.

Improvements to IFRSs 2010

The IASB has published improvements to IFRSs, a collection of amendments to the following standards and interpretations in particular:

- IFRS 3 Business Combinations
- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The amendments resulting from the improvements to IFRSs 2010 are effective for financial years beginning on or after January 1, 2011. The adoption of these amendments did not have any impact on the Group's net assets, financial position, and results of operations in financial year 2011.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

During financial year 2011, the International Accounting Standards Board (IASB) issued additional standards that are relevant for the business operations of the Group but are not yet effective 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 issued. They will be applied at the latest in the year in which they first become effective.

IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore has no impact on the Group's net assets, financial position, and results of operations. The amendment is effective for financial years beginning on or after July 1, 2012.

IAS 19 Employee Benefits (revised)

The amendment to IAS 19 changes the treatment of defined benefit pension plans and termination benefits. Among other things, the new rules require the immediate recognition of changes in defined benefit obligations and changes in the fair value of plan assets when they occur. The previously used corridor mechanism has been removed and the calculation of expected returns on plan assets has been amended. The amendments are effective for financial years beginning on or after January 1, 2013. The rules must be applied retrospectively (with exceptions). It is anticipated that the application of the standard will lead to the adjustment of defined benefit pension plans. A detailed analysis of the effect on net assets, financial position, and results of operations is currently being performed. The amendments are likely to result in a EUR 16.0 million decrease in the equity attributable to equity holders of the parent net of deferred tax assets. Management expects the amended standard to apply for the first time to the consolidated financial statements for the financial year beginning January 1, 2013.

IAS 27 Separate Financial Statements (revised 2011)

As a consequence of the new IFRS 10 and IFRS 12, the scope of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment is effective for financial years beginning on or after January 1, 2013.

IAS 28 Investments in Associates and Joint Ventures (revised 2011)

As a consequence of IFRS 11 and IFRS 12, IAS 28 has been renamed „Investments in Associates and Joint Ventures" and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment is effective for financial years beginning on or after January 1, 2013.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements for Transfer Transactions of Financial Assets

The amendment requires additional disclosures about financial assets that have been transferred but not derecognized to enable the users of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in transferred and derecognized financial assets as of the reporting date to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment is effective for financial years beginning on or after July 1, 2011. The amendment affects disclosure only and has no impact on the Group's net assets, financial position, or results of operations.

IFRS 9 Financial Instruments: Classification and Measurement

The IASB issued IFRS 9 „Financial Instruments", in November 2009 and October 2010. The standard reflects the first of three phases of the IASB project to replace IAS 39 „Financial Instruments: Recognition and Measurement". IFRS 9 amends the recognition and measurement requirements for financial assets, including various hybrid contracts. It replaces the various rules in IAS 39 by a uniform approach for recognizing a financial asset at amortized cost and fair value. The approach in IFRS 9 is based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the financial asset. The new standard also requires the use of a uniform impairment method that replaces the variety of methods contained in IAS 39. The part issued in October 2010 contains the new requirements for the classification and measurement of financial liabilities. These new rules amend only the treatment of financial liabilities measured at fair value through profit or loss. All other rules relating to the classification and measurement of financial liabilities are transferred unchanged from IAS 39 to the new IFRS 9. The new standard remains effective for financial years beginning on or after January 1, 2015, although earlier application is permitted. The Company is currently examining the effects of applying this standard on its consolidated financial statements.

Amendment to IAS 32 and IFRS 7 – Offsetting Financial Assets and Financial Liabilities

The amendment to IAS 32 and IAS 7 was published in December 2011 and aims to eliminate existing inconsistencies by providing additional application guidance. The existing underlying provisions for offsetting financial instruments will, however, remain in place. The amendment will also provide for additional disclosures. The amendment is effective for financial years beginning on or after January 1, 2013.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the rules on group financial reporting in IAS 27 „Consolidated and Separate Financial Statements", and includes issues that were previously governed by SIC-12 „Consolidation – Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the previous legal situation. The amendment is deemed to have no impact on the financial statements of the Group. The standard is effective for financial years beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 was issued in May 2011 and is effective for the first time in fiscal years beginning on or after January 1, 2013. The standard replaces IAS 31 „Interests in Joint Ventures" and the interpretation SIC-13 „Jointly controlled Entities – Non-monetary Contributions by Ventures". IFRS 11 removes the option to account for joint ventures using proportionate consolidation. In the future, joint ventures must be included in the consolidated financial statements exclusively using the equity method. The amendment will not have any impact on the consolidated financial statements, in which joint ventures are already accounted for using the equity method. The standard is effective for financial years beginning on or after January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities

This standard establishes uniform disclosure requirements for group financial reporting and consolidates the disclosures for subsidiaries that were previously contained in IAS 27, for jointly controlled entities and associates that were previously included in IAS 31 and IAS 28 respectively, and for structured entities. A number of new disclosures are also required. The standard is effective for financial years beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

This standard establishes a single source of guidance for fair value measurement. However, the scope of IFRS 13 does not include when assets and liabilities can or must be measured at fair value. Rather, it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. The Group is currently examining the future effects that the new standard will have on its net assets, financial position, and results of operations. The standard is effective for financial years beginning on or after January 1, 2013.

3 SCOPE OF CONSOLIDATION

ACQUISITIONS

There were no acquisitions in the reporting period or the prior period.

FORMATIONS

SAF-HOLLAND Middle East FZE, United Arab Emirates, was formed in Dubai in July 2011 and was included in the consolidated financial statements for the first time as of September 30, 2011.

SAF-HOLLAND Otomotiv Sanayi ve Ticaret Limited Sirketi, Turkey, which was formed in the previous year on October 18, 2010, was included in the consolidated financial statements for the first time as of the reporting date December 31, 2010.

DECONSOLIDATIONS

Holland Eurohitch Ltd., UK, was deconsolidated in the reporting year following its liquidation on March 29, 2011.

SAF-HOLLAND Slovakia s.r.o., Slovakia, was liquidated in the previous year and therefore deconsolidated in 2010. The profit from deconsolidation in the amount of kEUR 149 was recognized in other operating income in the prior-year financial statements.

OTHER CHANGES

In 2011, SAF-HOLLAND GmbH, Bessenbach, and Sauer GmbH, Bessenbach, were merged into SAF-HOLLAND TECHNOLOGIES GmbH, Bessenbach. The mergers took place with retroactive effect on January 1, 2011. Following this, SAF-HOLLAND TECHNOLOGIES GmbH, Bessenbach, was merged into SAF-HOLLAND GROUP GmbH, Bessenbach, with retroactive effect as of January 1, 2011. As a final step, SAF-HOLLAND GROUP GmbH, Bessenbach, was renamed SAF-HOLLAND GmbH, Bessenbach.

As of December 31, 2011, SAF-HOLLAND Holdings (USA) Inc., Wilmington, Delaware, USA, was merged into SAF-HOLLAND Inc., Holland, Michigan, USA.

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 and 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 in the truck, bus, and recreational vehicle industry.

AFTERMARKET

This Business Unit focuses on the sale of component 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.

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 (adjusted EBIT). Thus, the determination of operating profit (EBIT) 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 and reversal of impairment 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	2011	2010
Operating result	49,970	30,904
Share of net profit of investments accounted for using the equity method	639	453
EBIT	**50,609**	**31,357**
Additional depreciation and amortization from PPA	6,447	6,654
Reversal of impairment of intangible assets	-1,530	-5,171
Restructuring and integration costs	1,792	4,290
Adjusted EBIT	**57,318**	**37,130**

Segment information for the period January 1 to December 31:

	2011				
	Business Units				
kEUR	Trailer Systems	Powered Vehicle Systems	Aftermarket	Adjustments/ eliminations	**Consolidated**
Sales	472,803	154,027	204,487	–	**831,317**
Cost of sales	-430,004	-128,376	-123,533	-945[1]	**-682,858**
Gross profit	**42,799**	**25,651**	**80,954**	**-945**	**148,459**
Gross margin	9.1%	16.7%	39.6%	–	**17.9%**
Selling and administrative expenses, research and development costs, other income, share of net profit of investments accounted for using the equity method, and reversal of impairment	-30,404	-12,344	-50,487	-4,615[2]	**-97,850**
Adjustments	2,365[3]	896[3]	1,656[3]	1,792[4]	**6,709**
Adjusted EBIT	**14,760**	**14,203**	**32,123**	**-3,768**	**57,318**
Adjusted EBIT margin	3.1%	9.2%	15.7%	–	**6.9%**
Depreciation, amortization, reversal of impairment	-11,152	-3,707	-4,041	-246[5]	**-19,146**
thereof reversal of impairment	860	470	200	–	**1,530**

1) Expenses resulting from the merger of locations (kEUR -945) are not allocated as part of the restructuring and integration costs to any Business Unit.

2) Expenses in connection with the reorganization of the Group's activities in Eastern Europe (kEUR -364), expenses in connection with the merger of locations (kEUR -456) as well as expenses from the merger of existing SAP environments in Europe and North America (kEUR -27) are not allocated to any Business Unit as part of restructuring and integration costs. Furthermore, the costs of the holding companies (kEUR -3,768) are not allocated to a segment.

3) Eliminations in the Business Units relate to amortization and depreciation (kEUR 6,447) arising from the purchase price allocation. Income from reversals of impairment losses on brands (kEUR -1,530) is also included.

4) Restructuring and integration costs (kEUR 1,792) are not allocated to any Business Unit.

5) Impairment losses (kEUR -246) resulting from the merger of locations are not allocated as part of the restructuring and integration costs to any Business Unit.

kEUR	2010 Business Units Trailer Systems	Powered Vehicle Systems	Aftermarket	Adjustments/ eliminations	Consolidated
Sales	322,820	127,467	180,766	–	**631,053**
Cost of sales	-301,691	-97,369	-112,292	-2,671[1]	**-514,023**
Gross profit	**21,129**	**30,098**	**68,474**	**-2,671**	**117,030**
Gross margin	6.5%	23.6%	37.9%	–	**18.5%**
Selling and administrative expenses, research and development costs, other income, share of net profit of investments accounted for using the equity method, and reversal of impairment	-30,672	-6,467	-44,731	-3,803[2]	**-85,673**
Adjustments	595[3]	-1,241[3]	2,129[3]	4,290[4]	**5,773**
Adjusted EBIT	**-8,948**	**22,390**	**25,872**	**-2,184**	**37,130**
Adjusted EBIT margin	-2.8%	17.6%	14.3%	–	**5.9%**
Depreciation, amortization, reversal of impairment	-10,485	-1,905	-4,731	-516[5]	**-17,637**
thereof reversal of impairment	2,700	2,471	-	–	**5,171**

1) Expenses in connection with the reorganization of the Group's activities in South America (kEUR -1,182), expenses in connection with the merger of locations (kEUR -785) as well as expenses from the closing of pension plans in Canada (kEUR -704) are part of the restructuring and integration costs and not allocated to a Business Unit.

2) Expenses in connection with the reorganization of the Group's activities in South America (kEUR -768), expenses in connection with the merger of locations (kEUR -595), expenses from the closing of pension plans in Canada (kEUR -21) as well as expenses for restructuring consulting (kEUR -235) are part of the restructuring and integration costs and not allocated to a Business Unit. Furthermore, the costs of the holding companies (kEUR -2,637), and the share of net profit of investments accounted for using the equity method (kEUR 453) are not allocated to a segment.

3) Eliminations in the Business Units relate to amortization and depreciation (kEUR 6,654) arising from the purchase price allocation. Income from reversals of impairment losses on brands (kEUR -5,171) is also included.

4) Restructuring and integration costs (kEUR 4,290) are not allocated to any Business Unit.

5) Impairment losses (kEUR -516) resulting from the merger of locations are not allocated as part of the restructuring and integration costs to any Business Unit.

Geographic information is presented for the "Europe" and "North America" regions.

Business in the European region includes the manufacture and sale of axles and suspension systems for trailers and semi-trailers as well as fifth wheels for heavy trucks. In this region, the Group also provides replacement parts for the trailer and commercial vehicle industry. 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 axle and suspension systems, fifth wheels, kingpins and landing legs as well as coupling devices. In North America, the Group also provides replacement parts for the trailer and commercial vehicle industry.

The following table presents information by geographical region:

kEUR	2011	2010
Revenues from external customers		
Europe	456,546	311,358
North America	331,944	279,172
Other	42,827	40,523
Total	**831,317**	**631,053**

kEUR	12/31/2011	12/31/2010
Non-current assets		
Europe	161,784	165,765
North America	122,709	116,507
Other	10,670	14,078
Total	**295,163**	**296,350**

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 pension and other similar obligations.

In the reporting year as well as in the previous year, no customer reached a sales share of 10% of total sales.

5 NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.1 COST OF SALES

Cost of sales consists of the following:

kEUR	2011	2010
Cost of materials	551,497	407,620
Personnel expenses	92,641	74,950
Depreciation and amortization of property, plant, and equipment and intangible assets	11,462	12,296
Repair and maintenance expenses	8,506	5,859
Temporary employees expenses	6,421	1,393
Warranty expenses	3,950	2,700
Restructuring and integration costs	945	2,671
Other	7,436	6,534
Total	**682,858**	**514,023**

5.2 OTHER INCOME AND EXPENSES

5.2.1 Other Income

Other income consists of the following:

kEUR	2011	2010
Gain from disposal of property, plant, and equipment	584	13
Income from reimbursements	389	371
Income from the deconsolidation of SAF-HOLLAND Slovakia s.r.o	–	149
Income from insurance compensations	–	139
Other	379	626
Total	**1,352**	**1,298**

5.2.2 Selling Expenses

The table below shows the breakdown of selling expenses:

kEUR	2011	2010
Personnel expenses	21,782	18,616
Expenses for distribution	6,640	4,896
Expenses for advertising and sales promotion	6,329	5,251
Depreciation and amortization of property, plant, and equipment and intangible assets	3,892	3,960
Commissions	1,314	1,682
Restructuring and integration costs	591	206
Other	8,316	7,617
Total	**48,864**	**42,228**

5.2.3 Administrative Expenses

Administrative expenses are shown in the following table:

kEUR	2011	2010
Personnel expenses	19,232	18,312
Legal and consulting expenses	4,853	3,048
Expenses for office and operating supplies	2,586	3,080
Depreciation and amortization of property, plant, and equipment and intangible assets	2,514	3,073
Restructuring and integration costs	256	1,406
Other	8,091	7,744
Total	**37,532**	**36,663**

5.2.4 Research and Development Costs

Research and development costs consist of the following:

kEUR	2011	2010
Personnel expenses	8,215	7,401
Depreciation and amortization of property, plant, and equipment and intangible assets	2,562	2,963
Restructuring and integration costs	–	7
Other	4,198	3,333
Total	**14,975**	**13,704**

Development costs of kEUR 1,217 (previous year: kEUR 625) were capitalized in the financial year. Payments by the Bavarian Ministry of Economic Affairs of kEUR 43 (previous year: kEUR 0) were offset against research and development costs as grants related to income.

5.2.5 Finance Result

Finance income consists of the following:

kEUR	2011	2010
Foreign exchange gains on foreign currency loans	4,231	50
Finance income due to derivatives	509	18
Finance income due to pensions and other similar benefits	375	–
Interest income	122	98
Other	27	474
Total	**5,264**	**640**

Finance expenses consist of the following:

kEUR	2011	2010
Interest expenses due to interest bearing loans and borrowings	-19,009	-28,053
Transaction costs	-5,140	-479
Amortization of transaction costs	-2,264	-2,100
Finance expenses due to pensions and other similar benefits	-762	-754
Finance expenses due to derivatives	-807	-3,097
Other	-981	-1,656
Total	**-28,963**	**-36,139**

Foreign exchange gains from foreign currency loans relate to unrealized foreign exchange gains from the valuation of intercompany loans at the closing rate.

Interest expenses in connection with interest bearing loans and borrowings decreased because of the partial repayment of loans in April 2011 due to the capital increase and the resulting improvement in the interest margin.

Transaction costs from the reporting period primarily comprise the write-up of the carrying amount of the loans of kEUR 1,135 as well as the premature reversal of capitalized transaction costs totaling kEUR 3,293. Both are the result of adjusting the expected cash flows from loans to current developments in light of the early repayment in April 2011. Furthermore, preparations for issuing a bond got underway in July 2011. Costs of kEUR 655 previously incurred in this connection are also included in the transaction costs. The issue of the bond had been suspended for a time due to the difficult market environment.

The amortization of transaction costs of kEUR 2,264 (kEUR 2,100) represents the contract closing fees recognized as expenses in the period in accordance with the effective interest method.

Finance expenses and finance income in connection with derivative financial instruments include the ineffective portion of the interest rate swaps. In addition, changes in value of interest rate hedges recorded in equity to date of kEUR 710 were reclassified through profit or loss as some of the hedge relationships for interest rate swaps were discontinued in the first quarter of 2011 due to the partial repayment of bank loans as a result of the capital increase. Prior-year finance expenses in connection with derivatives include expenses in the amount of kEUR 1,593 from changes in the values of prolongation options for interest rate swaps held until March 2010, expenses from the disposal of interest rate swaps designated as hedges in the previous year of kEUR 857 as well as expenses of kEUR 647 from the ineffective portion of the newly concluded interest rate swaps in the prior year.

More details are illustrated in Notes 6.13 and 7.1.

5.2.6 Employee Benefit Expenses

Employee benefit expenses consist of the following:

kEUR	2011	2010
Wages and salaries	-122,226	-103,364
Social insurance contributions	-18,140	-14,595
Pension expenses	-1,469	-1,914
Termination benefits	-35	-131
Total	**-141,870**	**-120,004**

In the previous year, expenses for pensions arising in connection with the freezing of pension plans in Canada (kEUR 725) were recognized as part of the restructuring and integration costs.

Social insurance contributions include expenses from defined contribution plans in the amount of kEUR 5,695 (previous year: kEUR 4,788).

5.2.7 Depreciation and Amortization

Depreciation and amortization expenses by functional areas:

	Depreciation of property, plant, and equipment		Amortization of intangible assets		Total	
kEUR	2011	2010	2011	2010	2011	2010
Cost of sales	-11,538[1]	-12,675[1]	-170	-137	**-11,708**	**-12,812**
Selling expenses	-742	-637	-3,150	-3,323	**-3,892**	**-3,960**
Administrative expenses	-1,306	-2,099	-1,208	-974	**-2,514**	**-3,073**
Research and development costs	-582	-572	-1,980	-2,391	**-2,562**	**-2,963**
Total	**-14,168**	**-15,983**	**-6,508**	**-6,825**	**-20,676**	**-22,808**

1) Impairments of kEUR 246 (previous year: kEUR 516) resulting from the merger of locations are classified as restructuring and integration costs.

Depreciation and amortization of property, plant, and equipment and intangible assets arising from the purchase price allocation amount to kEUR 6,447 (previous year: kEUR 6,654).

5.2.8 Reversals of Impairment Losses on Intangible Assets

In the fiscal year, reversals of impairment losses on intangible assets with indefinite useful lives were recorded in the amount of kEUR 1,530 (previous year: kEUR 5,171). More details are illustrated in Note 6.1.

5.3 INCOME TAXES

The major components of income taxes are as follows:

kEUR	2011	2010
Current income taxes	-9,842	-5,792
Deferred income taxes	9,734	1,624
Income tax reported in the result for the period	**-108**	**-4,168**

The effective income tax rate for the Group for the year ended December 31, 2011 is 0.40% (previous year: -100.63%). The following table reconciles the actual to the expected income tax for the Group using the Group's corporate income tax rate of 30.80% (previous year: 30.80%). For German entities, as in the previous year, a corporate income tax rate of 27.10% was used, which comprised corporate income tax of 15.83% (including the solidarity surcharge) and trade tax of 11.27%. For the North American subgroup, a corporate income tax rate of 33.27% (previous year: 35.00%) was used, which comprised a federal tax rate of 30.62% and a state tax rate of 2.65%.

kEUR	12/31/2011	12/31/2010
Result before income tax	**26,910**	**-4,142**
Income tax based on Group's income tax rate of 30.80% (previous year: 30.80%)	-8,288	1,276
Recognition of previous years non-recognized interest carry-forwards	9,437	–
Unused interest carry-forwards	-1,382	-1,228
Unused tax loss carry-forwards	-1,675	-3,198
Use of previously not recognized tax loss carry-forwards	992	201
Income taxes resulting from previous year	–	-698
Other	808	-521
Income tax based on effective income tax rate of 0.40% (previous year: -100.63%)	**-108**	**-4,168**

In the current reporting period, the Group did recognize deferred tax assets of kEUR 9,437 on non-recognized interest carry-forwards from the previous year of kEUR 34,824. The management assumes that their future utilization can be regarded as sufficiently probable due to the changed financial structure and the improved future prospects for earnings.

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

kEUR	Consolidated balance sheet 12/31/2011	Consolidated balance sheet 12/31/2010	Consolidated result for the period 2011	Consolidated result for the period 2010
Inventories	1,427	1,396	19	85
Pensions and other similar benefits	3,282	3,939	-685	-769
Other financial liabilities	1,857	2,479	-713	762
Other provisions	1,221	1,292	-94	-372
Tax loss carry-forwards	5,912	7,082	-1,185	163
Interest carry-forwards	28,376	13,971	13,926	2,595
Other	3,143	2,274	740	-822
Deferred income tax assets	**45,218**	**32,433**		
Intangible assets	-33,581	-33,775	543	-1,228
Property, plant, and equipment	-11,419	-10,262	-974	486
Inventories	-74	-18	-56	-11
Investments accounted for using the equity method	-368	-370	60	10
Other assets	-821	-315	-495	199
Interest bearing loans and borrowings	-1,673	-788	-794	125
Other	-1,750	-1,101	-558	401
Deferred income tax liabilities	**-49,686**	**-46,629**		
Deferred income tax income			**9,734**	**1,624**

As of the balance sheet date, deferred tax assets and liabilities of kEUR 16,609 (previous year: kEUR 13,026) were offset, having met the requirements for offsetting. The balance sheet thus includes deferred tax assets of kEUR 28,609 (previous year: kEUR 19,407) and deferred tax liabilities of kEUR 33,077 (previous year: kEUR 33,603).

The Group has tax loss carry-forwards of kEUR 54,484 (previous year: kEUR 57,564) that are available indefinitely or with defined time limits to several Group companies to offset against future taxable profits of the companies in which the losses arose or of other Group companies. Deferred tax assets have not been recognized with respect to tax loss carry-forwards of kEUR 34,643 (previous year: kEUR 33,619) due to insufficient taxable profits or opportunities for offsetting at the individual companies or other Group companies.

Unrecognized tax loss carry-forwards expire as follows:

kEUR	12/31/2011	12/31/2010
Expiry date		
Infinite	28,782	29,636
Within 5 years	2,740	1,063
Within 10 years	3,121	2,920
Total	**34,643**	**33,619**

In addition to tax loss carry-forwards, the Group has interest carry-forwards of kEUR 97,619 (previous year: kEUR 74,481), which are available indefinitely to various Group companies for use in the future as a tax deduction. Interest carry-forwards result from the interest limitation rules introduced by the business 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 interest carry-forwards of kEUR 5,100 (previous year: kEUR 34,824).

As of December 31, 2011, deferred income taxes relating to changes in the fair value of cash flow hedges amounting to kEUR 92 (previous year: kEUR 819) and current income taxes of kEUR 1,735 from offsetting transaction costs against the capital reserves (previous year: kEUR 0) were recognized directly in equity.

Taxable temporary differences associated with investments in subsidiaries and associates for which no deferred tax liabilities have been recognized amount to EUR 0.3 million (previous year: EUR 0.3 million).

6 NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 GOODWILL AND INTANGIBLE ASSETS

kEUR	Customer relation-ship	Tech-nology	Develop-ment costs	Brand	Service net	Licences and software	**Intan-gible assets**	**Goodwill**
Historical costs								
As of 12/31/2009	**100,527**	**20,662**	**967**	**30,962**	**3,495**	**9,379**	**165,992**	**71,369**
Additions	–	–	625	–	–	672	**1,297**	**–**
Disposals	–	–	–	–	–	13	**13**	**–**
Foreign currency translation	2,778	420	–	887	–	174	**4,259**	**2,177**
As of 12/31/2010	**103,305**	**21,082**	**1,592**	**31,849**	**3,495**	**10,212**	**171,535**	**73,546**
Additions	–	–	1,217	–	–	670	**1,887**	**–**
Disposals	–	–	6	–	–	2	**8**	**–**
Foreign currency translation	864	131	–	252	–	-69	**1,178**	**677**
As of 12/31/2011	**104,169**	**21,213**	**2,803**	**32,101**	**3,495**	**10,811**	**174,592**	**74,223**
Accumulated amortization								
As of 12/31/2009	**7,845**	**6,253**	**5**	**8,819**	**656**	**4,763**	**28,341**	**27,118**
Additions	2,959	1,893	85	–	175	1,713	**6,825**	**–**
Disposals	–	–	–	–	–	13	**13**	**–**
Reversal impairment	–	–	–	5,171	–	–	**5,171**	**–**
Foreign currency translation	229	71	–	323	–	44	**667**	**606**
As of 12/31/2010	**11,033**	**8,217**	**90**	**3,971**	**831**	**6,507**	**30,649**	**27,724**
Additions	2,906	1,881	149	-	175	1,397	**6,508**	**–**
Disposals	–	–	–	–	–	2	**2**	**–**
Reversal impairment	–	–	–	1,530	–	–	**1,530**	**–**
Foreign currency translation	174	55	–	-247	–	-27	**-45**	**188**
As of 12/31/2011	**14,113**	**10,153**	**239**	**2,194**	**1,006**	**7,875**	**35,580**	**27,912**
Carrying amount 12/31/2010	**92,272**	**12,865**	**1,502**	**27,878**	**2,664**	**3,705**	**140,886**	**45,822**
Carrying amount 12/31/2011	**90,056**	**11,060**	**2,564**	**29,907**	**2,489**	**2,936**	**139,012**	**46,311**

No significant capital expenditures were made in the current financial year. Development costs of kEUR 1,217 (previous year: kEUR 625) were capitalized.

Impairment testing of goodwill and intangible assets with indefinite useful lives

The Group carries out its annual impairment tests of recognized goodwill and intangible assets with indefinite useful lives as of October 1.

The allocation of the carrying amounts of goodwill and brands to the cash-generating units remains unchanged from the previous year. The carrying amounts are as follows:

	Trailer Systems		Powered Vehicle Systems		Aftermarket		**Total**	
kEUR	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Goodwill	17,011	16,913	–	–	29,300	28,909	**46,311**	**45,822**
Brand	23,912	22,878	5,418	4,633	577	367	**29,907**	**27,878**

Key assumptions for the calculation of the recoverable amount

To calculate the recoverable amount, a discounted cash flow method was used. The discounted cash flow method was based on a detailed five-year plan. For the value added from 2017, it will be supplemented by the perpetual annuity. The basis for the calculation of the perpetual annuity is the assumed long-term sustainably achievable result. As in the previous year, no growth rates were used in the perpetual annuity.

Sales/EBITDA margin – The forecasts for sales and earnings of the cash-generating units are based on generally available economic data as well as industry information and, in addition to general market forecasts, also reflect current developments and past experience.

Discount rates – To calculate the discount rates, a weighted average cost of capital (WACC) method 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 its peer group. As in the previous year, a growth rate deduction of 1.0% was used in the perpetual annuity.

The results of the impairment tests can be summarized as follows:

Goodwill

For the purpose of the impairment test, the recoverable amount of a cash-generating unit is determined on the basis of the value in use.

Trailer Systems cash-generating unit

The pre-tax discount rate used to calculate the recoverable amount as of October 1, 2011 is 13.16% (October 1, 2010: 12.65%). As in the previous year, the impairment test in 2011 did not identify any impairment of goodwill as the recoverable amount was slightly above the carrying amount of the cash-generating unit.

Powered Vehicle Systems cash-generating unit

The goodwill of the cash-generating unit Powered Vehicle Systems was impaired in full as a result of the impairment test as of December 31, 2008.

Aftermarket cash-generating unit
The pre-tax discount rate used to calculate the recoverable amount as of October 1, 2011 is 14.18% (October 1, 2010: 13.56%). On the basis of the test carried out, management did not identify any impairment for this cash-generating unit.

Sensitivity to changes in assumptions
Within the scope of the value in use calculation, sensitivity analyses were carried out in relation to the main value drivers. With the exception of the "Trailer Systems" cash-generating unit, the relevant sensitivities of value in use of all other cash-generating units exceeded the relevant carrying amounts.

For the Trailer Systems cash-generating unit, the estimated recoverable amount is slightly above the carrying amount. A negative change in a key assumption would consequently lead to an impairment loss. If the pre-tax discount rate used of 13.16% increased by 100 base points, the recoverable amount would decrease by EUR 16.1 million. A reduction in the pre-tax discount rate of 100 base points would lead to an increase in the recoverable amount of EUR 13.6 million.

Brands
The recoverable amount for the "SAF", "Holland", and "Trilex" brands was determined on the basis of fair value (less costs to sell) using the relief from royalty approach. The basis for calculation is the sales from the five-year forecast established by management including a licensing rate of 0.5%.

"SAF" brand
The discount rate used to calculate the recoverable amount as of October 1, 2011 is 9.65% (October 1, 2010: 9.11%). The impairment test led to a reversal of impairment of kEUR 320 (October 1, 2010: reversal of impairment of kEUR 2,700).

"Holland" brand
The discount rate used for the calculation of the recoverable amount is 9.30% as of October 1, 2011 (October 1, 2010: 9.20%). The impairment test led to a reversal of impairment of kEUR 540 (October 1, 2010: reversal of impairment of kEUR 2,471).

"Trilex" brand
The discount rate used to calculate the recoverable amount as of October 1, 2011 is 9.70% (October 1, 2010: 9.10%). The impairment test led to a reversal of impairment of kEUR 670 (October 1, 2010: reversal of impairment of kEUR 0).

The impairment losses recognized on the brands in 2008 and 2009 were primarily attributable to unfavorable sales forecasts due to the slump in sales caused by the financial crisis. The sustained recovery of the truck and trailer market since 2010 and the improved outlook with regard to future market trends led to an adjustment in the sales and earnings forecasts for the Group and therefore to reversals of impairment losses on brands in financial years 2010 and 2011. Reversals of impairment losses totaling kEUR 1,530 (previous year: kEUR 5,171) were recognized in profit or loss; kEUR 860 (previous year: kEUR 2,700) of this was allocated to the Trailer Systems Business Unit, kEUR 470 (previous year: kEUR 2,471) to the Powered Vehicle Systems Business Unit, and kEUR 200 (previous year: kEUR 0) to the Aftermarket Business Unit.

There are no indications that point to the impairment of intangible assets with finite useful lives.

6.2 PROPERTY, PLANT, AND EQUIPMENT

kEUR	Land and buildings	Plant and equipment	Other equipment, office furniture, and equipment	Advance payments and construction in progress	**Total**
Historical costs					
As of 12/31/2009	**60,806**	**78,268**	**10,348**	**5,349**	**154,771**
Additions	173	1,864	1,212	3,733	**6,982**
Disposals	140	1,247	699	14	**2,100**
Reclassifications	-1,902[1]	-34[1]	–	-2,589[2]	**-4,525**
Transfers	99	3,023	409	-3,531	**–**
Foreign currency translation	2,367	4,307	347	271	**7,292**
As of 12/31/2010	**61,403**	**86,181**	**11,617**	**3,219**	**162,420**
Additions	996	5,535	1,451	5,694	**13,676**
Disposals	320	1,384	174	39	**1,917**
Transfers	191	1,596	84	-1,871	–
Foreign currency translation	403	970	35	289	**1,697**
As of 12/31/2011	**62,673**	**92,898**	**13,013**	**7,292**	**175,876**
Accumulated depreciation					
As of 12/31/2009	**7,755**	**32,272**	**6,119**	–	**46,146**
Additions	2,263	12,113	1,607	–	**15,983**
Disposals	33	827	591	–	**1,451**
Reclassifications	-1,183[1]	-15[1]	–	–	**-1,198**
Foreign currency translation	365	1,729	216	–	**2,310**
As of 12/31/2010	**9,167**	**45,272**	**7,351**	–	**61,790**
Additions	2,167	10,429	1,572	–	**14,168**
Disposals	–	1,359	135	–	**1,494**
Foreign currency translation	23	594	49	–	**666**
As of 12/31/2011	**11,357**	**54,936**	**8,837**	**–**	**75,130**
Carrying amount 12/31/2010	**52,236**	**40,909**	**4,266**	**3,219**	**100,630**
Carrying amount 12/31/2011	**51,316**	**37,962**	**4,176**	**7,292**	**100,746**

1) In the previous year, the carrying amount of a property of kEUR 738 was reclassified to non-current assets classified as held for sale (see Note 6.9).

2) In the previous year, a claim to the repayment of a purchase price against a supplier (kEUR 2,589) was reclassified to other current assets (see Note 6.7).

The carrying amount of plant and equipment held under finance leases as of December 31, 2011 is kEUR 20 (previous year: kEUR 117). No additions of plant and other equipment held under finance leases were recorded during the financial year or in the previous year. Depreciation during the year amounted to kEUR 89 (previous year: kEUR 235).

6.3 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 on the Group's share of investments in associates and joint ventures accounted for using the equity method:

	Investments in associates		Investments in joint ventures	
kEUR	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Current assets	7,361	6,227	1,086	1,060
Non-current assets	2,826	3,269	373	413
Current liabilities	-1,767	-391	-115	-90
Non-current liabilities	-1,567	-2,618	–	–
Foreign currency translation	48	-41	-20	-85
Net assets = Carrying amount of the investment	**6,901**	**6,446**	**1,324**	**1,298**
Sales	16,330	11,014	521	481
Result for the period	680	520	-41	-67

6.4 OTHER NON-CURRENT ASSETS

kEUR	12/31/2011	12/31/2010
Defined benefit assets	4,016	2,107
VAT reimbursement claims	301	813
Workers' compensation and health insurance premiums	192	218
Other	376	237
Total	**4,885**	**3,375**

Further details on the assets from defined benefit obligations are included in Note 6.11.

6.5 INVENTORIES

kEUR	12/31/2011	12/31/2010
Raw materials	33,653	27,919
Work in progress	22,778	14,534
Finished and trading goods	29,777	22,017
Goods in transit	4,192	3,612
Total	**90,400**	**68,082**

Included in the cost of sales are allowances for inventories of kEUR 1,584 (previous year: kEUR 709).

6.6 TRADE RECEIVABLES

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

				Of which: not impaired on the reporting date and past due in the following periods					
kEUR	Carrying amount	Of which: neither impaired nor past due on the reporting date	Of which: impaired on the reporting date	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 12/31/2011	95,352	74,931	3,644	10,919	1,943	1,461	5	1,156	1,293
Trade receivables as of 12/31/2010	80,336	63,948	1,104	9,377	1,913	1,333	255	642	1,764

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

kEUR	Allowance account
As of 12/31/2009	**2,776**
Charge for the year	1,832
Utilized	1,926
Released	459
Foreign currency translation	153
As of 12/31/2010	**2,376**
Charge for the year	1,338
Utilized	336
Released	212
Foreign currency translation	-33
As of 12/31/2011	**3,133**

With respect to trade receivables that are not impaired and past due, 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 trade credit insurance to hedge the default risk.

6.7 OTHER CURRENT ASSETS

kEUR	12/31/2011	12/31/2010
Claim of repayment of purchase price from supplier	2,589	2,589
VAT receivables	2,885	2,574
Prepaid expenses	709	839
Insurance premiums	365	800
Other	910	1,559
Total	**7,458**	**8,361**

In the previous year, payments made for a welding line of kEUR 2,589 were reclassified from construction in progress to other current assets. The welding line was not accepted due to defects. Legal proceedings against the supplier, Claas Fertigungstechnik GmbH, have been filed to claim repayment and damages.

6.8 CASH AND CASH EQUIVALENTS

kEUR	12/31/2011	12/31/2010
Cash at banks and on hand	15,127	7,121
Short-term deposits	218	1,425
Total	**15,345**	**8,546**

6.9 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In January 2011, the Group sold a property together with a building in the US (Holland, Michigan). The property and the building had already been classified as a non-current asset held for sale as of December 31, 2010. The sale resulted in a gain of kEUR 60.

6.10 EQUITY

Subscribed share capital

The Company's subscribed share capital increased by EUR 205,351.00 in the past financial year to EUR 412,373.75 (previous year: EUR 207,022.75) and comprises 41,237,375 (previous year: 20,702,275) ordinary shares with a par value of EUR 0.01 per share and is fully paid in.

The increase in the fiscal year resulted from the issue of an additional 20,535,100 ordinary shares with a par value of EUR 0.01 from the authorized capital that was resolved on March 24, 2011. The shares were placed at an offer price of EUR 7.00 per share.

At an Extraordinary General Meeting on December 14, 2010, shareholders approved the Company's proposal to increase SAF-HOLLAND S.A.'s authorized capital from EUR 112,000.00 to EUR 224,000.00, consisting of 22,400,000 shares with a par value of EUR 0.01 per share. This approval is limited to a period of five years and begins with the publication of the certificate. EUR 18,649.00 or 1,864,900 shares from the authorized capital were used already to finance the acquisition of the current SAF-HOLLAND Verkehrstechnik GmbH on September 4, 2008. Approved capital was fully used as of the reporting date.

Share premium

The share premium increased by kEUR 143,540 due to the premiums from the issue of shares. The directly attributable transaction costs of the capital increase (kEUR 6,068), less the associated income tax benefits (kEUR 1,735), were deducted from the share premium (kEUR 4,333). As of December 31, 2011, the share premium amounted to kEUR 245,661 (previous year: kEUR 106,454).

Legal reserve

The legal reserve of kEUR 21 is unchanged from the previous year.

Other reserves

In addition, the Annual General Meeting on April 28, 2011 resolved to transfer kEUR 232 to other reserves that are subject to restrictions on distribution. This allowed the Group to adhere to specific requirements under Luxembourg tax law.

Retained earnings

Retained earnings include the result for the period of kEUR 26,802 (previous year: kEUR -8,310) and the results carried forward from previous years less the reclassification of kEUR 232 to other reserves.

Dividend

As in financial year 2010, no dividend payment is proposed for financial year 2011.

Change in accumulated other comprehensive income

			2011			2010
kEUR	Before tax amount	Tax income	Net of tax amount	Before tax amount	Tax income	Net of tax amount
Exchange differences on translation of foreign operations	1,501	–	1,501	11,460	–	11,460
Changes in fair values of derivatives designated as hedges, recognized in equity	-502	92	-410	-2,798	819	-1,979
Total	**999**	**92**	**1,091**	**8,662**	**819**	**9,481**

The total amount of exchange differences on translation of foreign operations included in accumulated other comprehensive income is kEUR 1,200 (previous year: kEUR -301).

Changes in value of hedging transactions previously recorded in equity of kEUR 710 (before taxes) were reclassified to the finance result in the first quarter of 2011, as the hedges were discontinued for a portion of the interest rate swaps due to the partial repayment of the bank loans (see Note 5.2.5).

The total amount of changes in the fair value of derivatives designated as hedges (net of income tax) included in accumulated other comprehensive income is kEUR -3,953 (previous year: kEUR -3,543).

6.11 PENSIONS AND OTHER SIMILAR BENEFITS

In Germany, the Group offered defined benefit pension plans to its employees in accordance with company agreements.

Under a company agreement dated January 1, 2007, SAF-HOLLAND GmbH's pension plans were frozen; no further pension entitlements can be earned. For these plans future pension payments depend on the one hand on the years of service of the employees and on the other hand on individual commitments made for management.

Future pension payments for SAF-HOLLAND Verkehrstechnik GmbH's plan depend on length of service and personal income. In February 2011, the Company restructured the form of its existing pension plans by amending the underlying works agreements. The form was changed from a direct pension commitment to an indirect pension commitment by establishing a reinsured employee benefit fund. The conversion did not change the benefits granted to employees. The pension plan still remains a defined benefit obligations within the meaning of IAS 19, which are disclosed under provisions for pensions and other similar benefits. Pension commitments provided by the employee benefit fund are covered by a group insurance contract. As these insurance policies do not constitute plan assets because the employees' claims are not protected against insolvency, the asset value of the employer's pension liability insurance of kEUR 132 is recognized under other non-current assets in accordance with IAS 19.

In North America, the Group has several defined benefit and defined contribution pension plans covering essentially all employees. The benefits paid under the defined benefit plans depend on either length of service or in some cases on personal income. On July 1, 2010, two Canadian plans were frozen for credited service. Therefore only one of the Canadian plans remains open to new participants. All US plans are closed to new participants.

In addition, the North American subgroup has defined benefit pension plans that provide post-employment medical benefits to certain employees.

Defined benefit assets and liabilities as of December 31:

	Benefit assets		Pension and other similar benefits	
kEUR	2011	2010	2011	2010
Recognized in balance sheet as of the beginning of the period	**-2,107**	**-2,003**	**14,462**	**14,278**
Net benefit expenses	293	932	1,563	1,736
Benefits/contributions paid	-2,179	-766	-1,354	-2,066
Foreign currency translation	-23	-270	166	514
Recognized in balance sheet as of the end of the period	**-4,016**	**-2,107**	**14,837**	**14,462**

Benefit assets:

	Pension plans			
	US plan		Canadian plan	
kEUR	2011	2010	2011	2010
Defined benefit obligation	20,372	–	12,579	11,131
Fair value of plan assets	-14,533	–	-11,879	-11,966
	5,839	**–**	**700**	**-835**
Unrecognized actuarial losses	-6,980	–	-4,044	-1,997
Amount not recognized as an asset because of the limit in IAS 19.58 (b)	–	–	37	206
Additional liability recognized due to minimum funding requirements (IFRIC 14)	–	–	432	519
Benefit assets	**-1,141**	**–**	**-2,875**	**-2,107**

The defined benefit asset is recognized in other non-current assets.

As a result of the plan closures in Canada, the recognition of plan assets for one plan was limited at kEUR 37 (previous year: kEUR 206) because an economic benefit in the form of refunds from the plan or reductions in future contributions is no longer possible without restrictions. This also led to the additional recognition of a liability due to minimum funding requirements of kEUR 432 (previous year: kEUR 519). Both effects were recognized in the current year through profit or loss.

Benefit liabilities:

	Pension plans				Post employment medical	
	German plan		US plan			
kEUR	2011	2010	2011	2010	2011	2010
Defined benefit obligation	8,234	8,333	27,529	41,687	7,855	7,363
Fair value of plan assets	–	–	-16,640	-30,942	–	–
	8,234	**8,333**	**10,889**	**10,745**	**7,855**	**7,363**
Unrecognized actuarial gains (+) / losses (-)	11	-134	-9,748	-9,544	-2,404	-2,294
Unrecognized past service cost	–	-7	–	–	–	–
Benefit liabilities	**8,245**	**8,192**	**1,141**	**1,201**	**5,451**	**5,069**

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

	Pension plans						Post employment medical	
	German plan		US plan		Canadian plan			
kEUR	2011	2010	2011	2010	2011	2010	2011	2010
Defined benefit obligation as of the beginning of the period	**8,333**	**8,079**	**41,687**	**35,008**	**11,131**	**7,994**	**7,363**	**5,998**
Interest expenses	428	423	2,211	2,189	622	595	356	345
Current service cost	51	52	294	236	331	253	186	137
Benefits paid	-451	-439	-2,134	-2,047	-370	-341	-410	-390
Unrecognized actuarial losses (+) / gains (-)	-134	210	4,867	3,442	825	1,553	187	784
Past service cost	7	8	–	4	–	–	–	–
Foreign currency translation	–	–	976	2,855	40	1,077	173	489
Defined benefit obligation as of the end of the period	**8,234**	**8,333**	**47,901**	**41,687**	**12,579**	**11,131**	**7,855**	**7,363**

Pension payments totaling kEUR 3,604 are anticipated for the reporting period from January 1 to December 31, 2012 (2011: kEUR 2,783).

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

	US plan		Canadian plan	
kEUR	2011	2010	2011	2010
Fair value of plan assets as of the beginning of the period	**30,942**	**25,619**	**11,966**	**9,278**
Expected return on plan assets	2,497	2,154	733	644
Employer contribution	1,891	1,233	781	765
Actuarial gains (+) / losses (-)	-2,749	1,889	-1,274	369
Benefits paid	-2,134	-2,043	-370	-340
Foreign currency translation	726	2,090	43	1,250
Fair value of plan assets as of the end of the period	**31,173**	**30,942**	**11,879**	**11,966**

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

%	North American plans 2011	2010
Equities	63.00	67.00
Bonds	32.00	28.00
Cash and money market	2.00	2.00
Real estate	3.00	3.00
	100.00	**100.00**

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

kEUR	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Defined benefit obligation	**76,569**	**68,514**	**57,079**	**50,462**	**50,102**
Fair value of plan assets	-43,052	-42,908	-34,897	-27,623	-37,048
Benefit liabilities	**33,517**	**25,606**	**22,182**	**22,839**	**13,054**
Experience losses (+) / gains (-) related to defined benefit obligation	2,671	1,053	1,574	-3,095	2,443
Experience losses (+) / gains (-) related to plan assets	2,749	-1,934	-4,029	10,678	413

The following table summarizes the components of net benefit expenses:

	Pension plans						Post employment medical	
	German plan		US plan		Canadian plan			
kEUR	2011	2010	2011	2010	2011	2010	2011	2010
Current service cost	51	52	294	236	331	253	186	137
Interest expenses	428	423	2,211	2,189	622	595	356	345
Expected return on plan assets	–	–	-2,497	-2,154	-733	-644	–	–
Amortization actuarial losses	11	5	655	430	58	3	132	61
Past service cost	7	8	–	4	–	–	–	–
Effect of the limit in IAS 19.58 (b)	–	–	–	–	-169	206	–	–
Effect of the impact of the additional liability due to IFRIC 14	–	–	–	–	-87	519	–	–
Net benefit expenses	**497**	**488**	**663**	**705**	**22**	**932**	**674**	**543**
Actual return on plan assets	–	–	252	4,044	541	1,013	–	–

The cost of defined benefit pension plans is included in the functional areas and in the financial result.

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

	German plan		US plan		Canadian plan	
%	2011	2010	2011	2010	2011	2010
Discount rate	5.30	5.30	4.45	5.50	5.00	5.50
Expected rate of return on plan assets	–	–	8.00	8.00	6.00	6.00
Future salary increases	0.00/2.00[1]	0.00/2.00[1]	2.70	6.00	–[3]	–[3]
Future pension increases	2.00	2.00	–[2]	–[2]	–[3]	–[3]
Turnover rates	4.60	3.00	4.22	4.22	–	–

1) For the calculation of SAF-HOLLAND GmbH's defined benefit obligation, no salary increases were considered because the amount of the obligation depends on the length of service of the respective employee and because the pension plan has been frozen so 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%.

2) For the pension plans in the USA, pension increases are not taken into account as the pension payments remain constant. Therefore, only years of service or salary and wage increases up to retirement are considered in determining the defined employee benefit obligation for these plans.

3) For the Canadian plans future salary increases and future pension increases are not taken into account as the pension payments depend on the years of service.

Healthcare inflation:

%	2011	2010
Initial rate (health care cost trend rate assumed for next year)	7.50	8.00
Ultimate rate (health care cost trend rate assumed to reduce cost)	5.00	5.00
Year of ultimate	2016	2016

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

	2011		2010	
kEUR	Increase	Decrease	Increase	Decrease
Effect on the aggregate current service cost and interest expenses	38	-48	42	-57
Effect on the defined benefit obligation	595	-522	554	-478

6.12 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 01/01/2011	**5,064**	**255**	**1,086**	**1,019**	**1,127**	**1,286**	**9,837**
Additions	3,832	525	73	144	–	1,653	**6,227**
Utilized	3,045	289	221	–	541	1,298	**5,394**
Release	462	6	36	–	134	82	**720**
Interest effect from measurement	86	5	33	22	6	12	**164**
Foreign currency translation	6	8	-8	23	28	-66	**-9**
As of 12/31/2011	**5,481**	**498**	**927**	**1,208**	**486**	**1,505**	**10,105**
Thereof in 2011							
Current	2,824	174	277	463	486	1,186	**5,410**
Non-current	2,657	324	650	745	–	319	**4,695**
Thereof in 2010							
Current	2,924	124	271	476	974	979	**5,748**
Non-current	2,140	131	815	543	153	307	**4,089**

Product warranties

A provision is recognized 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 free repairs or, at the Group's discretion, free replacement of components by an authorized partner workshop.

Partial retirement

In Germany, the Group offers phased retirement plans to employees taking early retirement. The Group uses the block model in Germany, which divides partial retirement into two phases. Under such an arrangement, employees generally work full time during the first half of the transition period and leave the company at the start of the second half. The provision is discounted and treated as a deferred item at its present value. Partial retirement commitments are insured against possible insolvency.

Environmental issues

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

Workers' compensation and health insurance benefits for employees

Occupational disability and health insurance benefits are recognized on the basis of claims made. In addition, the overall liabilities for claims of this kind are estimated on the basis of past experience, taking into account stop-loss insurance coverage.

Restructuring provisions

In 2008, the Group recognized a provision for expected severance payments, release phases, and payments to the established employment company. The restructuring measures were carried out as planned.

Share-based payment transactions

Other non-current provisions include the carrying amount of the obligations from phantom shares of kEUR 119 (previous year: kEUR 63).

On July 9 and on December 1, 2010, a phantom share plan for members of the Management Board and certain other executives in the Group was approved by the Company. The goal of this plan, which has a term of five years, is to sustainably link the interests of management and executives with the interests of the shareholders of SAF-HOLLAND S.A. in a long-term increase in enterprise value. The plan includes variable remuneration in the form of phantom shares, which are based on the value of shares of SAF-HOLLAND S.A. At the beginning of the plan, each plan participant receives a certain number of phantom shares that give rise to a payment claim if certain conditions are met at the end of the term of the plan. There is no entitlement to shares of SAF-HOLLAND S.A.

The total of 640,000 phantom shares issued in 2010 remained unchanged in financial year 2011 and breaks down as follows:

Phantom shares outstanding at the beginning of the period	640,000
Phantom shares granted during the period	–
Phantom shares outstanding at the end of the period	**640,000**
Phantom shares exercisable at the end of the period	–

No phantom shares were forfeited, exercised or expired in the reporting period. The contractual term of the phantom shares as of December 31, 2011 is a maximum of 3.5 years. The phantom shares may only be exercised after a waiting period of four years and must be redeemed after five years at the latest. The participant is free to determine the exercise date within this one-year settlement period. Phantom shares that are not exercised within this one-year settlement period expire without compensation.

At the time of redemption, the participant receives the difference between the settlement price and the strike price multiplied by the number of the participant's phantom shares. The settlement price is the average price of SAF-HOLLAND S.A. shares in the three months preceding the redemption of the phantom shares, but not more than the price applicable on the day after the exercise. The uniform strike price is EUR 5.00. An amount equal to double the respective strike price will be paid out at a maximum.

Precondition for the exercisability of the appreciation rights is the achievement of a defined performance target. The performance target is fulfilled if the Group, in the period from July 1, 2010 to June 30, 2014, has achieved on the average a minimum operating performance with regard to the two performance indicators "Earnings before taxes after cost of total equity (EBTaCE)" and "Average earnings before taxes after cost of total equity (average EBTaCE)". In addition, exercisability is only given when the participant maintains an active employment relationship with the Group for at least three years from issue of the phantom shares. The provisionally allotted phantom shares are forfeited without replacement if, before expiration of three years from issue of the phantom shares, the participant is removed from the board of the Group or is rightfully released from the participant's service obligation or the employment relationship between the participant and the Group ends before expiration of three years as a result of a notice of termination, termination by mutual agreement or for age reasons. This does not apply if the participant is protected by the German Statute protecting employees against dismissal (Kündigungsschutzgesetz) and notice of termination is given by the Group due to compelling operational reasons.

The phantom shares granted are classified and accounted for as cash-settled share-based payment transactions. The fair value of the phantom shares is remeasured on each balance sheet date using a Monte-Carlo simulation and under consideration of the conditions at which the phantom shares were granted. The measurement of the options granted in the current reporting period is based on the following parameters:

	12/31/2011	12/31/2010
Expected remaining contractual life (years)	3.50	3.50
Share price on measurement date (EUR)	3.56	6.14
Exercise price (EUR)	5.00	5.00
Expected volatility	50.34%	70.68%
Risk free interest rate	0.23%	1.36%

The weighted average of the fair value of phantom shares amounts to EUR 0.45 per phantom share as of December 31, 2011 (previous year: EUR 0.99).

The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. As of December 31, 2011 the expenses recognized amount to kEUR 56 (previous year: kEUR 63). The expenses for the period are allocated to the relevant functional areas in the consolidated statement of comprehensive income.

6.13 INTEREST BEARING LOANS AND BORROWINGS

	Non-current		Current		**Total**	
kEUR	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Interest bearing collateralized bank loans	164,468	294,572	11,811	424	**176,279**	**294,996**
Transaction costs	-6,298	-9,684	-1,152	–	**-7,450**	**-9,684**
Bank overdrafts	40	92	91	127	**131**	**219**
Success fee	4,795	2,310	–	–	**4,795**	**2,310**
Accrued interests	–	12,082	456	1,166	**456**	**13,248**
Management and Board of Directors loans	–	1,358	–	–	**–**	**1,358**
Other loans	499	6,187	324	2,041	**823**	**8,228**
Total	**163,504**	**306,917**	**11,530**	**3,758**	**175,034**	**310,675**

In November 2009, an agreement was signed with a banking syndicate to extend the existing credit agreement dated February 19, 2008 to September 2014. The following amendments were made to the credit agreement in March 2011 as part of the capital increase:

- Reduction of the interest margin to 4.25% in a first step (effective from April 7, 2011)
- Removal of the PIK structure
- Changes in the calculation of additional mandatory prepayments (50% repayment of the excess cash flow; free liquidity must amount to at least EUR 30 million)
- Change in the calculation of the interest margin adjustment (switch to total net debt to consolidated EBITDA ratio, previously equity ratio)
- Change in the amount for factoring to EUR 10 million
- Definition of the financial covenants valid from June 30, 2011
  - Net interest cover (adjusted consolidated EBITDA divided by net finance expenses);
  - Total net debt cover (net debt divided by adjusted consolidated EBITDA);
  - Equity ratio cover (consolidated equity divided by consolidated total assets).
- Increase in the permitted capital expenditure
- Changes in the conditions for dividend payments
- Revocation of the trust model and the related agreements

As a result of the capital increase and the related amendment of the financing agreement, a repayment of the accrued PIK interest of kEUR 14,272 and a repayment of facility A1 of kEUR 49,218 and facility A2 of kEUR 39,882 was made on April 7, 2011. In addition, the loans granted by the members of management and the Board of Directors of kEUR 1,352 were repaid including interest. Other loans that had been granted as part of the financing of the prolongation options for interest rate swaps in the previous year were also partially repaid in the amount of kEUR 7,355.

The newly incurred transaction costs of kEUR 3,289 stemming from the amendment of the financing agreement were deducted from liabilities and are allocated over the remaining term of the bank loans using the effective interest method. As a result of the changes in the cash flows from the loans due to the early repayment, capitalized transaction costs of kEUR 3,293 were expensed in the period and the carrying amounts of the loans increased by kEUR 1,135 through profit or loss.

The current interest bearing collaterialized bank loans include agreed repayments for financial year 2012.

The following table summarizes the determination of overall liquidity defined as available undrawn credit lines measured at the initial borrowing exchange rate plus available cash and cash equivalents:

	12/31/2011				
kEUR	Amount drawn valued as at the period-end exchange rate	Amount drawn valued as at the borrowing date exchange rate	Agreed credit lines valued as at the borrowing date exchange rate	Cash and cash equivalents	Total liquidity
Facility A1	22,692	22,692	22,692	–	–
Facility A2	20,179	17,419	17,419	–	–
Facility B	133,408	133,408	188,800[1]	15,345	70,737
Total	**176,279**	**173,519**	**228,911**	**15,345**	**70,737**

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

	12/31/2010				
kEUR	Amount drawn valued as at the period-end exchange rate	Amount drawn valued as at the borrowing date exchange rate	Agreed credit lines valued as at the borrowing date exchange rate	Cash and cash equivalents	Total liquidity
Facility A1	71,911	71,911	71,911	–	–
Facility A2	62,481	55,200	55,200	–	–
Facility B	160,180	160,180	188,800[1]	8,546	37,166
Bank overdraft China	424	424	687[2]	–	263
Total	**294,996**	**287,715**	**316,598**	**8,546**	**37,429**

2) The credit line in China reported in the previous year was repaid in full in the fiscal year and the contractual relationships were terminated.

The Group furnished the following security in accordance with the credit agreement:

- Pledging of the shares in SAF-HOLLAND GmbH (formerly SAF-HOLLAND GROUP GmbH), Holland Europe GmbH (only 65% of the shares), 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 Holland Europe GmbH
- Pledging of all accounts belonging to SAF-HOLLAND GmbH (formerly SAF-HOLLAND GROUP GmbH), Holland Europe GmbH, 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 GmbH, (formerly SAF-HOLLAND GROUP 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 Inc. (excluding shares in QSI Air Ltd.), SAF-HOLLAND USA Inc., SAF-HOLLAND International Inc. (excluding shares in FWI S.A.), SAF-HOLLAND Canada Ltd. (excluding shares in SAF-HOLLAND Equipment Ltd.)

- Transfer of ownership by way of security of all current and movable fixed assets at SAF-HOLLAND Verkehrstechnik GmbH's Singen plant
- 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 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.

The carrying amounts of the assets furnished by the Group as security are as follows:

kEUR	Carrying amount of assets pledged as collateral	Carrying amount of assets not pledged as collateral	**Total**
Intangible assets	43,367	95,645	**139,012**
Property, plant, and equipment	88,079	12,667	**100,746**
Inventories	68,306	22,094	**90,400**
Trade receivables	73,197	22,155	**95,352**
Cash and cash equivalents	7,045	8,300	**15,345**
Total	**279,994**	**160,861**	**440,855**

In July 2011, preparations for issuing a bond got underway. Subject to the successful placement of the bond, a new flexible credit facility of EUR 90 million was agreed in this connection with a term of five years. The offer to grant this credit facility expires on June 30, 2012. The placement of the bond depends on how the financial markets continue to develop.

6.14 TRADE PAYABLES

Trade payables in the amount of kEUR 86,038 (previous year: kEUR 69,938) are non-interest bearing and are normally settled within two to six months.

6.15 OTHER LIABILITIES

	Current		Non-current	
kEUR	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Liabilities for salaries and social security contributions	11,639	8,922	–	–
Other taxes	2,585	2,003	–	–
Anniversary obligations	293	68	260	229
Other	1,060	1,572	26	44
Total	**15,577**	**12,565**	**286**	**273**

7 OTHER DISCLOSURES

7.1 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

	12/31/2011						
			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	15,345	15,345	–	–	–	15,345
Trade receivables	LaR	95,352	95,352	–	–	–	95,352
Other current assets	LaR	2,589	2,589	–	–	–	2,589
Liabilities							
Trade payables	FLAC	86,038	86,038	–	–	–	86,038
Interest bearing loans and borrowings	FLAC	175,034	175,034	–	–	–	175,146
Finance lease liabilities	n.a.	81	–	–	–	81	81
Other financial liabilities							
Derivates without a hedging relationship	FLHfT	99	–	–	99	–	99
Derivates with a hedging relationship	n.a.	5,693	–	5,613	80	–	5,693
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	113,286	113,286	–	–	–	113,286
Financial liabilities measured at amortized cost	FLAC	261,072	261,072	–	–	–	261,184
Financial liabilities held for trading	FLHfT	99	–		99	–	99

kEUR	Category in accordance with IAS 39	Carrying amount	12/31/2010 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	8,546	8,546	–	–	–	8,546
Trade receivables	LaR	80,336	80,336	–	–	–	80,336
Other current assets	LaR	2,589	2,589	–	–	–	2,589
Other financial assets							
Derivates without a hedging relationship	FAHfT	18	–	–	18	–	18
Liabilities							
Trade payables	FLAC	69,938	69,938	–	–	–	69,938
Interest bearing loans and borrowings	FLAC	310,675	310,675	–	–	–	320,592
Finance lease liabilities	n.a.	171	–	–	–	171	171
Other financial liabilities							
Derivates with a hedging relationship	n.a.	5,758	–	5,111	647	–	5,758
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	91,471	91,471	–	–	–	91,471
Financial assets held for trading	FAHfT	18	–	–	18	–	18
Financial liabilities measured at amortized cost	FLAC	380,613	380,613	–	–	–	390,530

Cash and cash equivalents, other current assets as well as trade receivables and payables mainly have short remaining maturities. For this reason, their carrying amounts at the reporting date approximate their fair values.

The fair values of interest bearing loans and borrowings are 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.

The fair values of other financial liabilities are calculated based on interest rates with matching maturities. In the balance sheet as of December 31, 2011, only derivatives of kEUR 5,792 (previous year: kEUR 5,740) were measured at fair value.

The fair value of the liabilities from interest bearing loans and borrowings and derivative financial liabilities is measured on the basis of 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)

Level 3: Information for assets or liabilities that is not based on observable market data

The net result by category is as follows:

	2011					
			From subsequent measurement			
kEUR	From interest	From remuneration	At fair value	Currency translation	Impairment	**Net result**
Loans and receivables	-72	–	–	–	-1,126	**-1,198**
Financial assets held for trading	–	–	-18	–	–	**-18**
Financial liabilities measured at amortized cost	-21,273	-5,140	–	-565	–	**-26,978**
Financial liabilities held for trading	–	–	-99	–	–	**-99**
Total	**-21,345**	**-5,140**	**-117**	**-565**	**-1,126**	**-28,293**

	2010					
			From subsequent measurement			
kEUR	From interest	From remuneration	At fair value	Currency translation	Impairment	**Net result**
Loans and receivables	-153	–	–	–	-1,373	**-1,526**
Financial assets held for trading	–	–	18	–	–	**18**
Financial liabilities measured at amortized cost	-30,453	-479	–	-497	–	**-31,429**
Financial liabilities held for trading	–	–	-1,593	–	–	**-1,593**
Total	**-30,606**	**-479**	**-1,575**	**-497**	**-1,373**	**-34,530**

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

The interest result from financial liabilities of the category "Financial liabilities measured at amortized cost" primarily consists of interest expenses on interest bearing collateralized loans as well as the amortization of transaction costs.

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 Group.

To be adequately prepared for changes in competitive and environmental conditions and to control value creation efficiently in the Group, 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 12 months are used. In addition, management continually evaluates adherence to the financial covenants as required by the long-term credit agreement.

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

	12/31/2011			
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	**175,034**	11,530	163,504	–
Finance lease liabilities	**81**	67	14	–
Trade payables	**86,038**	86,038	–	–
Other financial liabilities				
Derivates without a hedging relationship	**99**	99	–	–
Derivates with a hedging relationship	**5,693**	–	5,693	–
Financial liabilities	**266,945**	**97,734**	**169,211**	–

kEUR	12/31/2010 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	**310,675**	3,758	306,917	–
Finance lease liabilities	**171**	131	40	–
Trade payables	**69,938**	69,938	–	–
Other financial liabilities				
Derivates with a hedging relationship	**5,758**	–	5,758	–
Financial liabilities	**386,542**	**73,827**	**312,715**	–

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

	12/31/2011								
	Cash flows 2012			Cash flows 2013			Cash flows 2014–2016		
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	-6,175	-1,745	-11,530	-5,737	-1,657	-11,370	-17,501	-1,195	-152,134
Finance lease liabilities	-1	–	-67	–	–	-14	–	–	–
Other financial liabilities									
Derivates without a hedging relationship	–	-99	–	–	–	–	–	–	–
Derivates with a hedging relationship	–	-2,454	–	–	-2,604	–	–	-784	–

	12/31/2010								
	Cash flows 2011			Cash flows 2012			Cash flows 2013–2015		
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	-10,127	-2,140	-3,758	-17,594	-2,136	-18,297	-55,514	-3,581	-288,620
Finance lease liabilities	-8	–	-131	-1	–	-40	–	–	–
Other financial liabilities									
Derivates with a hedging relationship	–	-3,366	–	–	-3,407	–	–	-518	–

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 the year-end spot rate. 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 potential customers to credit verification procedures. To manage specific default risks, the Group also takes out commercial credit insurance coverage in Europe and defines credit limits for each customer.

Any credit risks that still arise are covered by individual and collective allowances on 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 the interest related-cash flow. To hedge this cash flow risk, the Group holds interest rate 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 economic risk in this connection.

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

As a result of the extension of the credit line in November 2009, the interest rate hedges were also realigned. Effective from March 19, 2010, the existing interest rate hedge instruments were replaced and new instruments were concluded with the banks. In line with the Group's risk strategy, cash flow hedges between floating rate loans and the new interest rate swaps were recognized. As a result of the interest rate swap agreements, the variable interest portion of the bank loans is economically converted to fixed interest rates with a nominal value of 2.43% (EUR) and 2.64% (USD). For the prospective effectiveness test, the critical-terms-match method was used. The hypothetical derivative method was used for the retrospective test.

As part of the partial repayment of the bank loans in April 2011, SAF-Holland discontinued hedge accounting for hedging transactions with a nominal volume of USD 40.0 million and EUR 56.8 million. As the secured cash flows from these hedges will no longer occur due to the partial repayment of the bank loans as a result of the capital increase, the changes in the value of the hedges previously recognized in equity were reported in the finance result (see Note 5.2.5). Payments of kEUR 710 were made as repayment for the interest rate hedges.

The hedging ratio as of December 31, 2011, which is the ratio of secured credit facilities to contracted interest rate derivatives, was 82%. The hedge structure consists of Euribor/Libor swaps with maturities until June 2014 as well as interest rate caps which take effect when the interest rate exceeds 2.5%.

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

	01/01/2011					12/31/2011	12/31/2011	
kEUR	**Fair value**	Changes recognized in equity (before tax)	Changes recognized in profit or loss (before tax)	Release	Foreign currency translation	**Fair value**	**Financial assets**	**Other financial liabilities**
Interest rate cap	**18**	–	-18	–	–	**–**	**–**	**–**
Interest rate swaps EUR	**-3,543**	-1,063	509	-239	–	**-4,336**	**–**	**-4,336**
Interest rate swaps USD	**-2,215**	561	-690	949	38	**-1,357**	**–**	**-1,357**
Forward exchange transaction	–	–	-99	–		**-99**	**–**	**-99**
Total	**-5,740**	**-502**	**-298**	**710**	**38**	**-5,792**	**–**	**-5,792**

The compensatory payment resulting from replacing the prolongation options for interest rate swaps due in March 2010 is being financed by the former contractual partner of these swaps over a period until June 30, 2014. In the previous year, the resulting liability of kEUR 9,420 was reclassified to interest bearing loans and borrowings (see Note 6.13).

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, 2011 had been 100 base points lower (higher), the result would have been kEUR 303 (previous year: kEUR 819) higher (lower). All other variables are assumed to be constant.

Since the inflow of all hedged payments as of the reporting date is still expected, the hedging relationships will be retained for the following year. Interest payments on swaps are included in finance expenses along with interest payments on loans.

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

Collateral	Start	End	Nominal volume	Reference rate
Swap	March 19, 2010	June 30, 2014	EUR 87.0 million to EUR 130.2 million	Euribor
Swap	March 19, 2010	June 30, 2014	USD 37.6 million	Libor
Cap	March 19, 2010	December 30, 2012	EUR 61.6 million to EUR 10.0 million	Euribor

Foreign currency risk

The Group is exposed to foreign currency risks that arise from the international nature of 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 generally low with regard to individual transactions. However, the individual companies hedge the risks from key foreign currency transactions at 70% of the budgeted volume using suitable financial instruments. These financial instruments are primarily forward exchange contracts.

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.

7.2 EARNINGS PER SHARE

		2011	2010
Result for the period	**kEUR**	**26,802**	**-8,310**
Weighted average number of shares outstanding	thousands	36,503	20,702
Basic and diluted earnings per share	**EUR**	**0.73**	**-0.40**

Basic earnings per share are calculated by dividing the result for the period attributable to shareholders of SAF-HOLLAND S.A. by the average number of shares outstanding. New shares issued during the period are included pro rata for the period in which they are outstanding.

The weighted average number of shares is calculated as follows:

	Par value (EUR)	Number	Days	Weighted average number
01/01/2011–03/23/2011	0.01	20,702,275	83	1,718,288,825
03/24/2011–12/31/2011	0.01	41,237,375	277	11,422,752,875
Total			**360**	**13,141,041,700**
Average		**36,502,894**		

In the reporting period, the weighted average number of shares increased due to the issue of 20,535,100 new shares as part of the capital increase on March 24, 2011. In 2010, the weighted average number of shares was unchanged at 20,702,275.

Earnings per share can be diluted by potential ordinary shares. There were no dilutive effects in the reporting period 2011 or in the previous year.

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.

7.3 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, while cash flows from investing activities are calculated using the direct method. Cash flows from investing activities are used to generate income over the long-term, generally for more than one year. Cash flows from financing activities were also calculated using the direct method. These cash flows include cash flows from transactions with shareholders and from issuing or repaying financial liabilities.

7.4 OTHER FINANCIAL OBLIGATIONS

The Group has entered into rental and lease agreements as a lessee mainly for commercial buildings, office equipment, IT-equipment, material handling equipment, and motor vehicles. The lease agreements have an average term of between three and five years.

As of the balance sheet date, the following future minimum lease payment obligations exist due to contractually agreed operating leases:

kEUR	12/31/2011	12/31/2010
Remaining term of up to 1 year	3,930	3,316
Remaining term of more than 1 year and up to 5 years	7,030	5,980
Remaining term of more than 5 years	55	120
Total	**11,015**	**9,416**
Operate lease payments for the reporting period	5,307	4,617

7.5 RELATED PARTY DISCLOSURES

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

Subsidiaries	Country of incorporation	% Equity interest
SAF-HOLLAND GmbH (formerly SAF-HOLLAND GROUP GmbH)[1]	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 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
OOO SAF-HOLLAND Rus	Russia	100.0
SAF HOLLAND Middle East FZE	United Arab Emirates	100.0
SAF HOLLAND Otomotiv Sanayi ve Ticaret Limited Sirketi	Turkey	100.0
SAF-HOLLAND Inc.[2]	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
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.[3]	UK	100.0
SAF-HOLLAND International de México S. de R.L. de C.V.	Mexiko	100.0
SAF-HOLLAND International Services México S. de R.L. de C.V.	Mexiko	100.0
SAF-HOLLAND Hong Kong Ltd.	Hong Kong	100.0
QSI Air Ltd.	USA	100.0
SAF-HOLLAND (Xiamen) Co., Ltd.	China	100.0

1) In 2011, SAF-HOLLAND GmbH was merged into SAF-HOLLAND TECHNOLOGIES GmbH. Following this, SAF-HOLLAND TECHNOLOGIES GmbH was merged into SAF-HOLLAND GROUP GmbH. As a final step, SAF-HOLLAND GROUP GmbH was renamed into SAF-HOLLAND GmbH.

2) As of December 31, 2011, SAF-HOLLAND Holdings (USA) Inc. was merged into SAF-HOLLAND Inc.

3) The company was deconsolidated following its liquidation on March 29, 2011.

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 June 30, 2011)
Detlef Borghardt	Head of Trailer Systems Business Unit/Deputy CEO (until June 30, 2011) Chief Executive Officer (from July 1, 2011)
Wilfried Trepels	Chief Financial Officer
Jack Gisinger	Head of Powered Vehicle Systems Business Unit
Steffen Schewerda	Head of Group Operations and from July 1, 2011 Head of Trailer Systems Business Unit
Alexander Geis	Head of Aftermarket Business Unit (Deputy member until June 30, 2011, full member since July 1, 2011)
Board of Directors	
Bernhard Schneider	Member of the Board of Directors (Chairman)
Ulrich Otto Sauer	Member of the Board of Directors (Vice Chairman)
Rudi Ludwig	Member of the Board of Directors (until September 30, 2011)
Detlef Borghardt	Member of the Board of Directors (from October 1, 2011)
Gerhard Rieck	Member of the Board of Directors (until April 28, 2011)
Samuel Martin	Member of the Board of Directors (from April 28, 2011)[1]
Richard W. Muzzy	Member of the Board of Directors

1) Samuel Martin was Chief Operating Officer on the Management Board until December 31, 2010 and has been a member of the Board of Directors since April 2011. He was also employed by SAF-HOLLAND USA, Inc., Holland, Michigan, USA, as a consultant until he officially retired in April 2011.

The term of office and other positions held by the members of the Board of Directors and the Management Board are described in the chapter entitled "Mandates of the Board of Directors/Management Board" in this annual report.

As of December 31, 2011, members of the Management Board directly or indirectly held ordinary shares of kEUR 9 (previous year: kEUR 9), while members of the Board of Directors directly or indirectly held ordinary shares of kEUR 23 (previous year: kEUR 33).

The total remuneration of the members of the Management Board in the year under review was kEUR 2,224 (previous year: kEUR 2,983). This includes expenses from share-based payment of kEUR 56 (previous year: kEUR 40). The total remuneration of the Board of Directors was kEUR 237 (previous year: kEUR 261) and is recognized in profit or loss.

Further details on the loans granted in February 2009 by members of management and the Board of Directors and the loans repaid in April 2011 are provided in Note 6.13.

The shareholder with a significant influence on the Group is Ulrich Otto Sauer.

There is a tenancy agreement in place between the SAF-HOLLAND GmbH and Mr. Ulrich Otto Sauer including rent of kEUR 24 (previous year: kEUR 24) per year for office and archive space.

Transactions with related parties and companies in which members of management hold key positions:

kEUR	2011 Sales to related parties	2011 Purchases from related parties	12/31/2011 Amounts owed by related parties	12/31/2011 Amounts owed to related parties
SAF-HOLLAND Nippon, Ltd.	604	–	56	183
Lakeshore Air LLP	–	94	–	12
FWI S.A.	–	25,837	–	331
Irwin Seating Company[1]	1,348	–	18	–
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.	53	–	146	–
Total	**2,005**	**25,931**	**220**	**526**

1) The Irwin Seating Company is a company in which a member of the Board of Directors of the SAF-HOLLAND Group holds a key management position.

kEUR	2010 Sales to related parties	2010 Purchases from related parties	12/31/2010 Amounts owed by related parties	12/31/2010 Amounts owed to related parties
SAF-HOLLAND Nippon, Ltd.	423	–	42	182
Lakeshore Air LLP	–	88	–	14
FWI S.A.	–	19,381	–	150
Irwin Seating Company[1]	1,428	–	28	–
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.	117	–	110	–
Total	**1,968**	**19,469**	**180**	**346**

The sales to and purchases from related parties are conducted at normal market prices. Outstanding balances as of December 31, 2011 are unsecured, interest-free and paid in time. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2011, and 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 in each reporting period by examining the financial position of the related parties and the markets in which these parties operate.

7.6 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 EBIT and EBITDA, monitoring the development of net working capital and cash flow. Net debt includes interest bearing loans and borrowings less cash and cash equivalents.

kEUR	12/31/2011	12/31/2010
Interest bearing loans and borrowings	175,034	310,675
Cash and cash equivalents	-15,345	-8,546
Net debt	**159,689**	**302,129**
Equity attributable to equity holders of the parent	**192,232**	**24,927**
Equity and net debt	**351,921**	**327,056**

Under the financing agreement signed on November 29, 2009, the Group is obligated to fulfill the following financial covenants:

- Net interest cover (adjusted consolidated EBITDA divided by net finance expenses)
- Total net debt cover (net debt divided by adjusted consolidated EBITDA)
- Equity ratio cover (consolidated equity divided by consolidated total assets)

7.7 AUDITOR'S FEES

The following expenses were incurred in financial year 2011 for services provided by the auditors and related companies of the auditors:

kEUR	2011	2010
Auditing of financial statements	460	588
Tax accountancy services	123	85
Other services	576	59
Total	**1,159**	**732**

In the financial year, other services primarily comprise fees in connection with issuing the comfort letters for the capital increase implemented as well as issuing the bond.

7.8 EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date.

Luxembourg, March 13, 2012

Bernhard Schneider
Chairman of the Board of Directors

Detlef Borghardt
Chief Executive Officer of
SAF-HOLLAND GmbH

Mandates of the Board of Directors/Management Board

Bernhard Schneider
Member Board of Directors, SAF-HOLLAND S.A.
(election date: June 18, 2007; term of office: 4 years and extended until April 2015; Chairman since March 27, 2009)

Managing Director, Mediaprint Zeitungs- und Zeitschriftenverlag GmbH
Managing Director, Krone Media Aktiv Gesellschaft m.b.H
Managing Director, Krone Hit Radio Medienunternehmen Betriebs- und Beteiligungsgesellschaft m.b.H.

Ulrich Otto Sauer
Member Board of Directors (Vice Chairman), SAF-HOLLAND S.A.
(election date: June 18, 2007; term of office: 3 years, and extended until April 2013)

Chairman Supervisory Board, SAF-HOLLAND GmbH
Managing Director, ASAF Verwaltungs GmbH

Detlef Borghardt
Member Board of Directors, SAF-HOLLAND S.A.
(election date: October 1, 2011)

Managing Director, SAF-HOLLAND GmbH
Managing Director, D+MB GmbH

Samuel Martin
Member Board of Directors, SAF-HOLLAND S.A.
(election date: April 28, 2011 until April 2013)

Managing Director and COO, SAF-HOLLAND GmbH
(until December 31, 2010)

Richard W. Muzzy
Member Board of Directors, SAF-HOLLAND S.A.
(election date: June 18, 2007, extended until April 2013)

Member Supervisory Board, Besser Company
Member Supervisory Board, Paragon Tool & Die
Member Supervisory Board, Irwin Seating Holding Company

Rudi Ludwig
Member Board of Directors, SAF-HOLLAND S.A.
(until September 30, 2011)

Managing Director and CEO, SAF-HOLLAND GmbH
(until June 30, 2011)
Managing Director, Luruna GmbH

Gerhard Rieck
Member Board of Directors, SAF-HOLLAND S.A.
(until April 28, 2011)

Member Supervisory Board, VOSS Automotive GmbH
Member Supervisory Board, KNORR-BREMSE Systeme für Nutzfahrzeuge GmbH
Managing Director, REACT - engineering and consulting - Ingenieure Rieck & Partner

Jack Gisinger
Managing Director, SAF-HOLLAND GmbH

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

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

Alexander Geis
Managing Director, SAF-HOLLAND GmbH (since July 1, 2011)

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 April 28, 2011, we have audited the accompanying consolidated financial statements of SAF-HOLLAND S.A., which comprise the consolidated balance sheet as at December 31, 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 agréé", 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 agréé" 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, 2011, and of its financial performance and its 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 management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Thierry BERTRAND

Luxembourg, March 13, 2012

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 13, 2012
SAF-HOLLAND S.A.

Bernhard Schneider
Chairman of the Board of Directors

Responsibility Statement >> *164*

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, reversal of impairment of 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, and 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.

Coverage: Analysts at renowned banks and investment houses regularly observe and evaluate the development of SAF-HOLLAND S.A.'s shares.

Days inventory outstanding: Inventory / cost of sales per day (cost of sales of the quarter / 90 days)

Days payable outstanding: Trade payables / cost of sales per day (cost of sales of the quarter / 90 days).

Days sales oustanding: Trade receivables / sales per day (sales of the quarter / 90 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.

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

MDAX: The mid-cap-Dax (MDAX) comprises 50 companies that rank immediately below DAX securities in terms of market capitalization and order book volume.

Personnel expenses per employee: Personnel expenses (not including restructuring and integration costs) / average number of employees (not including temporary employees).

Purchase Price Allocation (PPA): Distribution of the acquisition costs of a business combination to the identifiable assets, liabilities and contingent liabilities of the (acquired) company.

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.

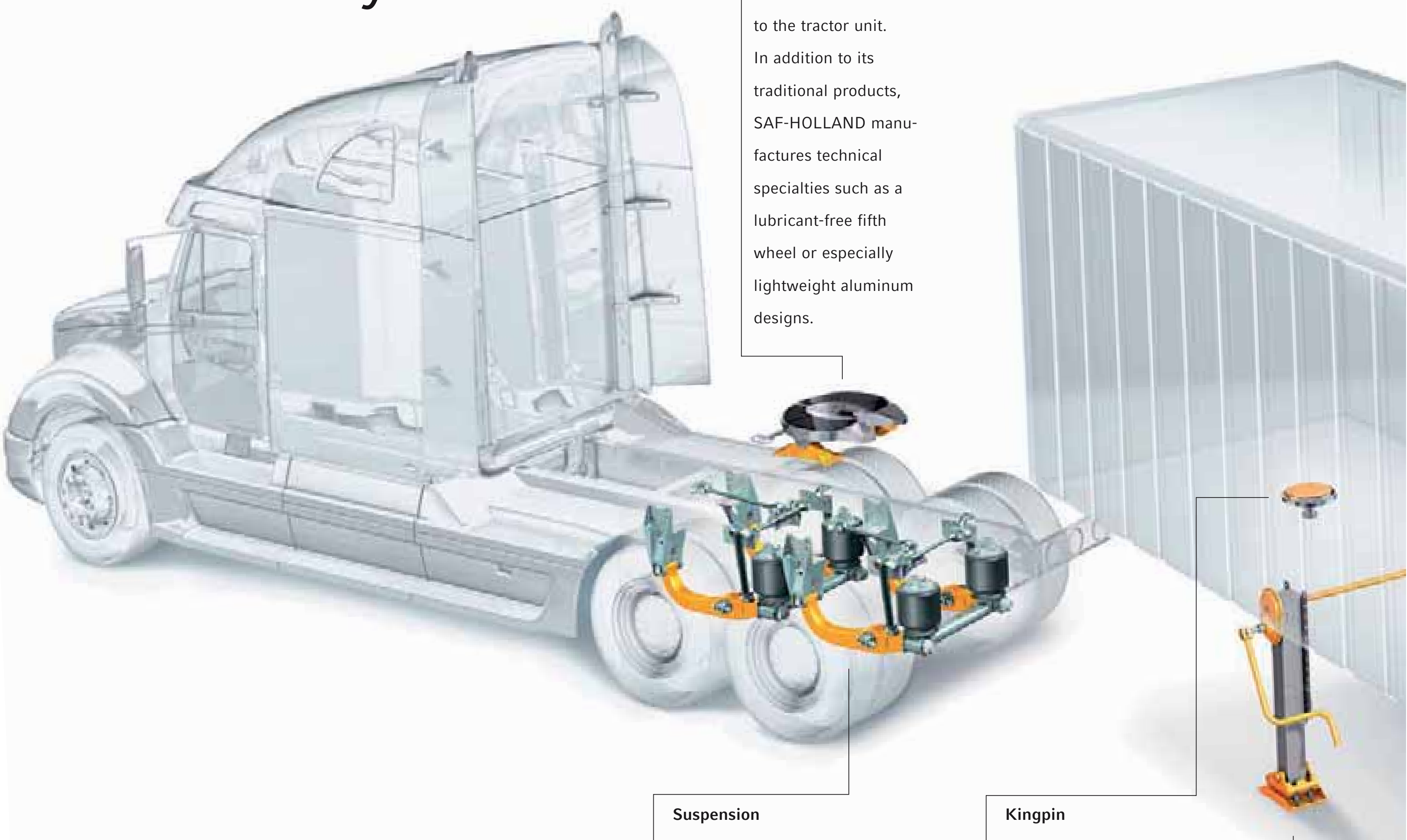
Sales per employee: Sales / average number of employees (including temporary employees).

SDAX: The small-cap-Dax (SDAX) comprises 50 companies that rank immediately below mid-cap-DAX (MDAX) securities in terms of market capitalization and order book volume. As is the case with DAX, TecDAX and MDAX, the SDAX belongs to the Prime Standard.

Total cost of ownership: Total cost relating to acquisition, operating and maintenance of an asset.

Value in use: Present value of future cash flows from an asset.

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

Axle System

The axle system for trailers consists in general of the axle itself with either a disk brake or a drum brake and the air suspension system.

List of Abbreviations

APO	Advanced Planer & Optimizer (IT-System to utilize supply-chain- management)
BRIC	Brasil, Russia, India and China
B.S.	Bachelor of Science (academic degree)
Cap	Derivative to hedge against rising interest rates
CEO	Chief executive officer
CFO	Chief financial officer
COO	Chief operating officer
DAX	Deutscher Aktienindex (German stock index)
DIN	Deutsches Institut für Normung (German Institute for Standardization)
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and depreciation/amortization
EURIBOR	Euro interbank offered rate
FAHft	Financial assets held for trading
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
IfW	Institut für Weltwirtschaft (German economic organisation)
IG Metall	Industriegewerkschaft Metall (German labour union)
ISIN	International securities identification number
ISO	International Organization for Standardization
IT	Information technology
kEUR	thousand Euro
LaR	Loans and receivables
LIBOR	London interbank offered rate
MATS	Mid-America Trucking Show
MBA	Master of Business Administration
MDAX	Mid-cap-DAX
Mio.	Million
M.S.	Master of Science (academic degree)
n.a.	Not applicable
OEM	Original equipment manufacturer
OES	Original equipment service
PIK	Pay-in-kind
PPA	Purchase price allocation
ppm	Parts per million
ROI	Return on investment

R&D	Research and development
SDAX	Small-cap-DAX
SWAP	Hedging instrument in which two counterparties agree to exchange contractual rights and obligations against another (to swap) to a definite existing period of time in the future and to defined conditions
US	United States of America
USA	United States of America
VDA	Verband der Automobilindustrie (German Automotive Industry Association)
VDIK	Verband der Internationalen Kraftfahrzeughersteller (Association of the International Motor Vehicle Manufacturers)
WACC	Weighted average cost of capital
WKN	Wertpapierkenn-Nummer (security identification number)
WpHG	German securities trading act (Wertpapierhandelsgesetz)
WTO	World trade organization

Financial Calendar and Contact Information

Financial Calendar

April 26, 2012	Annual General Meeting
May 24, 2012	Report on Q1 2012 Results
August 16, 2012	Report on Half-Year 2012 Results
November 8, 2012	Report on Q3 2012 Results

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