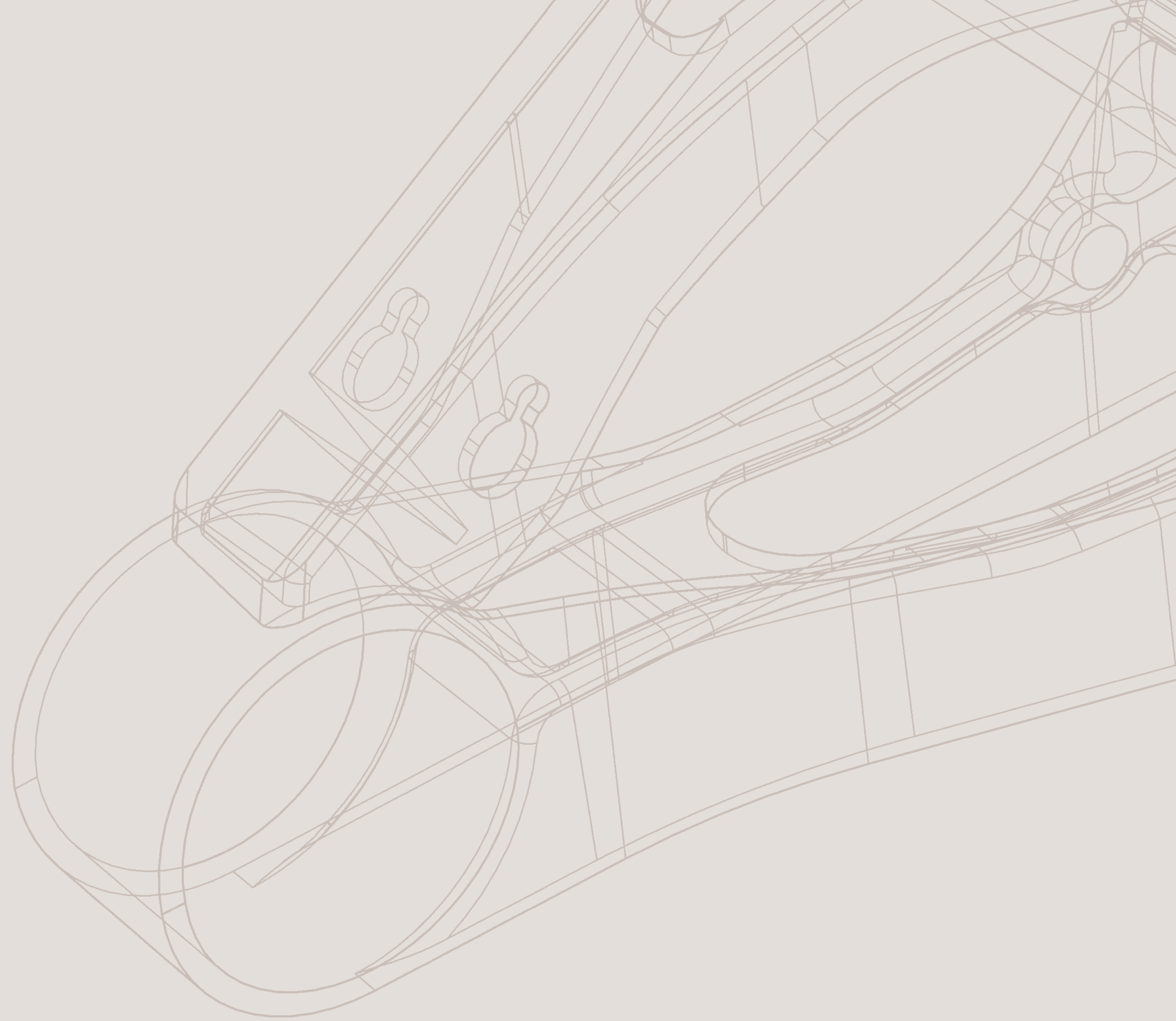
Design the future

Annual Report 2014



Technological progress paves the way for future success. To ensure that our fleet customers are always well positioned, we work systematically on solutions for tomorrow. The magazine section of this Annual Report describes how SAF-HOLLAND designs its future by creating pioneering products. It's all about weight advantages, durability and safety; the major trends of the transport industry. Our development expertise and the results are also important: innovations with strong potential that we presented in 2014 at the IAA Commercial Vehicles trade fair, the Mid-America Trucking Show and the Automechanika.

Design the future.

KEY FIGURES

EUR million	2014	2013	2012
Sales	959.7	857.0	859.6
Cost of sales	-785.1	-701.4	-703.4
Gross profit	174.6	155.6	156.2
as a percentage of sales	18.2	18.2	18.2
Adjusted result for the period	43.7	28.8	28.4
as a percentage of sales	4.6	3.4	3.3
Adjusted EPS in EUR[1]	0.96	0.63	0.68
Adjusted EBITDA	84.3	71.1	72.7
as a percentage of sales	8.8	8.3	8.5
Adjusted EBIT	70.7	59.3	58.2
as a percentage of sales	7.4	6.9	6.8
Operating cash flow[2]	48.8	63.0	59.5

[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	2014	2013	2012
Europe	496.5	447.9	434.9
North America	363.9	339.1	367.1
Other	99.3	70.0	57.6
Total	**959.7**	**857.0**	**859.6**

SALES BY BUSINESS UNIT

EUR million	2014	2013	2012
Trailer Systems	544.4	485.7	473.5
Powered Vehicle Systems	169.5	144.7	157.6
Aftermarket	245.8	226.6	228.5
Total	**959.7**	**857.0**	**859.6**

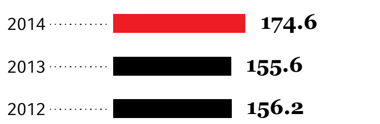
OTHER FINANCIAL INFORMATION

	12/31/2014	12/31/2013	12/31/2012
Total assets (EUR million)	645.2	536.4	536.7
Equity ratio (%)	38.5	41.4	36.9

	2014	2013	2012
Employees (average)	3,346	3,106	3,118
Sales per employee (kEUR)	286.8	275.9	275.7

SALES EUR million

GROSS PROFIT EUR million



ADJUSTED EBITDA EUR million

SAF-HOLLAND WITH 19 PRODUCTION LOCATIONS AROUND THE WORLD

Canada
Woodstock
Norwich

USA
Holland
Muskegon
Warrenton North
Warrenton South
Wylie
Dumas

Brazil
Jaguariúna

Germany
Keilberg
Wörth am Main
Frauengrund
Singen

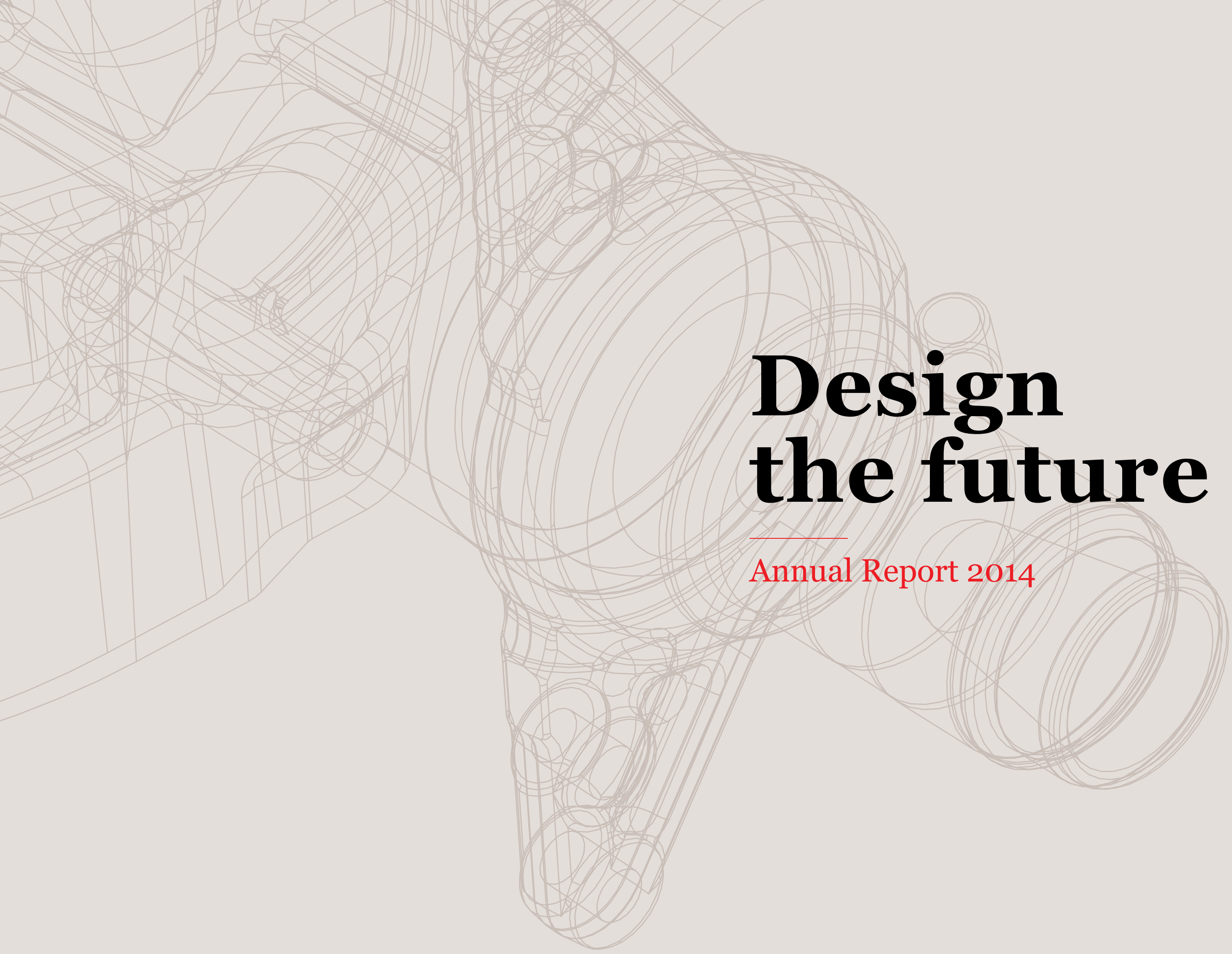
South Africa
Johannesburg

United Arab Emirates
Dubai

India
Sriperambadur Taluk

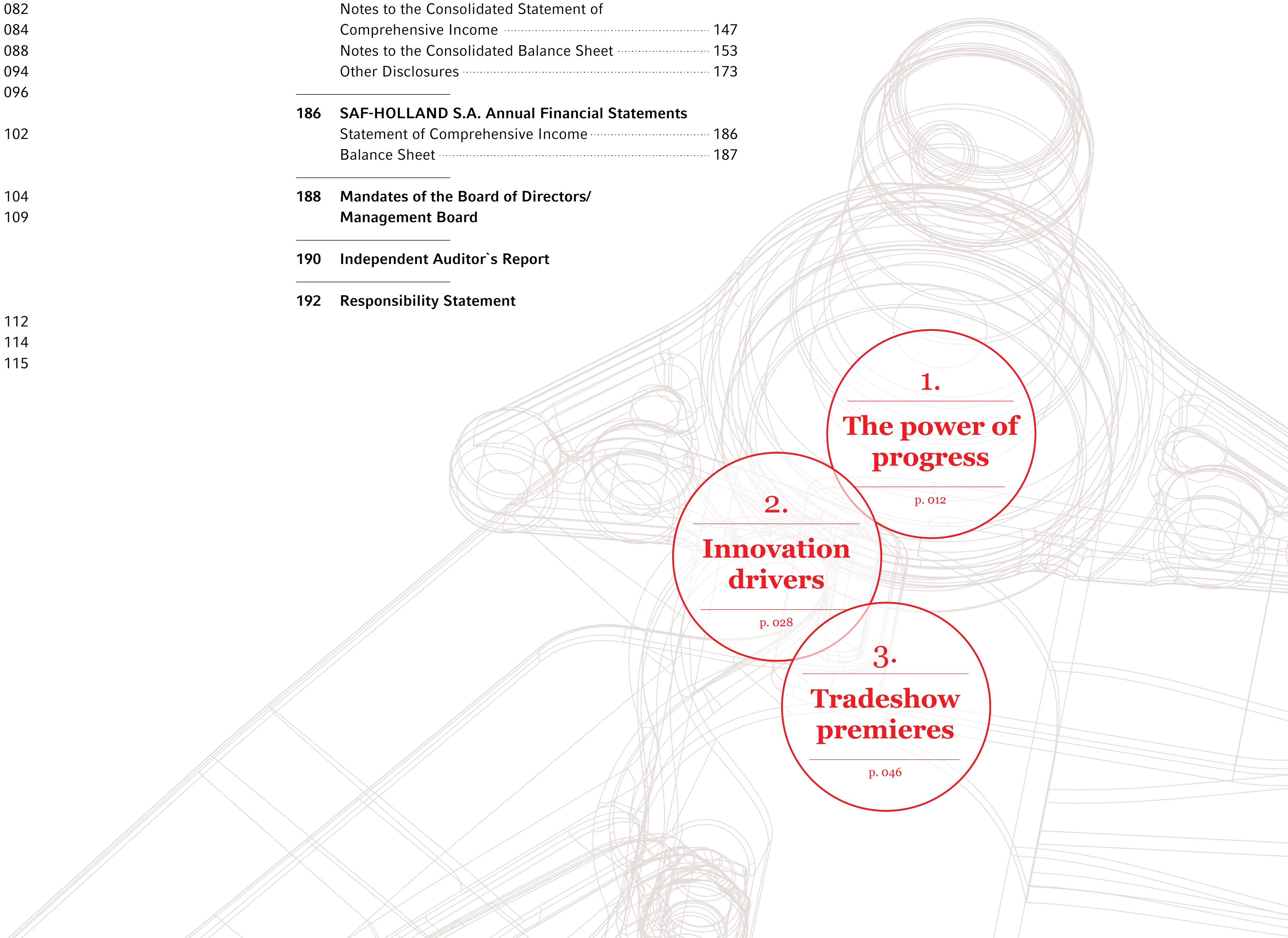
China
Xiamen
Baotou

Australia
Melton



Design the future

Annual Report 2014



Foreword from the Management Board

Ladies and Gentlemen, Dear Shareholders and Investors,

Detlef Borghardt,
Chief Executive Officer (CEO)

Financial year 2014 was satisfactory for SAF-HOLLAND in many ways. The target for the year to achieve profitable growth was met and partially exceeded. With substantial growth of approximately 12%, we were able to successfully increase our sales to EUR 959.7 million, thus exceeding the target corridor we defined for the financial year of EUR 920 to EUR 945 million. Sales growth was accompanied by an increase in adjusted EBIT to EUR 70.7 million which corresponds to a significantly improved adjusted EBIT margin of 7.4% as compared to the previous year. We thus reached our goals on the earnings side. All regions and all Business Units contributed to the positive sales development.

Especially worth mentioning is the fact that we achieved a number of important milestones in financial year 2014 on the path toward our medium-term targets. We presented a lot of new developments and technical innovations at the Mid America Trucking Show in Louisville, Kentucky, in the spring and, under the motto "inspired by PASSION" at the IAA Commercial Vehicles trade fair in Hanover, Germany in the fall. All of our innovations and product developments share the common objective of making an even greater contribution to the success of our fleet customers through improvements in weight reduction, durability, maintenance-friendliness and safety. The theme of this year's Annual Report is an expression of the tremendous importance of the ability to innovate for the future of SAF-HOLLAND. "Design the future" – under this motto we provide insights in the magazine section of this report on the path a product at SAF-HOLLAND takes from the initial idea to the introduction at a trade fair. Discover how professionally and innovatively the positioning, processes and results of SAF-HOLLAND's global development activities are set up.

We have placed one focus of our activities on the consistent implementation of our measures to improve profitability in the Trailer Systems Business Unit. In addition to the development activities just described, the focus in the reporting year was primarily on increased activities in the consolidation of the German plant network. Parallel to the construction measures for the expansion and modernization of the locations in Keilberg and Frauengrund, a majority of the machines were moved from Wörth to Bessenbach in the first half of 2014. The move, which is being undertaken while production operations and ongoing reconstruction works continue, is demanding and challenging. It is all the more pleasing for me, that the plant consolidation will be completed on schedule and trouble-free during 2015. I would like to express my special thanks to all those involved in the project.

Trailer Systems, our largest Business Unit, recorded strong sales growth in 2014. In the first quarter 2014 we benefited from the fact that fleet managers posted more trailer orders compared to the previous year. During the fourth quarter 2013 fleet managers had invested more intensively into trucks whereas orders for trailers had been postponed to the first quarter 2014. The positive business development was also supported by the progressive utilization of production capacities created in North America in 2013. At the end of the financial year, however, the market as a whole was somewhat weakened against the backdrop of the Russia-Ukraine conflict. For the full-year, the Business Unit generated a strong increase in sales of 12.1% to EUR 544.4 million (previous year: EUR 485.7 million). Developments on the earnings side were also especially pleasing. Here, the initial results from the implementation of the measures to enhance the profitability of the Business Unit are already being reflected. Adjusted EBIT doubled as compared to the prior year to EUR 20.5 million (previous year: EUR 10.6 million) and was accompanied by an increase in the adjusted EBIT margin to 3.8% (previous year: 2.2%).

The Powered Vehicle Systems Business Unit significantly increased sales in the financial year by 17.1% to EUR 169.5 million (previous year: EUR 144.7 million). Sales volume increased both in North America and Europe as well as in China as a result of the first-time consolidation of Corpco. European production in particular was able to assert itself noticeably in a sometimes difficult market environment. In the first quarter of 2014, the market demonstrated weaker tendencies because European fleet operators had already invested intensively in the fourth quarter of 2013 due to the Euro 6 standard. But also in the second half of the year, the European market was burdened because of the Russia-Ukraine conflict. With an adjusted EBIT of EUR 11.8 million (previous year: EUR 12.4 million) and an adjusted EBIT margin of 7.0% (previous year: 8.6%), the earnings figures for the Business Unit were, as expected, weaker. The reason for this was, on the one hand, an unfavorable customer and product mix as well as the earnings contributions from Corpco which were below our expectations in the second and third quarters of 2014.

The Aftermarket Business Unit increased sales once again in the reporting year and achieved an increase of 8.5% to EUR 245.8 million (previous year: EUR 226.6 million). Adjusted EBIT, despite expenses related to the expansion of the sales structures, increased to EUR 38.4 million (previous year: EUR 36.3 million) which corresponds to an adjusted EBIT margin of 15.6% (previous year: 16.0%). The expansion of the global spare parts and service network and the opening of additional sales markets is one of our growth pillars for the achievement of our objectives in 2015. Also in financial year 2014, we continued to consistently pursue these objectives and opened a further Parts Distribution Center in Malaysia which is geared toward the South-East Asia market. The existing Parts Distribution Center in Dubai was expanded during the reporting year and since February 2015 has more than three times the space it had before. In addition, we also profited on the sales and earnings side in the reporting year from the brand SAUER GERMANY QUALITY PARTS. With the introduction of a further brand, Goldline, in financial year 2015, we want to open up this additional sales market in North, Central and South America, thus underscoring the Business Unit's orientation toward further growth.

As was also the case in the two previous financial years, we paid particular attention to a flexible and diversified company financing to secure the Group's growth course. We therefore made further optimizations in this area. With the proceeds from the successful issuance of convertible bonds in September 2014, we managed to negotiate more favorable conditions for our liabilities to banks. SAF-HOLLAND now has a more balanced financing structure with a smaller group of banks, more favorable covenants and interest conditions as well as an extended term for the syndicated loan.

For financial year 2015, we also plan to continue the positive company development and to grow further. The company's optimized financing structure, success in the implementation of the measures to restructure the Trailer Systems Business Unit and the large number of product innovations introduced in the 2014 reporting year form the basis for this further growth. We reaffirm the targets for the year 2015 and seek sales of between EUR 980 million and EUR 1.035 billion with an adjusted EBIT margin of between 9% and 10%.

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 and pleasant cooperation in the past financial year 2014. At the same time, I also thank our shareholders and investors for their commitment to SAF-HOLLAND. We greatly appreciate your confidence and will continue to bundle our activities in order to successfully design the future of the company.

Sincerely,

Detlef Borghardt
Chief Executive Officer (CEO)

Management Board

Alexander Geis,
Steffen Schewerda,
Wilfried Trepels,
Jack Gisinger,
Detlef Borghardt
(from left to right)

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
President Powered Vehicle Systems Business Unit & Group Technical Services

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 the year 1980 and held a number of leading positions in engineering and management, including General Manager of Holland's European operations. Mr. Gisinger holds a B.S. in aeronautical engineering and an M.S. in mechanical engineering.

Steffen Schewerda
President Trailer Systems Business Unit & Group Operations

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
President 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

Bernhard Schneider,
Chairman of the Board of Directors

Ladies and Gentlemen,
Dear Shareholders and Investors,

SAF-HOLLAND's positive business development in reporting year 2014 took place under difficult economic and geopolitical circumstances. However, thanks to a significant increase in the sales and earnings figures, the targets for 2014 were achieved and the company's good market position was also strengthened and expanded. SAF-HOLLAND's earnings performance underlines the fact that the company is on the right course. The adjusted EBIT in the Group increased to EUR 70.7 million and the adjusted EBIT margin reached 7.4%. Due to the equity ratio of 38.5% in accordance with our dividend policy, we can propose the payment of a dividend at the Annual General Meeting on April 23, 2015.

Cooperation of the boards

During the reporting year the Board of Directors conscientiously performed its tasks defined by law and statutes. The Management Board was advised on the operational management of business and the management was supervised. The Management Board provided regular information in a timely manner on all relevant occurrences in the company, both orally and in writing. The focus was on orders, sales and earnings development in the Business Units and the Group. Strategic measures, product and market developments, and aspects of risk management and compliance as well as the financial position, were jointly discussed and debated with the Management Board. We reviewed any business transactions requiring approval from the Board of Directors and decided upon approval.

Focus of consultations

An important topic of consultation for the Board of Directors was the further optimization of corporate financing. In particular the Board addressed the preparations for the issuing of a convertible bond. It was placed with institutional investors in September 2014 and the proceeds were used for further repayment of bank loans and to secure SAF-HOLLAND's long-term financial security. After the successful placement was completed, both the Financing Agreement Term Loan A of over EUR 80.9 million, as well as an existing credit facility of EUR 121.4 million was repaid early. As part of this, the credit facility was replaced by new financing agreements with better conditions. In total, approximately additional EUR 2 million can be saved annually in interest costs by the new financing structure.

The Board of Directors held further extensive discussions on initiatives to increase the profitability of the Trailer Systems Business Unit. Progress in this area is of high importance for the achievement of strategic sales and earnings targets of the Group. During the reporting year the first measures were implemented. The consolidation of the plants in Germany and an innovation initiative for the development and launch of new products, especially for the European market, were at the top of the agenda. An additional focus point of the Board of Directors was the development and discussion of the medium-term planning and of the strategy of the company together with the Management Board.

Meetings of the Board of Directors

The Board of Directors met regularly in financial year 2014. At least one meeting took place per quarter. None of the Board members took part in less than half of the six meetings. At some meetings members of the Management Board were also present as guests.

In June 2014, the Board of Directors also adopted a resolution by a written circular. The content of the resolution was the convening and design of the agenda for the Extraordinary General Meeting in July 2014.

The balance sheet meeting convened on March 11, 2014 focused on the consolidated financial statements and the consolidated management report for financial year 2013 and was attended by the auditors. On the recommendation of the Audit Committee and after thorough review, the statements were approved by the Board of Directors. In addition, the Board dealt with guidelines and regulations for long-term company loyalty and profit sharing for managers. In addition, a new structure for a more efficient cooperation in the Board of Directors was decided.

At the Annual General Meeting on April 24, 2014, the members of the Board of Directors held their second meeting of the year. The agenda included the changing demand in the European commercial vehicle market and risk management.

During the meeting on May 13, 2014, the report on the business development of the first quarter was discussed and approved by the Board of Directors. Further topics included the reorganization of the Audit Committee's activities as well as meetings for strategic planning.

The meeting on August 5, 2014, focused on the report for the second quarter and the progress made in the implementation of the package of measures for improving earnings in the Trailer Systems Business Unit. Furthermore, resolutions were adopted on the planned issuance of convertible bonds. The authorization for this was issued at the Extraordinary General Meeting held on July 15, 2014.

At the meeting on November 4, 2014 discussions primarily centered on the financial figures for the third quarter as well as the corresponding report on the third quarter, which was discussed and approved. Management also provided a review of the trade fairs Automechanika and the IAA Commercial Vehicles and gave information on the financial position of the Group following the issue of the convertible bond in September and the refinancing in October.

At the last meeting of the year on December 8 and 9, 2014, management presented the current status of measures for the restructuring of the Trailer Systems Business Unit. The budgets for the three Business Units and the Group as a whole for 2015 were approved and the medium-term strategy was discussed.

Audit Committee

The Board of Directors is supported in its activities by the Audit Committee. The members of the Audit Committee met three times in the past financial year. They dealt primarily and extensively with the quarterly figures, the annual financial statements and the final reports of the internal audit. The respective results of these meetings were presented and submitted for approval to the Board of Directors.

Corporate Governance

In March 2014 the Board of Directors and the SAF-HOLLAND Management Board submitted the 2014 Declaration of Compliance with the German Corporate Governance Code. The Board of Directors dealt with this topic in the reporting year. The Declaration of Compliance can be found in the Management Report on page 71 as well as on the company's website.

Audit of the consolidated financial statements and balance sheet meeting

On April 24, 2014, the Annual General Meeting elected Ernst & Young S.A., Luxembourg, as auditors for financial year 2014.

Ernst & Young audited the consolidated financial statements as of December 31, 2014 and the consolidated management report prepared by SAF-HOLLAND S.A.. The auditor issued an unqualified audit certificate and came to the conclusion that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations as well as cash flows of SAF-HOLLAND S.A. The auditor confirmed that the consolidated management report, including the declaration on the corporate governance code, is consistent with the consolidated financial statements.

The consolidated financial statements, the consolidated management report as well as the report and documentation of the auditors were submitted to the Board of Directors in a timely manner. Following relevant preparatory work of the Audit Committee, the consolidated financial statements, the reports and documents were subject to complete review by the Board of Directors. At the meeting of March 10, 2015, the Board of Directors discussed the results of the audit. The auditor participated in the meeting, reported on the principal results of his audit and was available to respond to detailed questions. The Board of Directors agreed with the results of the audit of Ernst & Young and approved the consolidated financial statements as submitted. The Board of Directors endorses the Management Board's recommendation on the utilization of retained earnings and proposes to the Annual General Meeting the payment of a dividend of EUR 0.32 per share for the financial year.

Membership Changes in the Board of Directors

At the Annual General Meeting on April 24, 2014, shareholders elected Martina Merz as new Member of the Board of Directors. Her mandate runs until the Annual General Meeting which will decide on financial year 2016. Several of the Board of Directors' mandates were confirmed and extended by the Annual General Meeting. The mandates of Bernhard Schneider, Sam Martin and Detlef Borghardt now extend until the end of the Annual General Meeting for financial year 2016, the mandate of Anja Kleyboldt until the end of financial year 2015.

After the Annual General Meeting of April 24, 2014, the members of the Board of Directors came together for a meeting. During the meeting, chairmanship of the committee was transferred to me.

The Board of Directors would like to thank all employees and worker representatives for the work they have done in 2014 and the committed efforts toward the successful development of SAF-HOLLAND.

Luxembourg, March 2015

Bernhard Schneider
Chairman of the Board of Directors

1.
The power of progress

SAF-HOLLAND stands for products that are one step ahead. As a technology leader, we combine superior development competence with an uncompromising focus on the success of our fleet customers. The result is a range of products and technologies that leave their mark on the commercial vehicle market and forge new paths to the future of the transport industry. “inspired by PASSION”.

On course for success through innovation

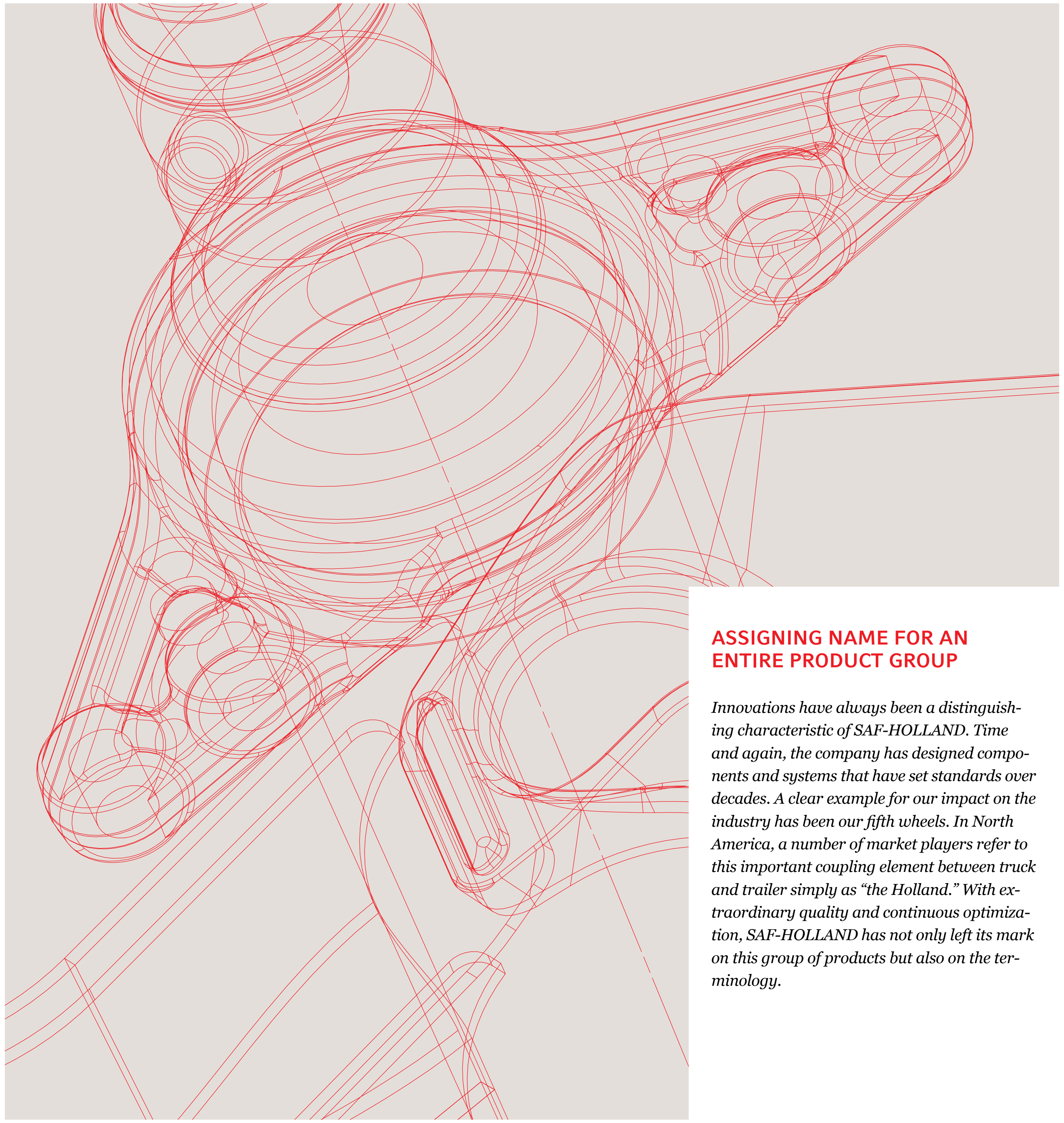
The growth of SAF-HOLLAND is based on the success of its technologies. As an innovation and quality leader, we are systematically strengthening our leadership position. The constant development of new ideas and better components for the international commercial vehicle industry – this is our passion and at the same time a significant factor in the success of the company.

To drive progress, you must have a long-term outlook, deep knowledge of the industry and above all a close relationship with your customers. You have to know exactly what your customers will need today, tomorrow and in the future. SAF-HOLLAND stands for a consistent orientation toward the future and products designed to promote the direct success of fleet customers. The company's good name in the market is a clear advantage. The solid reputation and high awareness of our globally recognized brands drives the demand for components and systems made by SAF-HOLLAND – day after day and around the world.

Focus on transport efficiency

As different as global commercial vehicle markets are, they all have one thing in common: in every regional market, fleet operators have their eye on the bottom-line and are primarily concerned with optimizing their total cost of ownership. Technologies for higher transport efficiency – that is the demand of our fleet customers and it is also our mission, our responsibility, and our motivation.

SAF-HOLLAND's development goals are precisely aligned with the interests and demands of freight forwarders and fleet operators. Innovations that reduce weight are a key focus as lighter components enable the transport of heavier loads, which increases the revenue of freight forwarders and reduces fuel consumption. Another equally important aspect is long service life because trucks and trailers have to run without breaking down and should incur as little maintenance effort as possible. In addition, we are continuously developing innovations that promote safer driving and meet higher safety standards. Particularly in the area of weight reduction, our developments always make a contribution to solving the global challenges of resource conservation and climate protection.



ASSIGNING NAME FOR AN ENTIRE PRODUCT GROUP

Innovations have always been a distinguishing characteristic of SAF-HOLLAND. Time and again, the company has designed components and systems that have set standards over decades. A clear example for our impact on the industry has been our fifth wheels. In North America, a number of market players refer to this important coupling element between truck and trailer simply as "the Holland." With extraordinary quality and continuous optimization, SAF-HOLLAND has not only left its mark on this group of products but also on the terminology.

MILESTONES

Unique and well thought-out systems and components have positioned SAF-HOLLAND for decades as a leading supplier for the commercial vehicle industry.

1995
First digital spare parts CD

2000
INTRA II
The pioneering air suspension system for trailers

2002
INTEGRAL
The lowest maintenance two-part disc brakes

2005
SK-S 36.20
The world's lightest fifth wheel for standard applications

2008
FWAL
- *The world's first fifth wheel made of aluminum*
- *The first online spare parts shop in the trailer industry*

2011
ADZ-123/126
The best air suspension system in its class for trucks

2011
Air suspension CBX Fusion
Currently the most innovative air suspension system for the North American trailer market

2014
LSZ13
- *The best steerable lift axle in its class*
- *The first complete electronic spare parts catalog*

Bundled benefits

The results of these various areas of development flow into SAF-HOLLAND's products. Every component and all of our systems benefit from these focus areas because our products are designed to offer the best value in all three areas: weight savings, long service life, and safety. For example, we combine aluminum with ceramic in the aluminum composite brake drum, an innovation we introduced in 2014. This unusual material composition requires a very special manufacturing process, and in addition to saving weight also offers superior wear characteristics and better safety.

SAF-HOLLAND's innovations continuously set new standards. To ensure the success of these innovations, we pull out all the stops when it comes to development activities. We intensively study innovative materials, research unusual combinations of materials, and develop manufacturing processes that enable completely new solutions.

At the heart of our development activities are mainly new approaches in the field of metal and metals processing. But there are also other areas in which SAF-HOLLAND components and systems can tap additional performance parameters. For instance, we are constantly improving the electronic sensors and control systems for fifth wheels to ensure better safety.

We also promote the use of modern technologies in our Aftermarket business. Our app allows customers to access services and information faster, easier, and more conveniently. And the QR codes on SAF-HOLLAND products means that wear-out and spare parts can be identified precisely and even ordered on the go with a tablet or smart phone.

The future is our agenda

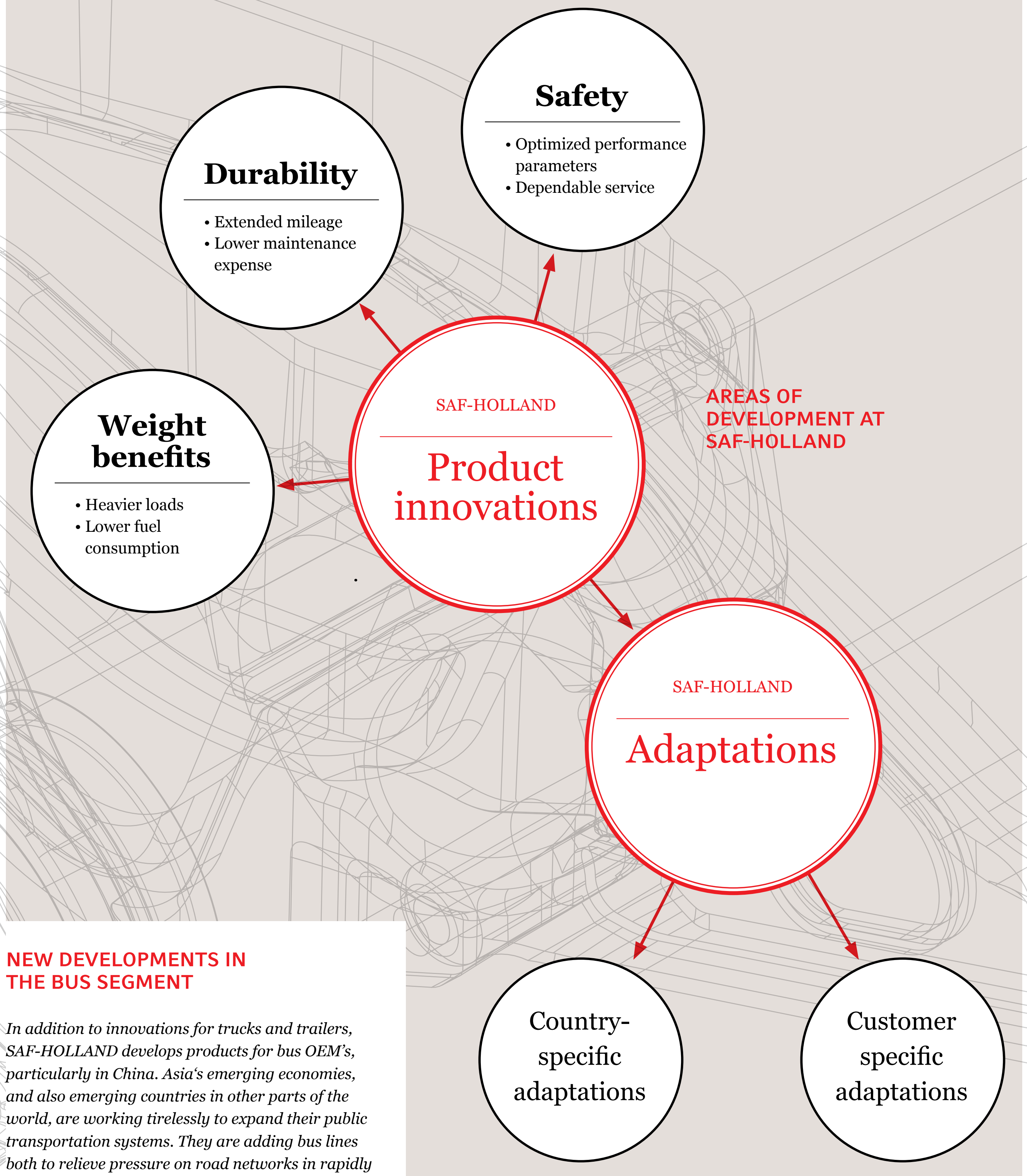
An optimally designed innovation process is critical to ensuring that good ideas are successfully transferred to series production. SAF-HOLLAND's major concern is efficiency. Every aspect of development work is organized to produce the best possible results – and in a relatively short time frame. Every phase of the product development process is lean. Fixed, defined individual steps and binding milestones create a framework for traceable development processes that are regularly reviewed.

Innovations are not necessarily manufactured in series. In addition to new products, which are launched on the market shortly after their premiere, SAF-HOLLAND also presents concept studies of future technologies on a regular basis. Like concept cars in the consumer automobile market, these studies take a long view into the future and show the direction of development. Our CFRP suspension, for example, uses carbon-fiber reinforced plastic. The extremely stable carbon fibers are 60% lighter than steel and 40% lighter than aluminum. Despite these benefits, carbon fiber is rarely used on a large scale in the automobile industry – mainly for reasons of cost – as the complicated manufacturing process is often still too expensive for series production.

Market success is decisive

The success of our research and development activities is evident in a number of different areas, one of which is the number of priority patent applications. As of the end of 2014, the corporate number of international priority patent applications stood at 41.

Our strength in innovation is also evidenced by SAF-HOLLAND's cross-functional cooperative projects and development program. For instance, we have participated for years in a research project for lightweight chassis. However, the most important recognition we receive is market success and the praise we get from our fleet customers – the Diamond Supplier of the Year award is just one example.



NEW DEVELOPMENTS IN THE BUS SEGMENT

In addition to innovations for trucks and trailers, SAF-HOLLAND develops products for bus OEM's, particularly in China. Asia's emerging economies, and also emerging countries in other parts of the world, are working tirelessly to expand their public transportation systems. They are adding bus lines both to relieve pressure on road networks in rapidly expanding metropolitan areas and to ease environmental impacts. For SAF-HOLLAND, this opens up additional potential revenue streams, which – as with the transport industry – the company is tapping with its pioneering products.

Lightweights perform better

Whether truck or trailer, commercial vehicles weigh in at several thousand kilograms, but in their construction every gram counts. With its weight-optimized components, SAF-HOLLAND helps to keep vehicle weight low so they can carry heavier loads and provide more economical transport services.

In road transport, total weight – that is, the weight of the truck plus its maximum payload – is the decisive factor. Behind this simple formula is one of the fundamentals of economic success for freight forwarders and fleet operators. For every kilogram of weight saved in a vehicle it can carry more cargo, which results in higher transport efficiency. This is a key sales argument, particularly in times of rising operating costs. And for many end consumers, it is an essential reason to equip their vehicles with weight-optimized products from SAF-HOLLAND.

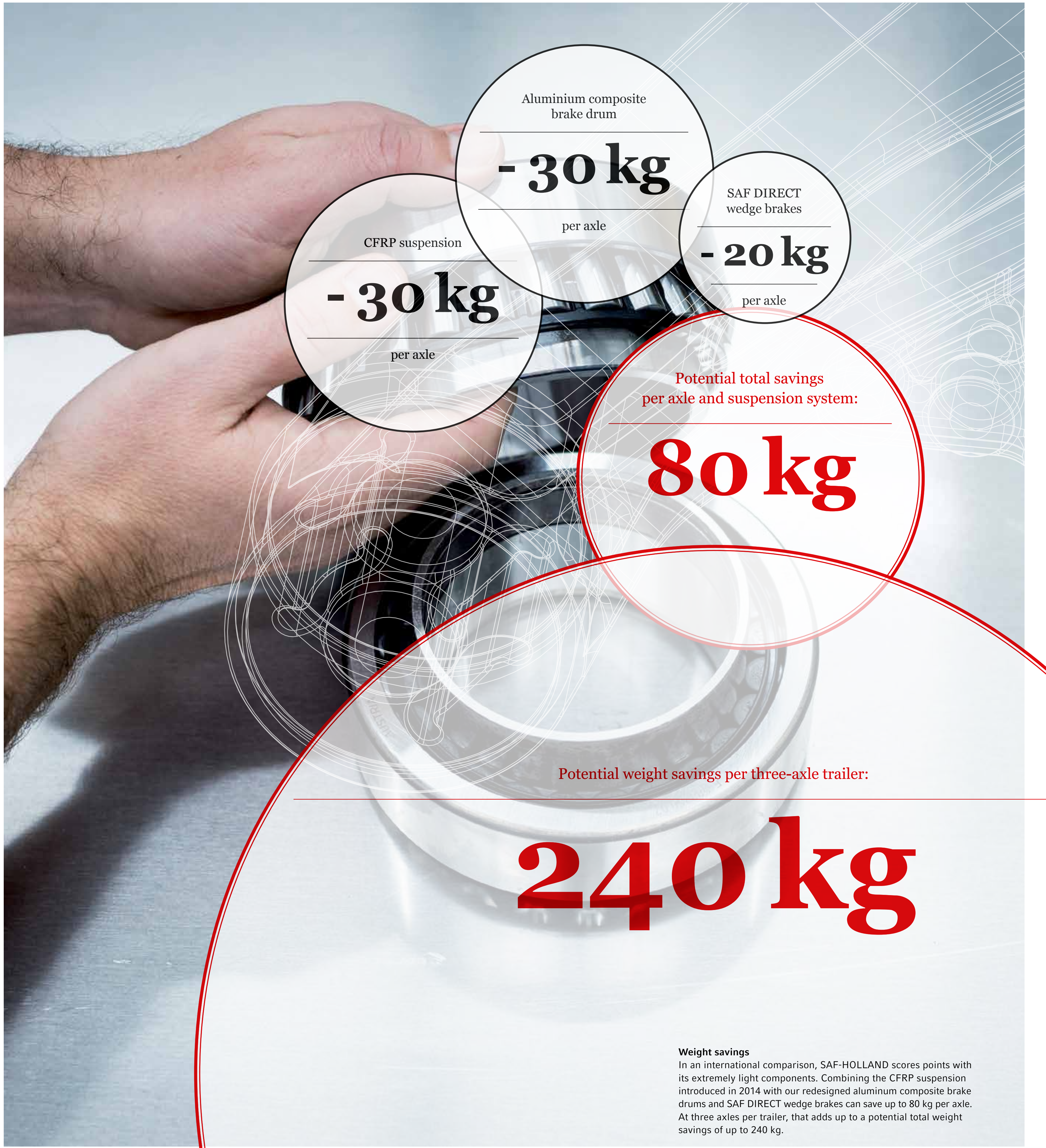
Lightweight construction reduces consumption and saves fuel. Comprising one third of operating costs, diesel fuel is the single largest item in the cost structure of transport companies. Fleet operators therefore have a major interest in savings in this area. In addition, lower undamped weights have a positive effect on vehicle handling characteristics – yet another reason to have the lightest components possible.

For SAF-HOLLAND, working on weight reductions is an essential focus of our development activities, primarily for the success of our fleet customers, but also with a view to the future. After all, like every natural resource, the oil supply is not unlimited which leads to increasing demand.

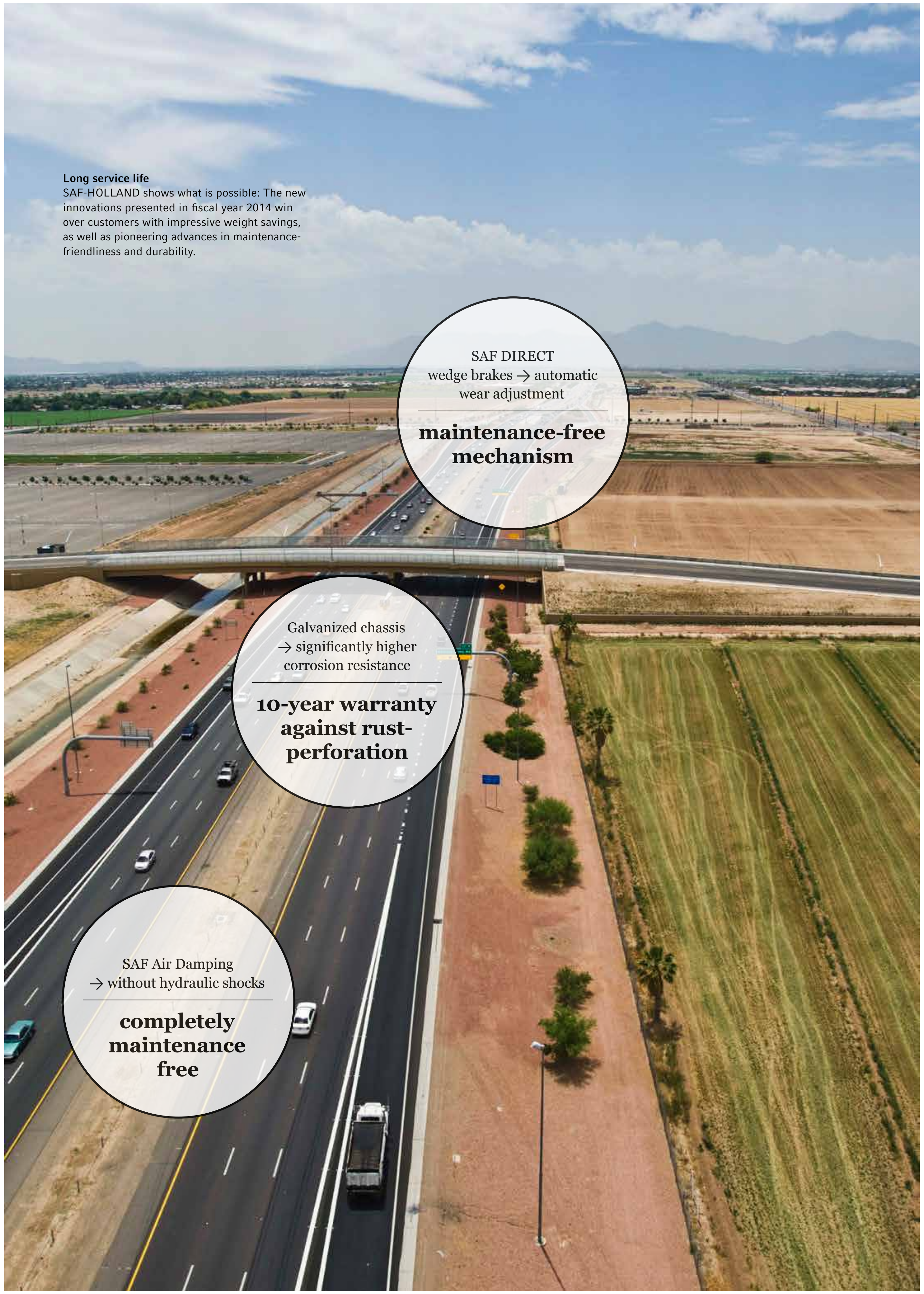
In addition, fuel consumption has a direct influence on emissions volume. Products and systems that reduce fuel consumption make a contribution to the reduction of emissions. Regulatory guidelines and stricter legal requirements are already lowering permissible emissions levels worldwide. SAF-HOLLAND takes advantage of a diverse range of options to reduce the weight of components and systems. One essential element of our approach is intelligent materials selection. We can influence overall weight through the use of proven, high-strength materials and also by using new precursor materials and composites. In our development process, we consistently use CAD and the finite element method to cut down weight wherever lower forces act on our products and in minimally stressed areas.

The function and future use of the product also opens up additional weight-reduction potential because the weight of a product depends in part on what purpose it will be used for in the future. Differentiating by vehicle use offers options with excellent potential. Trucks and trailers for transport on well-maintained roads are subject to different loads then vehicles that operate off-road. SAF-HOLLAND has the right product for both of these uses.

Extrapolation calculations have concluded that light-weight design measures implemented across all vehicle types can reduce commercial vehicle fuel consumption by some 5%. That results in a savings of 1.5 litres per hundred kilometers for a 40-ton semi-trailer. The products and components of SAF-HOLLAND make a direct contribution to the savings. At the same time they also increase the benefits associated with more economical commercial vehicles because alternative engine systems or clever aerodynamic solutions often require additional parts. The weight of those parts must be compensated for elsewhere – for example, by reducing the weight of the axles and suspension systems developed and built by SAF-HOLLAND.



Weight savings
In an international comparison, SAF-HOLLAND scores points with its extremely light components. Combining the CFRP suspension introduced in 2014 with our redesigned aluminum composite brake drums and SAF DIRECT wedge brakes can save up to 80 kg per axle. At three axles per trailer, that adds up to a potential total weight savings of up to 240 kg.



Long service life
SAF-HOLLAND shows what is possible: The new innovations presented in fiscal year 2014 win over customers with impressive weight savings, as well as pioneering advances in maintenance-friendliness and durability.

Added value through long service life

For fleet customers, the purchase price of a vehicle is not all that counts. The operating and maintenance costs are of the same importance. One of the outstanding performance characteristics of SAF-HOLLAND's products is long service life and maintenance-friendliness, two strengths continuously improved through innovation.

→ Investments must pay off. Freight forwarders and fleet operators therefore set a focus on long service life when outfitting their fleets – and not only for the vehicles themselves but also with a view to individual components. SAF-HOLLAND is considered a global quality leader. Numerous end customers therefore make a conscious choice for our products and systems when configuring their new vehicles.

In the transport business, long service life equals mobility. There is a demand for products that perform reliably and spend as little time in the repair shop as possible. For SAF-HOLLAND, both of these aspects are essential development goals. For our new developments, we pay particular attention to reducing the number of wear-out parts and ensuring extreme durability while minimizing maintenance expenses. A typical example of this is our fifth wheel with NoLube technology. It is completely grease-free and requires no lubrication – neither on the upper wear plates, nor the locking mechanism, nor the housings between the fifth-wheel coupling plate and the bearing blocks. This reduces necessary maintenance work while at the same time cutting down on wear.

SAF-HOLLAND offers a warranty on its products, which is generally valid for up to six years and a million kilometers. For its galvanized axles, the company is the first axle manufacturer to offer a ten-year warranty against rust-perforation. All this requires high standards of quality, both in our company and from our suppliers. For example, the complete manufacturing process for the kingpin is subject to strict requirements - from material selection to the forging process, heat treatment, and processing.

When it comes to selecting and equipping a vehicle, the prime concern of fleet customers is total cost of ownership; in other words, procurement, operation and maintenance costs. For end customers, value retention is also important because many trucks and trailers change hands frequently. Resale value is thus a key factor. Vehicles equipped with quality products fetch higher prices for the customer on the used truck market. After all, the buyer knows that there is plenty of service life left in the components and that the availability of spare parts is assured.

The long service life of our original equipment products is supported by our Aftermarket Business Unit products. With its comprehensive service network, this Business Unit offers services and spare parts. In addition to original spare parts, we also offer the brand SAUER GERMANY QUALITY PARTS. This brand targets markets in which a large proportion of trucks and trailers are in the latter stage of their product lifecycle. In those markets, demand for the higher priced original spare parts is low, and we tap additional revenue potential by offering this brand.

Our brand SAUER GERMANY QUALITY PARTS introduced in 2012 addresses primarily Asian countries, Eastern European states and regions of the Middle East. The GoldLine brand, on the other hand, is intended for the North American, Central American, and South American Aftermarket. The expansion of our activities in emerging commercial vehicle markets is one of the strategic growth initiatives of the Aftermarket Business Unit and benefits the overall Group results through economies of scale.

Technological initiatives for even more safety

People who are on the road in traffic every day have to be able to rely on the dependability of their vehicles. Trucks and trailers travel 100,000 km or more every year – that is twice around the world, which is why safety is a fundamental building block at SAF-HOLLAND for design principles in every structure.

SAF-HOLLAND's components and systems are highly relevant when it comes to safety. As the link between the vehicle and the road, the axle and chassis system make an essential contribution to the handling characteristics, road grip, and roll stability of the vehicle. Not least, for this reason, many of our products have to undergo strict testing before being introduced to the market. In addition, traffic safety and technical testing is performed to receive certification from authorities in the countries where our products are sold.

As a technology leader, SAF-HOLLAND ensures continuously rising safety standards with its innovations and systematic product optimization. Air suspension systems equipped with disc brakes and INTEGRAL technology – an SAF-HOLLAND innovation for trailers – is characteristic of our ground-breaking advances. Unlike conventional disc brakes, the patented INTEGRAL disc is made from two different materials. As they heat up, the brakes can undergo extreme expansion and then contract back to their original size. This prevents temporary deformation and hotspots which can cause brake discs in conventional models to fail.

As a European market leader for axle systems with disc brake technology, SAF-HOLLAND transfers its high level of expertise in this area to other markets, such as North America. Rising safety standards and stricter requirements for shortening braking distance are resulting in a structural transformation in the U.S. trailer market from drum brakes to disc brakes. With the technological advantage evident with the integrated axle production with disc brake technology our company is able to profit from the growing acceptance of this technology.

The highest safety standards also apply to fifth wheels and kingpins, the elements that connect the truck to the trailer. With its diameter of some 50 mm, the kingpin carries the weight of the entire trailer, including its load. The fifth wheel bears a significant part of the weight. In Australia, for instance, fifth wheels can have a total weight of 80 tons or more. Of that total weight, the trailer axles bear 50 tons and the fifth wheel, 21 tons.

The fifth wheel is subject to severe loading during driving because the truck and the trailer do not necessarily move synchronously. When the tractor starts up or accelerates the trailer pulls rearward. When the brakes are applied it slides forward. The fifth wheel must be able to absorb these forces. Mobility must be both ensured and limited. One example of this is when the truck leans back toward the trailer at the foot of a slope, causing the distance between the driver's cab and the front of the trailer to shrink. Another is in curves, where the trailer is slightly higher on one side and can reach an angle of up to 3° on its longitudinal axis.

The fifth wheels from SAF-HOLLAND are known for their superior product characteristics and industry leading reliability. In order to increase safety even more, we use a wide variety of methods. One of them is the continuous refinement of electronic monitoring. For instance, our components can be equipped with electronic systems that monitor both the coupling process and the secure locking of the kingpin in the fifth wheel coupling. The driver can check the connection between the truck and the trailer at any time via onboard computer.

Country adaptations and technology transfer

SAF-HOLLAND develops and manufactures for the global truck and trailer market. Our product portfolio is diversified by region because the fundamental basis for global success are local adaptations and applications. We open up further opportunities through our technology transfer, which brings proven developments to new markets.

No two commercial vehicle markets are alike. Legal requirements vary from country to country – for example, lane widths, maximum allowable loads, and many other factors. Added to these are different climatic conditions and also different concerns and requirements of fleet customers. In established commercial vehicle markets, such as those in Western Europe or North America, trucks and trailers normally drive on well-maintained road networks. As a result, the highest demand in those markets is for high-tech premium solutions. In emerging countries, on the other hand, drivers are often faced with routes in need of infrastructure improvements. Freight forwarders and fleet operators in developing countries are therefore interested in robust units with a focus on the basics.

Adapting components and systems to country-specific conditions is an essential part of our development work. In order to take advantage of economies of scale, despite this diversity, innovations are conceived from the very beginning so that the basic design allows for specific regional adaptations.

When it comes to adapting products to national markets, we rely on a local presence. In the trailer sector these application-engineering activities are always located in country. Adaptive developments for trucks are accomplished both at the regional and international levels. In all of our Business Units, pioneering SAF-HOLLAND technology is combined with local knowledge in-country. This results in a huge number of product variants ideally suited to mastering country-specific requirements.

Technology transfer is one of the particular strengths of SAF-HOLLAND. This is exemplified by the transfer of the core competency in fifth wheels from North America to Europe following the merger of Germany's SAF Group with the North American Holland Group. In the other direction, we apply our deep product knowledge and excellent position in the European market in the field of axle and suspension systems for trailers to expand our North American market position.

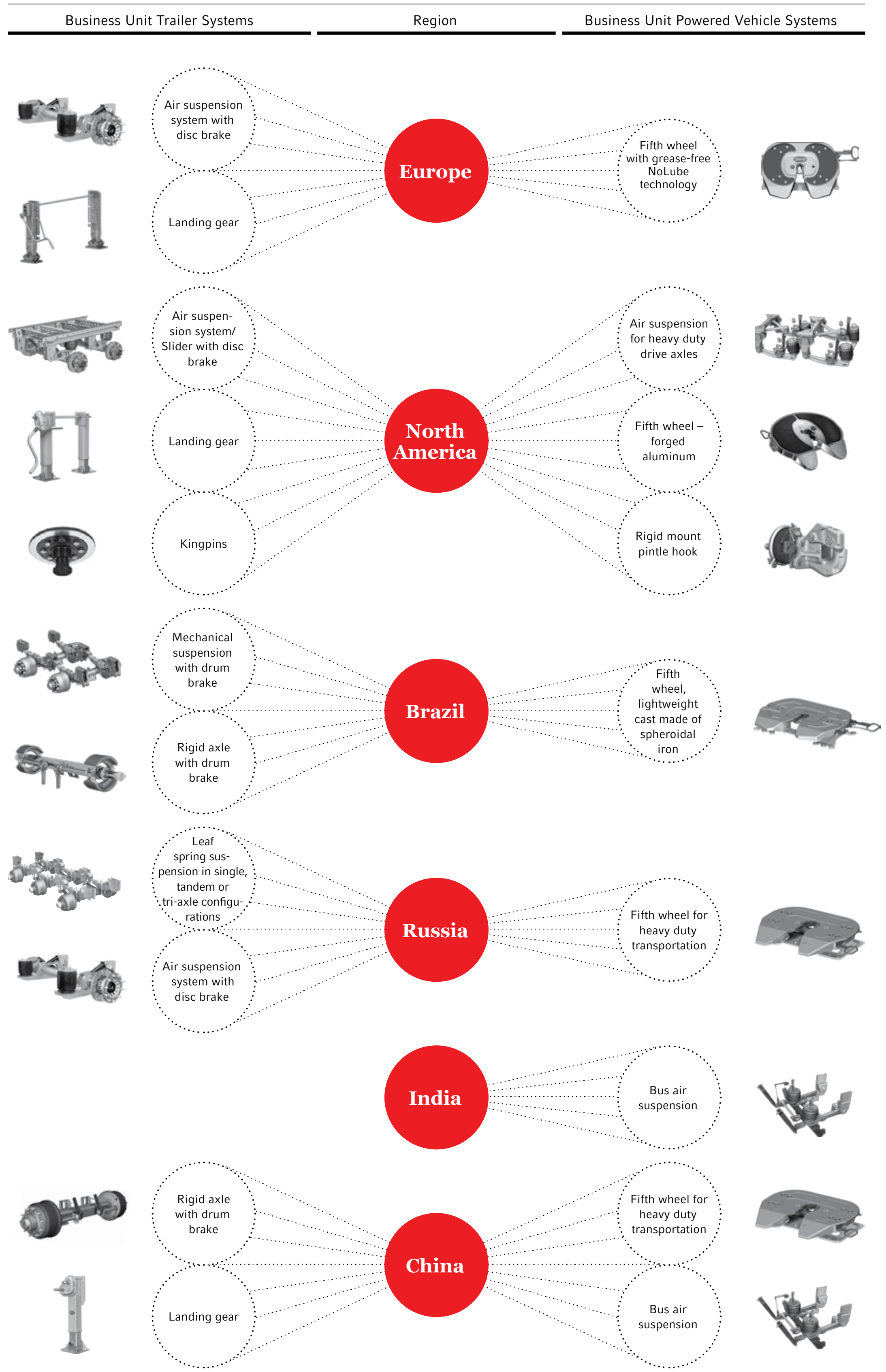
SAF-HOLLAND continues to tap synergies through technology transfer between our business activities in the core markets of Europe and North America. The successful establishment and expansion of our trailer systems Business Unit in North America draws active support from the internal corporate transfer of knowledge and experience. In addition, our European expertise in disc brake technology offers an answer to the tighter US regulations on braking distance for heavy commercial vehicles. Unlike Europe, most of the trucks and trailers in the USA are currently equipped with drum brakes.

Technology transfer helps us to tap new revenue streams in emerging markets and is an effective instrument of growth for SAF-HOLLAND. First, we supply manufacturers and end customers in emerging economies with components that are precisely tailored to their current needs. As the qualitative development of these markets unfolds, SAF-HOLLAND is in a position to profit increasingly from rising demand for high-quality products and systems through technology transfer.

INDIVIDUAL ADAPTATIONS FOR END CUSTOMERS

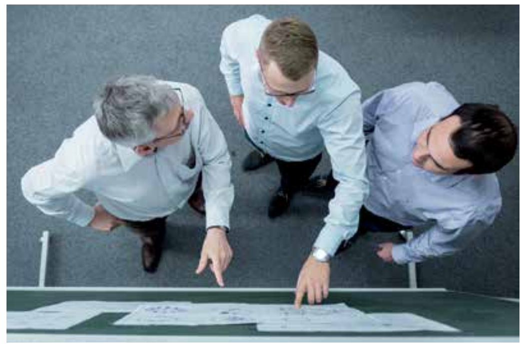
SAF-HOLLAND stands for uncompromising customer orientation. Part of that is responding to individual customer wishes that arise from special transport tasks. For instance, if SAF-HOLLAND's broad product range does not offer a solution to the customer's special need, we modify an existing model to meet it.

REGIONAL SALES MARKETS OF PRODUCTS WITH PRODUCT EXAMPLES



Global network for the innovations of tomorrow

Like the whole company, research and development at SAF-HOLLAND is an international approach. Our developers and engineers work on product innovations, technologies and manufacturing processes at twelve locations worldwide.

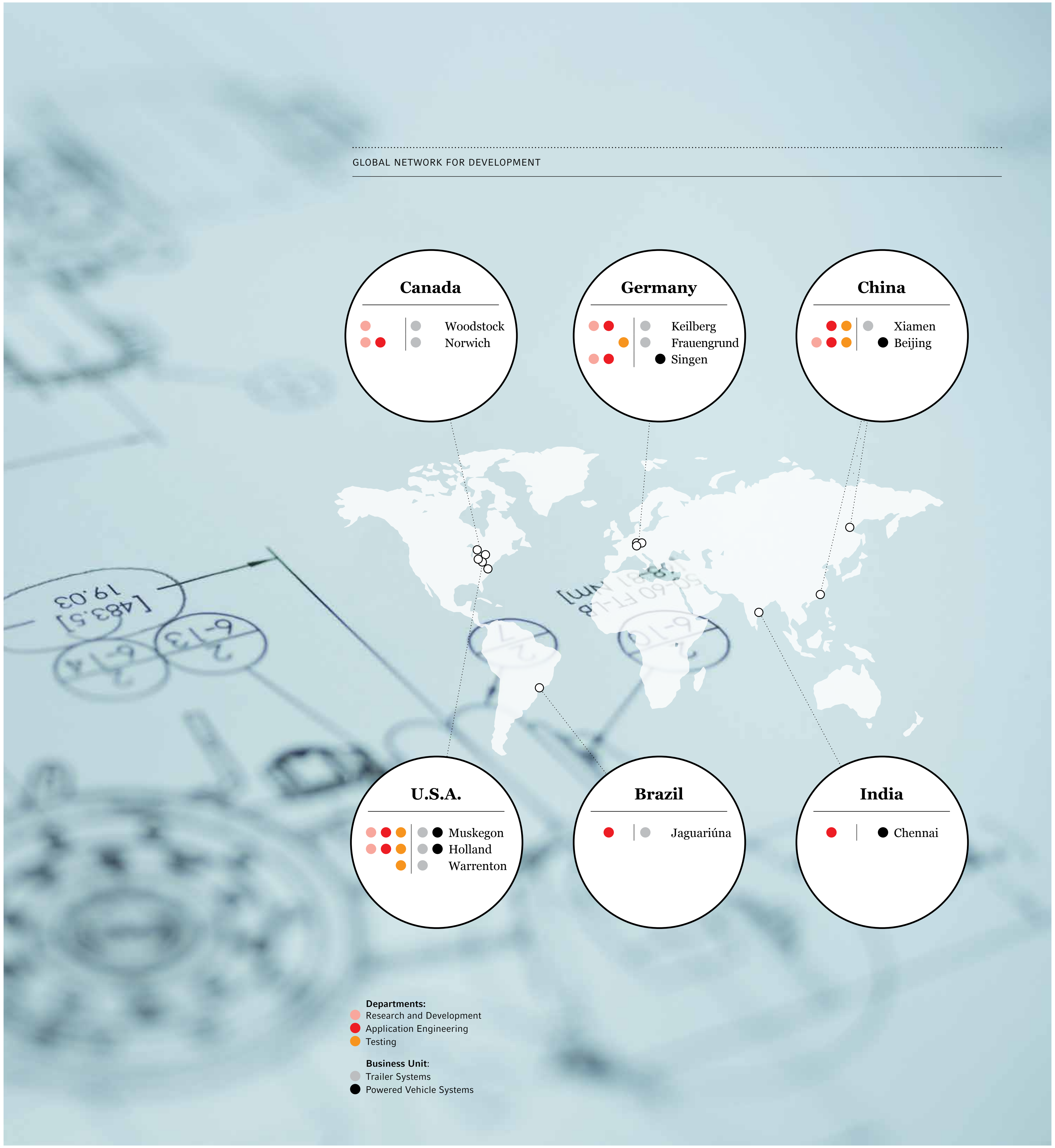


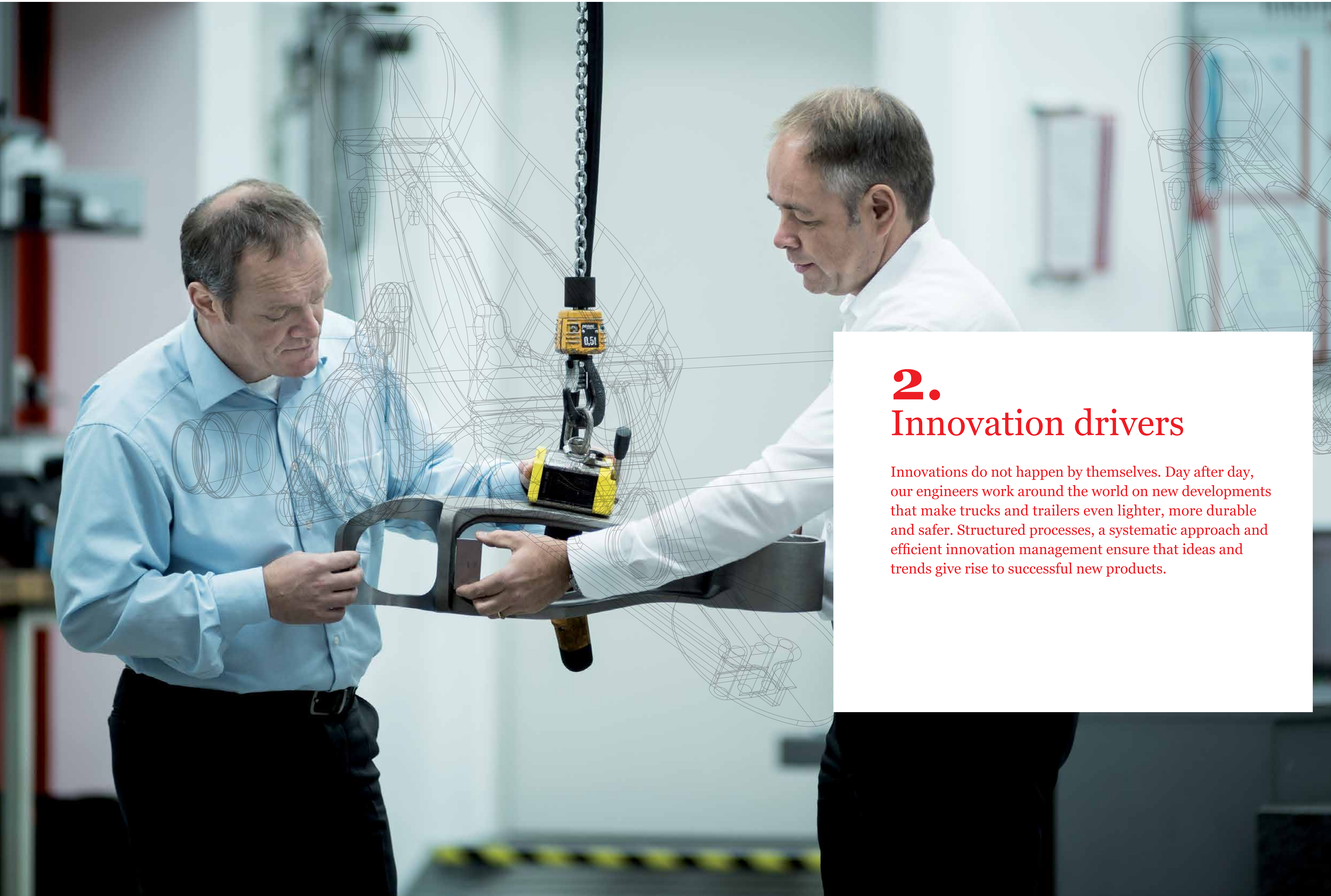
Our global research and development activities (R&D) are an essential key to success. They enable us to incorporate local knowledge of regional markets and local customer wishes directly into our development process. What results are products and solutions which correspond precisely to requirements and thus demand.

Apart from the proximity to the local market, our global organization yields a windfall of development expertise. After all, in Europe, tasks are approached differently than they are in North America, and in Asia there are other ways to arrive at solutions than in South America, Australia or South Africa. The close cooperation between employees across a range of cultural backgrounds creates a broad spectrum of methods, knowledge and strategies for implementation.

SAF-HOLLAND's global R&D network is organized into central and distributed units. Basic tasks, the results of which benefit every location, are concentrated in central departments. This enables a high degree of specialization while at the same time ensuring optimized synergy effects.

Development work at SAF-HOLLAND generally does not occur in separate, segregated departments, but rather in teams. Cooperation is encouraged by similar structures and a globally uniform IT architecture. As such, our engineers frequently work simultaneously on projects across national borders, either through an IT-based network or as an interdisciplinary group that meets at a physical location.





2.
Innovation drivers

Innovations do not happen by themselves. Day after day, our engineers work around the world on new developments that make trucks and trailers even lighter, more durable and safer. Structured processes, a systematic approach and efficient innovation management ensure that ideas and trends give rise to successful new products.

Step

01

THE IDEA

Progressive thinkers

Ideas can be clever, revolutionary or highly pragmatic. In any case, they provide the impetus for change. But more is needed to translate good ideas into advanced products, services and processes. SAF-HOLLAND transforms ideas into added value with success-oriented innovation processes for the benefit of our customers and the success of our company.

It can happen during a jog, while driving a car, or just relaxing on the sofa: flashes of inspiration are often spontaneous. But spontaneity is a fickle muse, and if you want to develop brilliant ideas on a regular basis it is better to take a more systematic approach. The progressive thinkers at SAF-HOLLAND have adopted a structured approach to developing new ideas, a targeted search for innovation potential and new solutions. Creativity and inspiration are key prerequisites; market analyses and trend forecasts are the critical jumping-off points.

The assembly line of ideas

To ensure a continuous flow of new ideas we work with a cluster that tracks 20 megatrends, from the digital revolution to nanotechnology. We monitor and evaluate each individual trend, and then use it to develop ideas. Ideas with good prospects are often the result of team brainstorming but can also come from individual developers.

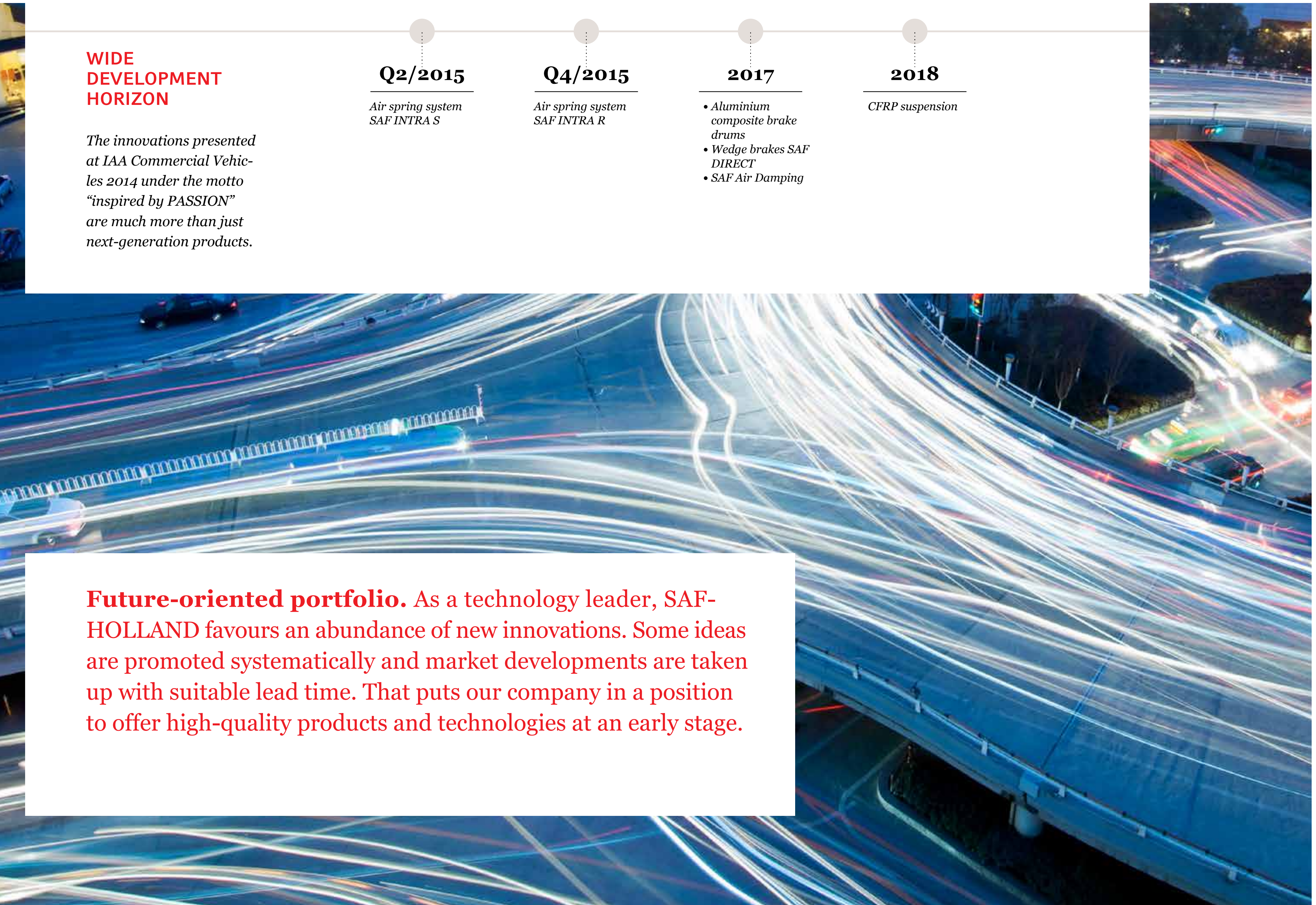
At SAF-HOLLAND, systematic orientation toward innovation is not concentrated solely in the area of R&D, but rather a task for the entire organization. We call upon all our employees to come up with their own ideas. In the same way, we develop pioneering solutions which often are attractive for their practicality and company-specific applicability.

Whether ideas come in the form of suggestions for company improvements or through idea management in research and development, every idea is captured. Whether we implement an idea is an open question, however. Although many inspirations may have the potential to yield an invention, they may not hold potential for innovation. After all, innovations only make sense if they meet customers' needs and have good prospects to become a market success.

Benefit is critical

SAF-HOLLAND reviews innovative ideas in accordance with strict criteria. The decisive question is: what benefit does the innovation offer to our fleet customers? Customer interests, such as transport efficiency and total cost of ownership, are the keystones of our innovation management. The feasibility of the possible innovation and its potential for success are subject to a comprehensive analysis. In addition, innovations must coincide with an R&D target corridor. Target corridors define the framework of prerequisites with regard to technologies and markets in which the company wants to invest, while taking into account the legal and environmental regulatory trends.

Some 80% of all ideas are weeded out in this comprehensive selection process; for the other 20%, the process continues. These ideas advance to concrete development projects for which the pre-development department creates initial calculations, design drawings and sometimes models as well.



WIDE DEVELOPMENT HORIZON

The innovations presented at IAA Commercial Vehicles 2014 under the motto "inspired by PASSION" are much more than just next-generation products.

Q2/2015
Air spring system SAF INTRA S

Q4/2015
Air spring system SAF INTRA R

2017
- *Aluminium composite brake drums*
- *Wedge brakes SAF DIRECT*
- *SAF Air Damping*

2018
CFRP suspension

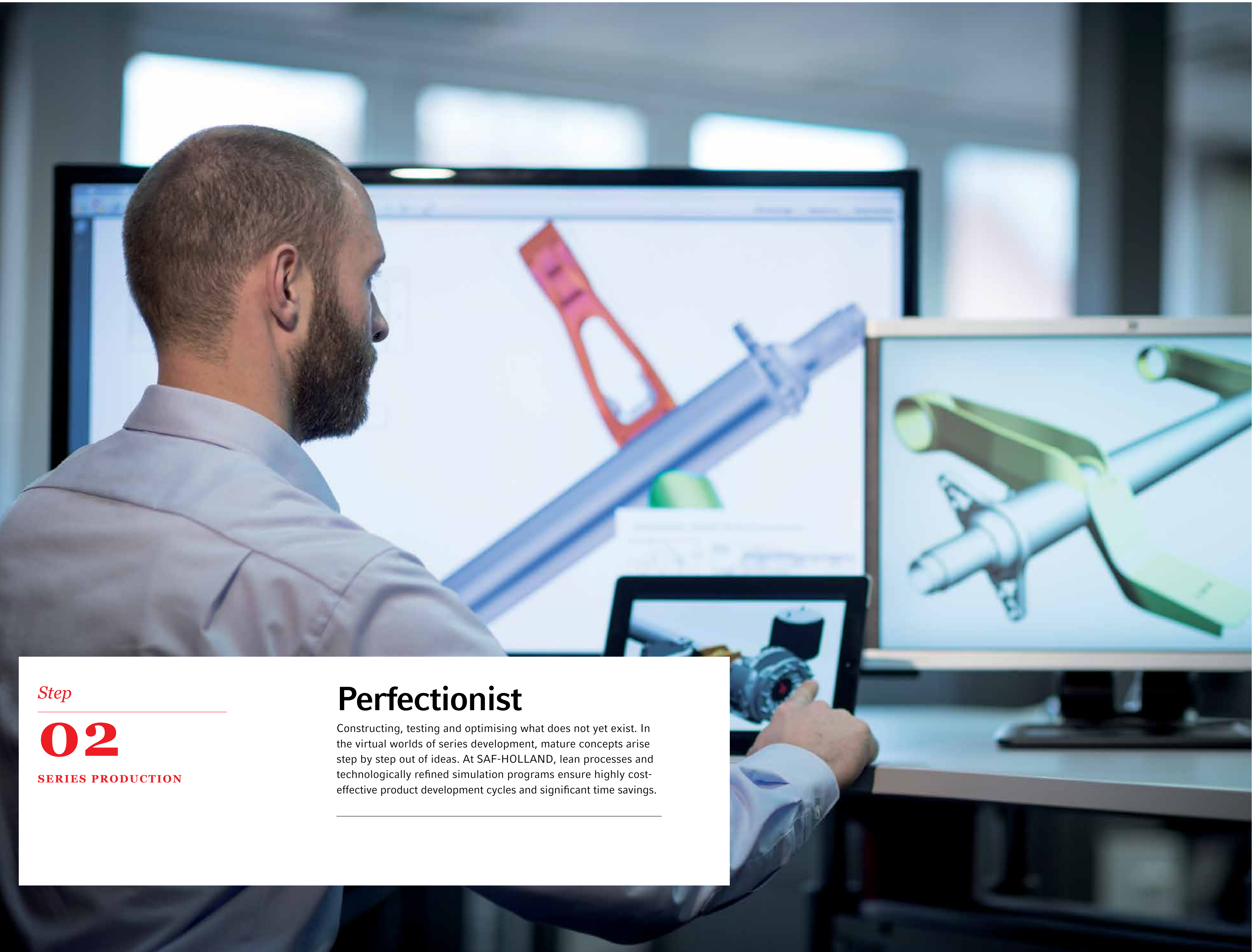
Future-oriented portfolio. As a technology leader, SAF-HOLLAND favours an abundance of new innovations. Some ideas are promoted systematically and market developments are taken up with suitable lead time. That puts our company in a position to offer high-quality products and technologies at an early stage.

The long view as a principle of success

SAF-HOLLAND's innovation management is realistic and pragmatic. Nevertheless, we take the long view because in the commercial vehicle industry changes in vehicle models are less frequent than in the automobile industry, and one generation of vehicles can easily stay current for 10 to 15 years. This total period has to be kept in mind with an eye for the big picture and taken into account in advance in product planning, along with changing customer wishes, market conditions and conditions of use. Added to that are concept studies which, as future-oriented stores of technology, often have a visionary, experimental character.

Knowledge pool for technologies and materials

Materials, technologies and processes play key roles on the journey from idea to a production-ready product. In the central division advanced engineering SAF-HOLLAND's innovative thinkers also concern themselves intensively with these topics. They monitor new technological approaches on a continuous basis, collect knowledge and generate best-practice solutions which are useful throughout the company. The profound insights into materials and technologies create a basis for expertise which directly improves product characteristics and thus the strengths of SAF-HOLLAND on the global market.



Step

02

SERIES PRODUCTION

Perfectionist

Constructing, testing and optimising what does not yet exist. In the virtual worlds of series development, mature concepts arise step by step out of ideas. At SAF-HOLLAND, lean processes and technologically refined simulation programs ensure highly cost-effective product development cycles and significant time savings.

A component rotates on the screen, one that has not yet been created. The three-dimensional image leaves no doubt about how the component will one day look. Every detail can be seen perfectly. The finest ridges, the tiniest grooves and delicate contours can be seen in all their detail. This component has already advanced far beyond the original idea.

Be it a suspension system or a complete axle, at SAF-HOLLAND the products of tomorrow are designed almost completely using software. Developers and engineers in the series production department oversee the process. They give concrete shape to initial considerations relating to ideas, carry out advanced analyses and develop preliminary findings into a complete concept.

Drafts take on shape

SAF-HOLLAND uses the latest generation of computer aided design (CAD) equipment. Our CAD applications generate 3-D models. They make it possible to construct virtual models and to carry out a range of studies and realistic simulations using data derived from those models. We use these to test geometrical and physical characteristics or to perform batteries of tests directly on the screen, long before an actual prototype exists.

In addition to the actual product planning, serial production also takes shape on the computer. Thus, at a very early stage of development, it is possible to create a concept for how components will later be manufactured, as well as make related calculations and preparations – for instance, with regard to materials procurement or production processes.

On the way to an optimal product

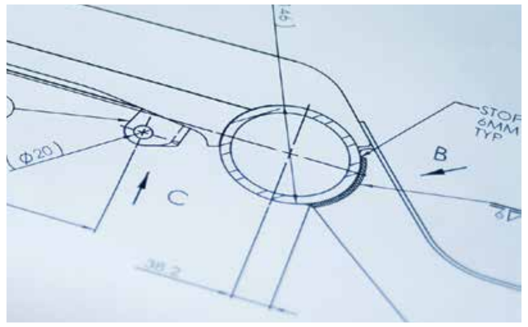
The product data derived from CAD are refined with finite element method (FEM) calculations. The focus at this stage is on load profiles – that is, the potential effects of internal and external loads or stresses on the product. At SAF-HOLLAND, optimizing both geometry and topology are standard practice. After all, our products have to link two fundamentally contradictory characteristics: the highest possible weight savings with extreme durability.

Computer aided design has concrete results. Decisions can be made about the smallest details – whether to use an M4 or an M6 nut, for instance. At the same time, the engineers can specify whether the nut they have selected should be included in the technical documentation. Just like many other details, even threaded connections are meticulously noted to make them traceable years later.

CAD and FEM systems with identical software are available everywhere at SAF-HOLLAND where developers are at work. In the Business Unit Trailer Systems, for example, series production is an international undertaking. For the European market, we design our products in Bessenbach, Germany and for the North American market in Muskegon, Michigan.

Intelligent design for economy and ecology

A key objective of our development is to build upon modular standard components in order to take advantage of economies of scale effects wherever possible. Sustainability aspects are taken into consideration from the very beginning. This allows us to rely extensively on the use of materials that are recyclable and which can be returned to the production cycle at the end of their useful lives. Once value has been created it can thus be preserved – for people and for the environment.



Using intelligent design, we are also careful to avoid materials that could have a potentially hazardous impact. The period that is taken into consideration in this regard covers the entire lifecycle of the products or systems and thus goes well beyond the manufacturing at SAF-HOLLAND. This also includes ecological assessments that systematically analyze and record the environmental impact.

Short development times. Long before a prototype is built, our series development process makes it possible to perform calculations and product optimizations; for instance, in the area of weight reduction. The insights gained can be put to use immediately. That reduces effort, cuts costs, and in particular saves time – a key advantage in view of today‘s shrinking innovation cycles.

A crane lifts the axle assembly with air suspension into a test stand. In the stand, the prototype is fixed in a trailer frame and secured, just like it would be installed later in a series-production model of the vehicle. What begins then is much more than just a test drive in tortuous conditions.

The test specimen has to hold up for some one million test kilometres, simulating nearly the entire lifecycle of the future series-production axle. The loads the axle is subjected to correspond exactly to those experienced in day-to-day transport operations. Forces are systematically applied to the test specimen which it will have to withstand in the future under real-world conditions.

To test these impacts in actual conditions, the vehicle would have to be on the road for years. On the test stand the process can be completed in just a few weeks, which is a benefit for SAF-HOLLAND with regard to the time needed to get the product to market maturity while also saving costs. Because the test stand is faster, more frequent test runs can be performed – for instance, at intermediate steps in the development process.

Step

03

PROTOTYPE/ TESTING FACILITY

Quality pioneers

SAF-HOLLAND's components and systems stand for extraordinary quality. In order to retain our outstanding reputation, measures for ensuring product quality are introduced as early as the development stage. How much can modules withstand? How long can they hold up to loads? What length of service life is attainable? These questions are clarified in a complex series of tests.

Route profiles based on practical experience

The test stand achieves significantly faster results, not only because it is in operation around the clock, but also because of the underlying baseline data. It mainly uses real values derived from international transport practice which feed into the simulation programs in the testing equipment as a load profile derived from a range of calculations. This enables SAF-HOLLAND not only to conduct tests on new developments in-house, but also to take into account every conceivable range of problems. The program includes an array of road surfaces, as well as routes with numerous bumps and dips, tight curves and steep inclines.

Testing to the limits

SAF-HOLLAND has testing facilities of various sizes for the most diverse applications. In the smaller facilities we test individual axle components, such as suspensions, threaded connections and much more. The larger testing facilities test components, assemblies, and complete chassis for longevity and also functionality.

The centerpiece is a high-tech test stand capable of testing chassis at up to 20 Hertz. It can simulate acceleration at forces of up to 30 *g*. A *g*-force of 30 is ten times greater than the loads on the space shuttle at takeoff. Axles are subject to *g*-forces when they strike potholes in close succession, for instance, and then have to compensate for rapid changes of vertical direction. This frequently occurs in real-world conditions and must be tested.

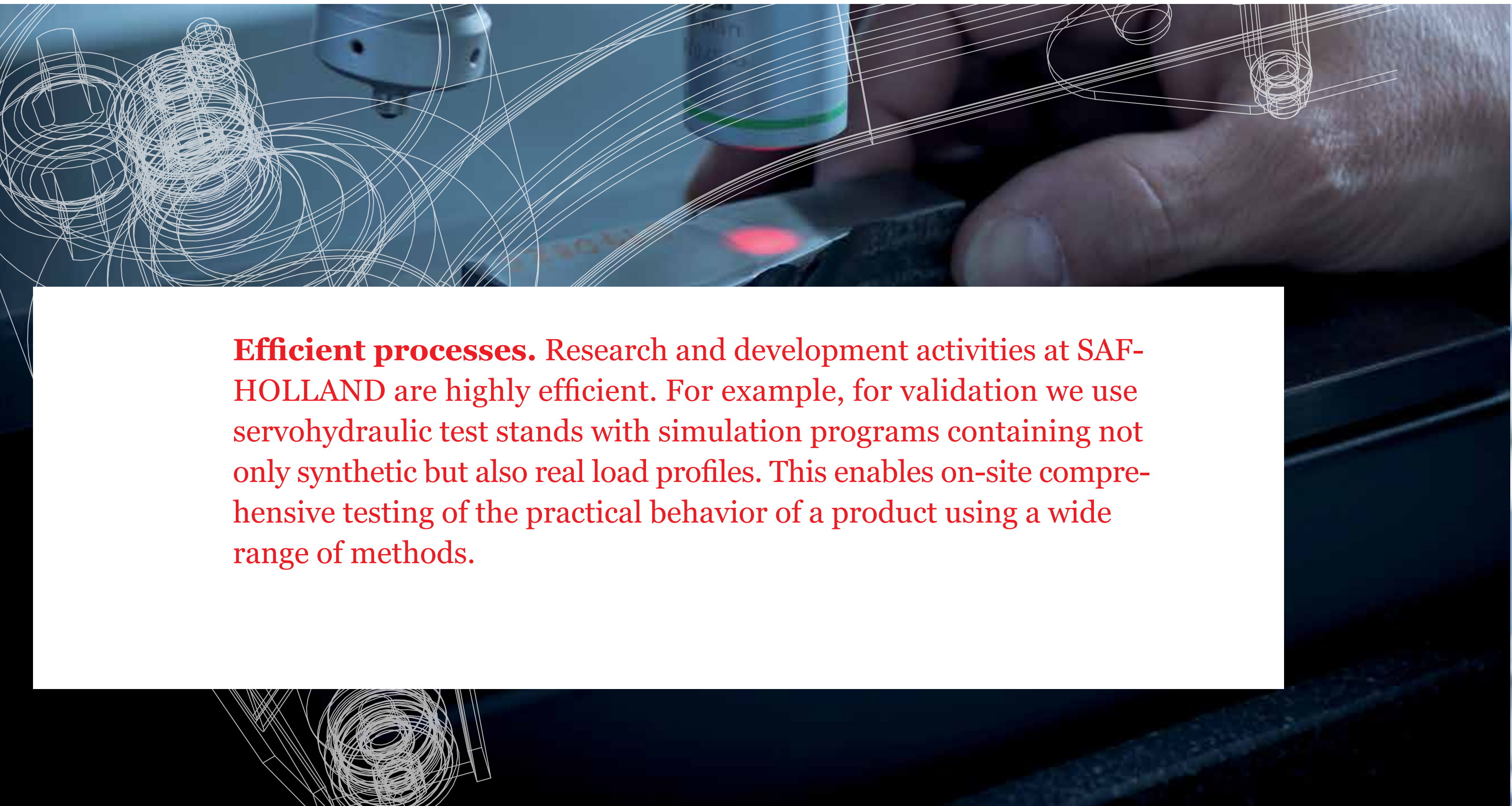
Test run in a customer vehicle

Even before testing begins, specifications are defined to which the new development must conform – for instance, with regard to functionality and service life. In its tests, SAF-HOLLAND takes the test specimens to loading limits and then beyond them. If the specified target cannot be achieved, we develop new solutions or improvements until the new development can reliably and fully meet every expectation. However, even then, the testing is not over because quality analyses in the test stand are followed by field testing in real world conditions.

For these long-term tasks selected customers use the new products in their actual day-to-day transport operations. The products have to stand up to various road conditions – hilly and flat, curvy and straight, well-maintained or in need of improvement – in order to validate the test stand results. In addition, climate conditions are interesting, which is why we test internationally – in Europe, under icy Scandinavian conditions, for instance, and also in the summer heat of Portugal.

Testing for series monitoring

Upon satisfactory completion of all of the tests, the product can enter series production. But that does not mean that a product will no longer be tested. Testing regimes are also carried out in the course of series monitoring, particularly when a change is made to a product. Even a different coating on a single screw can be enough to initiate a new series of tests. The severity of the tests is determined on a case-by-case basis.



Efficient processes. Research and development activities at SAF-HOLLAND are highly efficient. For example, for validation we use servohydraulic test stands with simulation programs containing not only synthetic but also real load profiles. This enables on-site comprehensive testing of the practical behavior of a product using a wide range of methods.

Step

04

TRADE FAIR PRESENTATION

Market partners

SAF-HOLLAND prefers to exhibit its new products at international trade fairs. The trade fair premiere is the final step in the development process and also a new beginning. After all, SAF-HOLLAND conducts development for the success of our fleet customers. Their feedback on the innovations we present provides approaches for further advancements and product generations of the future.

Trade fairs are seismographs. Exhibitions reveal industry trends but also, and more importantly, the wishes, desires and requirements of customers. SAF-HOLLAND's strategy is to continuously maintain close relations with our fleet customers. We use trade fairs, in particular, as a forum for personal meetings with direct exchange and dialogue.

The very design of SAF-HOLLAND's trade fair stands reveals that dialogue with customers is of central importance. Everything is open and transparent. There are no closed areas with special access rights. Every one of our employees is approachable. We attend more than 120 trade fairs every year on every continent of the globe under the motto "inspired by PASSION." Regardless of how much space it takes up, our stand always presents a uniform appearance. The unusual oval design gets noticed and is quickly recognized.

Preparing for a good start

To ensure that SAF-HOLLAND's trade fair appearances are successful, the preparations begin long before the event. Even the presentation of innovations is meticulously planned. Ultimately, the value of innovations depends on the market recognizing and taking advantage of the benefits they offer. That is why, for new products, the marketing division creates brochures and websites which provide information on benefits and product characteristics.

Even sales personnel and employees at the stand may not see an actual example of the new development in real life until they get to the stand. Nevertheless, the employees can provide well-versed, professional technical information from the very beginning. Comprehensive training prior to the event ensures this. The employees working at the stand at IAA Commercial Vehicles 2014 completed four days of training, in order to learn everything necessary about our 23 trade fair innovations.

Ideal platform for exhibiting new products

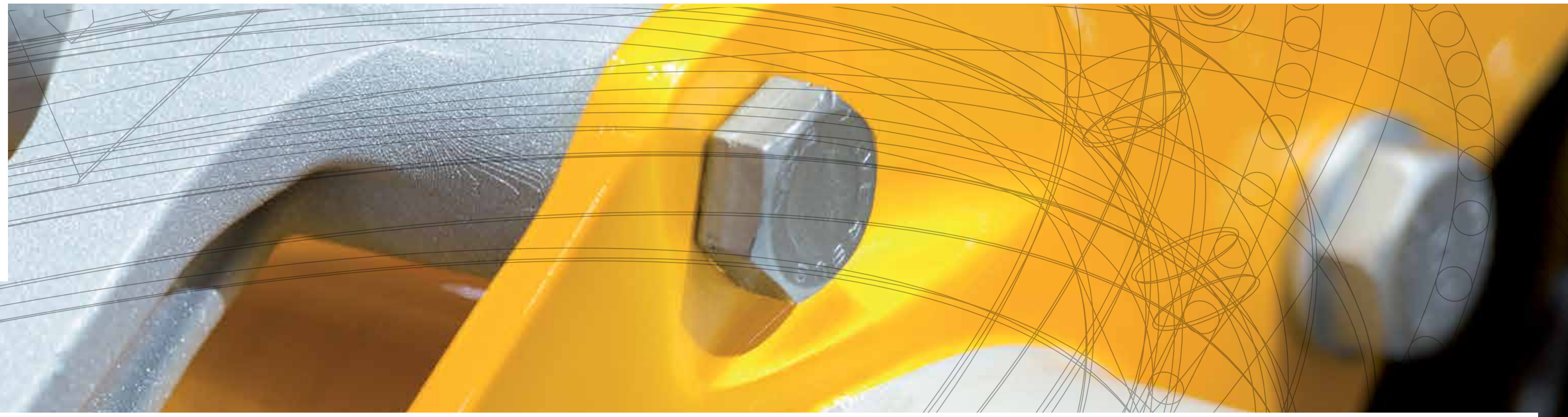
Trade fairs are the pillars that underpin SAF-HOLLAND's marketing concept. There is no other forum where fleet customers can get acquainted with innovations in such great detail. At a trade fair stand new products can be viewed on a one-to-one scale. They can be evaluated, inspected and assessed from every side and in every detail. This is a key point for freight forwarders and fleet owners because they want to experience visually, hands-on what SAF-HOLLAND can offer to them. They are interested not only in the solutions for today, but also in the direction of future development.

Improving progress as common effort

At trade fairs we discuss performance parameters, explain how products work, and talk about technical details with the new products or concept studies close at hand. The company can thus find out immediately how innovations are received and assessed by fleet customers. At the same time, customers' assessments are collected through notes taken at the trade fair. For example, the guideline for IAA contained a questionnaire module which enabled a systematic documentation of how our innovations were received.

The feedback of the fleet customers is highly comprehensive and is often augmented by additional wishes related to special transport tasks or fields of application. This, together with other customer-care information, forms a valuable body of data which helps to tailor development activities precisely to the needs of our end customers. In order to shape the future of our industry together, SAF-HOLLAND has created a special website which allows distributors or fleet owners to provide us information directly on the topics that concern them.

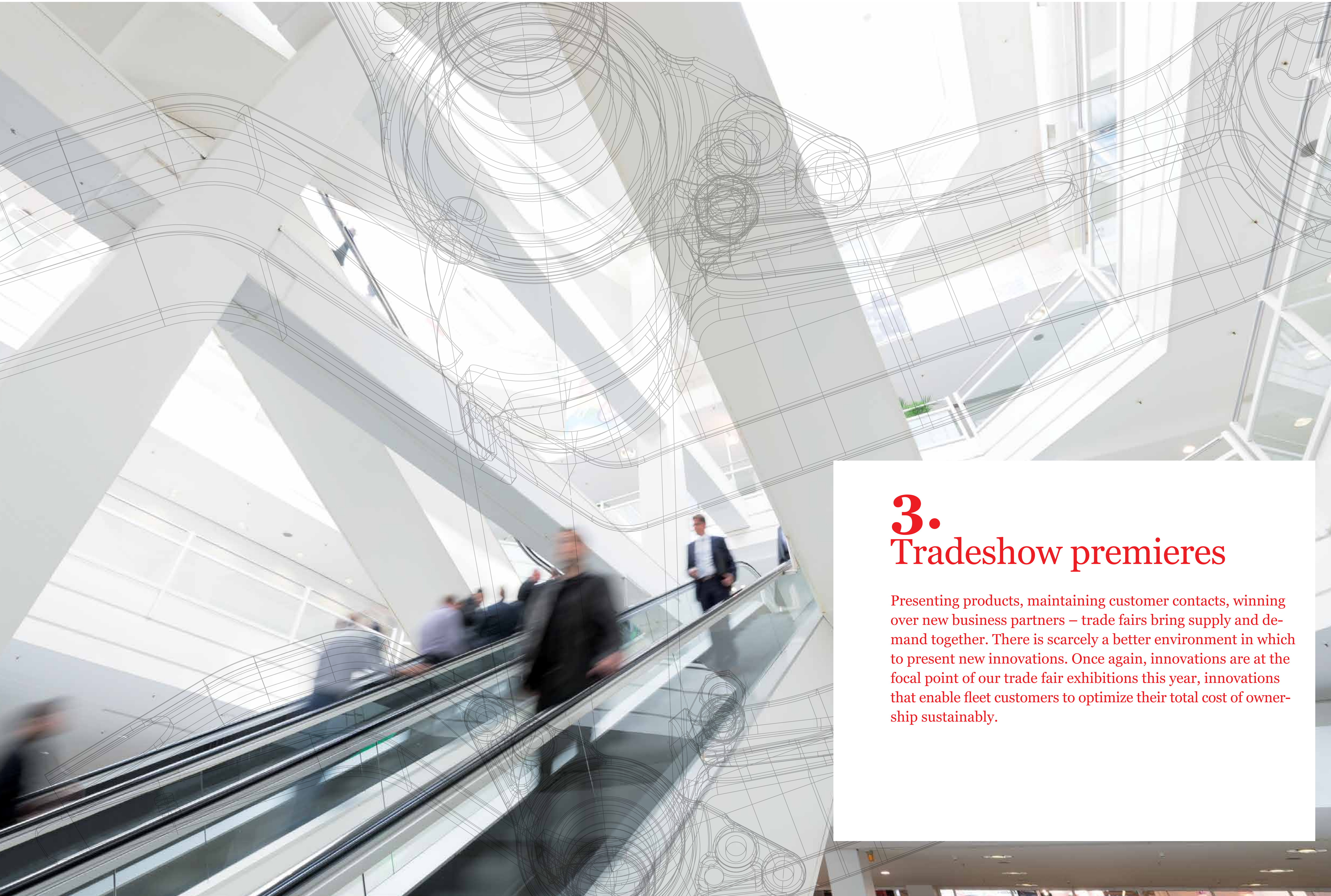
Maximum customer engagement. SAF-HOLLAND places a high premium on the continuous exchange of experience and information from our fleet customers. In the innovation process, comments derived from practical experience play a critical role. Issues arising in day-to-day transport operations are systematically tracked. This enables us to grow in accordance with the wishes and requirements of our customers around the world.



TRADE FAIR CALENDAR 2015

Globally networked and a local presence: in 2015 SAF-HOLLAND continued its international participation in trade fairs and exhibitions. Here are the most important dates:

Date	Trade fair
Mar, 19–22	***Transport 2015,*** *Herning, Denmark*
Mar, 26–28	***Mid-America Trucking Show (MATS),*** *Louisville, U.S.A.*
Apr, 16–18	***Expo Cam,*** *Montreal, Canada*
May, 05–08	***transport logistic,*** *Munich, Germany*
May, 14–17	***Brisbane Truck Show,*** *Brisbane, Australia*
Jun, 02–04	***Automechanika Middle East,*** *Dubai, United Arab Emirates*
Oct, 20–24	***BedrijfsautoRAI,*** *Amsterdam, Netherlands*
Nov, 17–21	***Solutrans,*** *Lyon, France*
Nov, 18–20	***Expo Transporte,*** *Guadalajara, Mexico*
Nov, 21–24	***Comvex,*** *Istanbul, Turkey*



3. Tradeshow premieres

Presenting products, maintaining customer contacts, winning over new business partners – trade fairs bring supply and demand together. There is scarcely a better environment in which to present new innovations. Once again, innovations are at the focal point of our trade fair exhibitions this year, innovations that enable fleet customers to optimize their total cost of ownership sustainably.

IAA Commercial Vehicles: Firework of innovations

Moving the future – the motto of IAA Commercial Vehicles was particularly appropriate to SAF-HOLLAND in 2014. At the global trade fair for transport, mobility and logistics, we presented 23 new products, among them numerous innovations that set new standards. They attest our lead in technology and once again position our company as an innovation and quality leader in the industry.

The SAF-HOLLAND trade fair stand in Hall 26 created quite an impression, even from a distance, with its futuristic look. And our visitors were not disappointed. Every area of our stand was consistently oriented to the present and future demands of our fleet customers. Under the motto "inspired by PASSION", SAF-HOLLAND impressed visitors in every product area with revolutionary innovations – from pioneering suspensions with carbon fiber reinforced components to progressive axle suspension lines and high-tech features for braking systems.

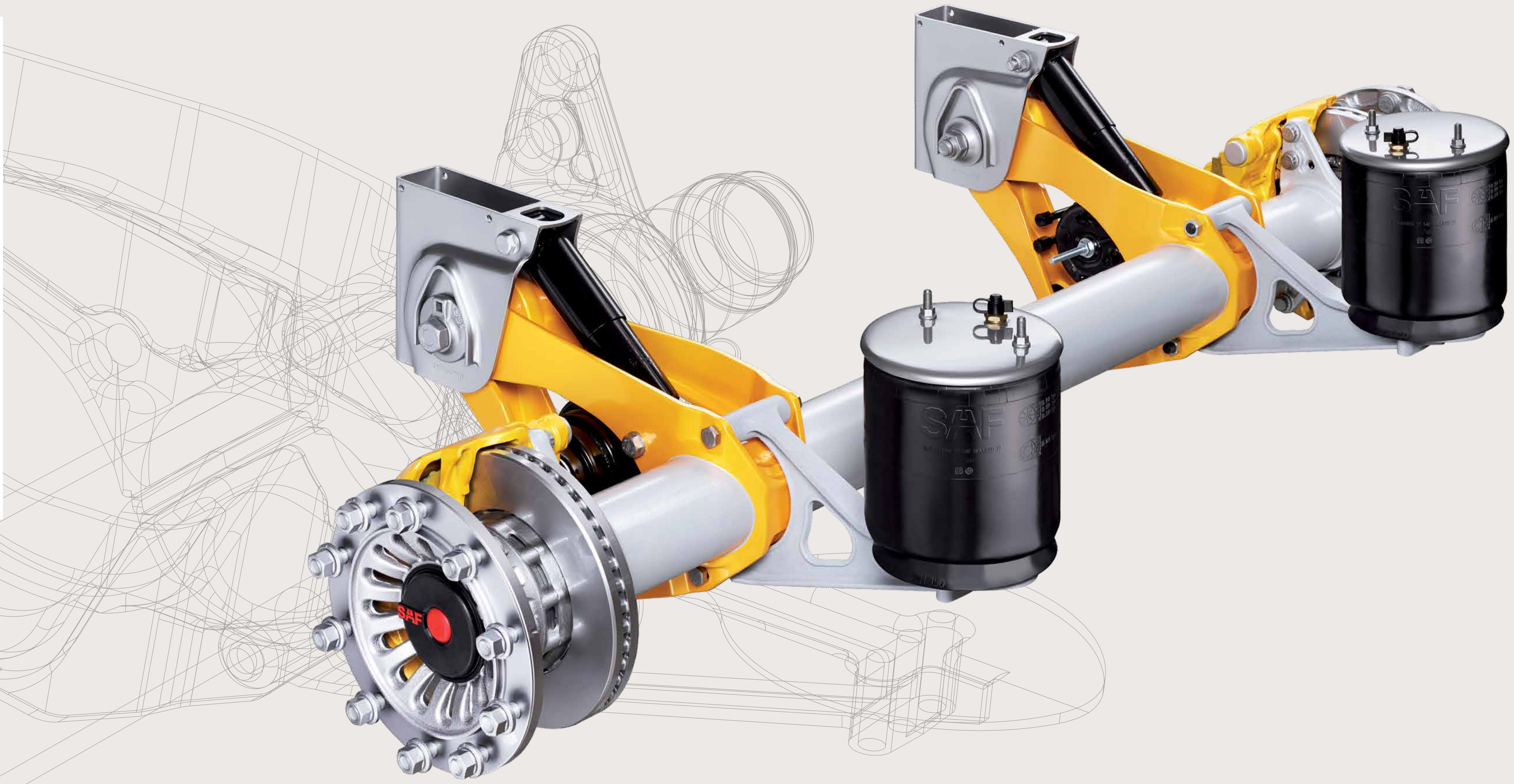
What all of the new products presented in Hanover had in common was a mix of orientation toward the future and orientation toward practical requirements, a particular strength of SAF-HOLLAND. In line with our company's focus on the interests of fleet customers, the new products impressed with their significant advancements in weight optimization, long life and safety. Among the new products were: the lightest nine-ton axle on the market equipped with drum brakes, an air suspension system that eliminates the need for hydraulic shocks, and a rapidly actuating maintenance-free wedge brake with automatic wear adjustment.

The unusually high number of new products we presented at the IAA trade fair is also the result of the current bundle of measures we are implementing to increase the profitability of the Trailer Systems Business Unit. As part of our initiative to increase the adjusted EBIT to 5 to 6% in 2015 and beyond, SAF-HOLLAND is embarking on an innovation offensive with new developments for our core markets.

In addition to products and services, we presented a customer loyalty program for fleet customers at IAA called Fleet Connect. Customers who equip their new vehicles with products from SAF-HOLLAND receive bonus points. They can then cash in their points for attractive goods and services. SAF-HOLLAND is the first axle and chassis manufacturer to offer such a program – yet another trump card in our unique sales and marketing model, which emphasizes close, direct contact to our end customers.

Suspension system highlight

At IAA Commercial Vehicles 2014 SAF-HOLLAND presented two new products from the INTRA line that are unique on the market. The application and weight-optimized air spring systems were designed for vehicles in the nine-ton class. The INTRA R is designed for trailers in use off-road and those with stiff frames, such as tankers and dump trucks. INTRA S, on the other hand is designed for curtainsiders and coolers. Both variants earn points for their maintenance-free axle connection and suitability for proven chassis connections. In addition, INTRA R is “brake-cylinder-safe” and INTRA S offers weight savings of 10 kg per axle.



Mid-America Trucking Show: Heavy-duty transport innovations

Every year in March the Mid-America Trucking Show (MATS) – the largest annual heavy-duty event in the world takes place in Louisville, Kentucky. At the renowned exhibition, SAF-HOLLAND exhibits innovations for the North American market and meets with manufacturers and fleet customers in this important core region.

→ The MATS story began in the early 1970s. That was when Paul K. Young decided to create the most comprehensive trucking show in the United States. Shortly thereafter, in 1972, the first Mid-America Trucking Show took place.

Today, MATS attracts more than 70,000 visitors and 1,000 exhibitors a year from around the USA and all over the world. The show begins the season for commercial vehicle trade fairs in North America and also sets the standard for them to aspire to. Many technological revolutions started there, and no other show in the heavy-duty trucking industry offers more. In the exhibit halls, top trailer and truck manufacturers, the likes of Great Dane, Wabash, Kenworth, Peterbilt, Freightliner, Mack, Western Star and Volvo exhibit their newest vehicles. On the fairgrounds, freight forwarders and fleet owners present the finest vehicles from their fleets.

SAF-HOLLAND has had a presence at MATS every year for the past 35 years to engage in discussions and present new developments. This trade fair is just the right place to do that because the whole industry gathers there. The focal point of the trailer products we displayed in 2014 was the SAF INTEGRAL chassis system, equipped with the long-wearing and low-maintenance P89 wheel end and disc brakes with patented INTEGRAL technology.

Nearly all of the vehicles exhibited at MATS were equipped with disc brakes. This underscores once again that this brake technology is arousing ever more interest in North America and creates additional opportunities for SAF-HOLLAND. In Europe we are established as the leading provider of axle systems with integrated disc brakes, a head start that is becoming increasingly useful in North America.

Among the truck highlights we presented at MATS was our new NEWAY LSZ, a self-steering trailing axle with an additional axle lift. This product combines several best-in-class functions and taps additional revenue streams for SAF-HOLLAND in the highly attractive special-truck segment.

E-mobility supports bus suspension business

Electro-mobility is also possible for buses. To make that a reality, buses are equipped with electric motors that draw their power from on-board batteries. The batteries, however, take up space and must be readily accessible for charging. With the J Beam air suspension system, SAF-HOLLAND presented a technological answer to these requirements in 2014. The suspension system, designed for nine-meter long buses, differs from the standard design to create space for power storage. In addition, it is some 50 kg lighter while delivering optimal handling characteristics and improved roll stability. The patented concept was created at our Chinese subsidiary Corpco, which we acquired in 2014, and marks the first big new development of the Chinese subsidiary since it joined SAF-HOLLAND Group. The J Beam will initially be offered in China, followed by India, Brazil and Europe. Electric buses are in high demand in China. In this segment, the country is among the pioneers, and electric buses are among its exports to Europe.

Automechanika: Meeting place for the Aftermarket

As the world's largest trade fair for the Aftermarket, Automechanika addresses the automobile and commercial vehicle industries. The spectrum of the six exhibition areas ranges from spare parts and accessories to workshop services. SAF-HOLLAND exhibited solutions for accelerated spare parts procurement and more customer service at the trade fair.

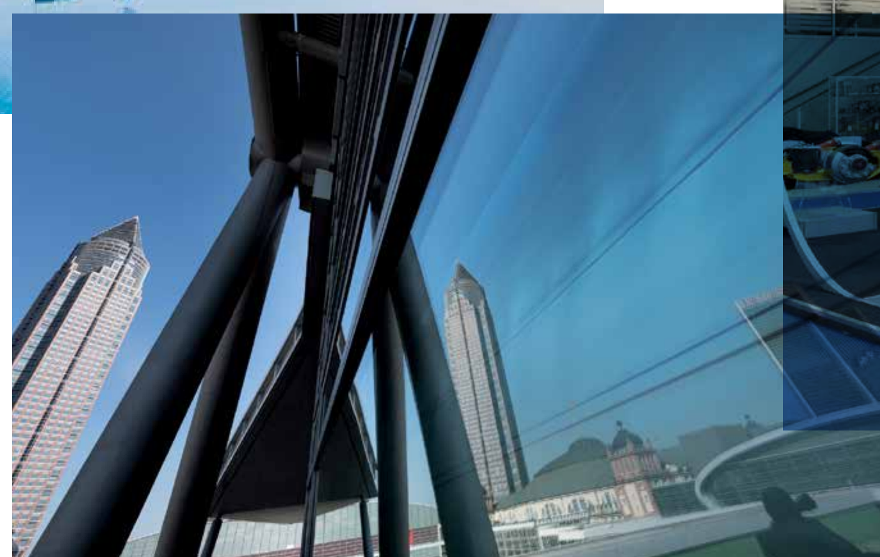
Every two years, Automechanika brings together representatives of the industry, trade, and workshops in the German city of Frankfurt. It has a long history of truck competence and presents itself as a meeting place for the international industry. Among the estimated 140,000 trade fair visitors in 2014 were many from service companies from the transport and freight forwarding industries as well as fleet operators. As industry visitors, they wanted to familiarize themselves with new innovations, maintain business contacts and share experiences. SAF-HOLLAND's stand offered good opportunities to do all those things.

Our trade fair stand was occupied by an international team of representatives from corporate subsidiaries and partners representing more than 10 different European countries and the Middle East. The products we exhibited also addressed a wide variety of regional markets. In addition to our original spare parts, we exhibited for the first time the complete product range of the brand SAUER GERMANY QUALITY PARTS which we have been developing since 2012.

Our service innovations using the Internet and mobile devices, such as smart phones and tablet PCs had their trade show premieres. SAF-HOLLAND's multilingual app provides the nearest repair shop or spare parts dealer within a specified radius. In addition, the app can access the spare parts catalog of our Parts On Demand (POD) online portal. The shop lets customers order parts around the clock, even while on the go. The QR code reader ensures fast, easy and error-free orders. Scanning the code on the nameplate of an axle, suspension system, fifth wheel or landing gear opens a window with the correct spare part.

When customers purchase spare parts made by SAF-HOLLAND, they reap big benefits. After all, every component in the overall system has an important part to play, which it should fulfill optimally. Third-party providers do not necessarily know the criteria required. Our worldwide spare parts availability and our service network with its 9,000 stations make a convincing argument to equip trucks and trailers right from the start with quality products from SAF-HOLLAND.

We are not only participating in the Automechanika in Germany but also in several other countries around the world.



Ball races with a dual benefit

Ball races form the connection between the trailer frame and turntable. The service life of the turntable depends on regular, careful lubrication. At Automechanika 2014, SAF-HOLLAND presented a ball race, which can be connected to the central lubrication system of a vehicle. This makes shop maintenance of the ball race significantly faster and easier. Due to its double-bore pattern, this future-oriented new product can be installed in trailers from a range of manufacturers. This is a key advantage for service stations, which no longer have to keep a complete palette of different ball race models in stock.

Group Management Report

CORPORATE STRUCTURE

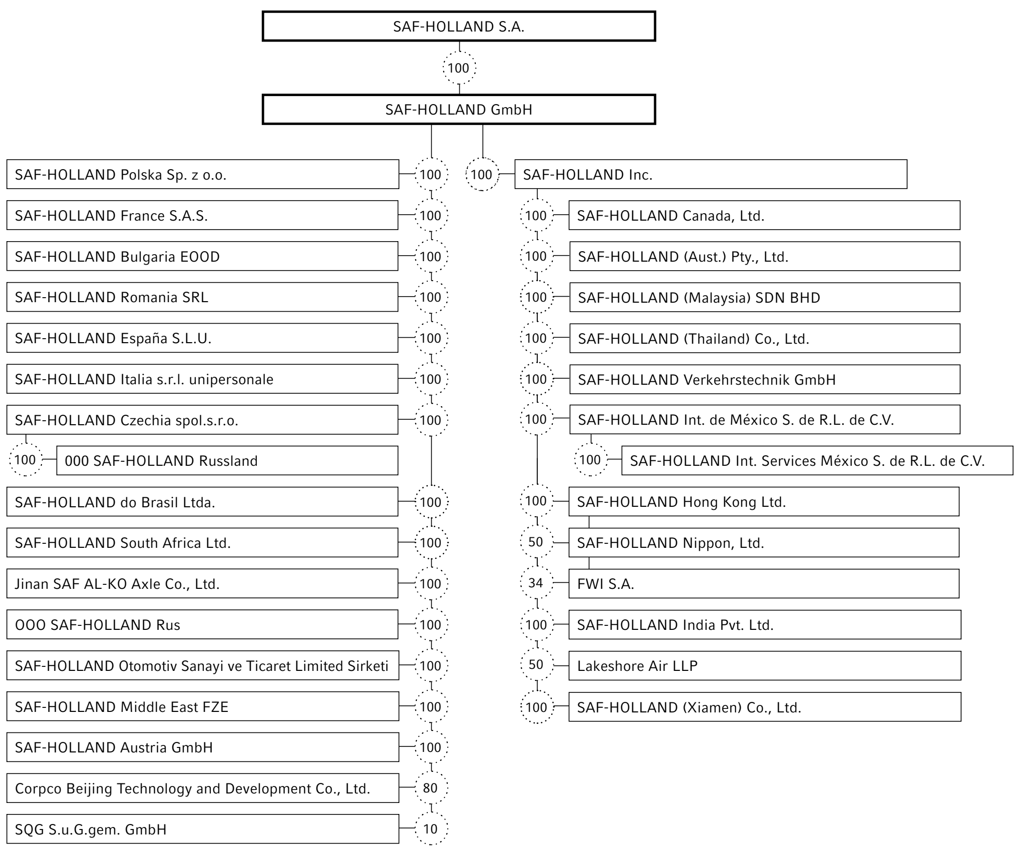
ORGANIZATION AND COMPANY STRUCTURE

SAF-HOLLAND is one of the world's leading manufacturers and suppliers of premium systems and components primarily for trailers and semi-trailers as well as for trucks, buses, and recreational vehicles. The product range encompasses, in particular, trailer axle systems, suspension systems, coupling devices, kingpins, and landing gears. Together with the original equipment business, the Group, founded after the merger of the German SAF and the American Holland in 2006, is also active in the spare parts business. Our global activities comprise development, production, sales and service.

Legal structure of the Group

SAF-HOLLAND S.A. is a company in accordance with Luxembourg corporate law whose shares are listed exclusively in Germany. As the parent company of the Group it holds all shares in SAF-HOLLAND GmbH which in turn are associated with all national companies.

LEGAL GROUP STRUCTURE in %



Organizational structure and business segments

To ensure targeted market development and intensive customer focus, SAF-HOLLAND has divided the operational business into three specialized Business Units each of which is specialized on different client groups. Each Business Unit is fully responsible for its results and is equipped with all the necessary resources. Cross-departmental functions and key tasks are organized centrally within the company in order to support the Business Units.

The Trailer Systems Business Unit develops, manufactures and sells axle and suspension systems as well as landing gears and kingpins for trailers. The Powered Vehicle Systems Business Unit develops, manufactures and sells fifth wheels and suspension systems for heavy trucks, buses and campers. The Aftermarket Business Unit ensures the secure supply of spare parts and services for the transport industry and fleet operators.

The Business Units Trailer Systems and Powered Vehicle Systems primarily supply original equipment manufacturers (OEMs). In addition to major customers, these also include a large number of smaller regional suppliers as well as manufacturers of specialty vehicles. The Aftermarket Business Unit's client base includes spare parts dealers, workshops and fleet customers.

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) • Fleet operators (end customers)
Powered Vehicle Systems	Development, production and distribution of: • **Fifth wheels** • **Suspension systems**	• Truck and bus manufacturers (OEM) • Fleet operators (end customers)
Aftermarket	Distribution of: • **Systems and components as spare parts to the transport industry**	• Spare parts dealers • Workshops • Fleet operators (end customers)

Globally-active company with locations around the world

SAF-HOLLAND is worldwide positioned and present in all key regions. For the global commercial vehicles market, we have manufacturing activities at a total of 19 production locations in Europe, North and South America, Asia, Australia and South Africa. With this vast production network, the company is among the suppliers with the greatest product-related geographical diversification in its market.

SAF-HOLLAND's service network is considerably more comprehensive than those of most competitors. It consists of around 9,000 spare parts and service stations, dealers and workshops in more than 80 countries. SAF-HOLLAND has a comprehensive footprint in its core markets Europe and North America.

AROUND THE WORLD: REGIONS WITH SPARE PARTS AND SERVICE STATIONS OF SAF-HOLLAND

Important products and services

Axle systems, suspension systems, fifth wheels, kingpins and landing gears are at the core of SAF-HOLLAND's product portfolio. Many of our products and systems are key components. For example, products from the Trailer Systems Business Unit represent a large share of the value of a European standard trailer.

Via the global service network, the Aftermarket Business Unit offers a broad range of spare parts and services for all products from the Trailer Systems and Powered Vehicle Systems Business Units. The secure, quick and uncomplicated supply of spare parts corresponds to the requirements of the end customers. For fleet operators, the reliable supply is an important reason for the specification of products from SAF-HOLLAND when new trucks and trailers are ordered.

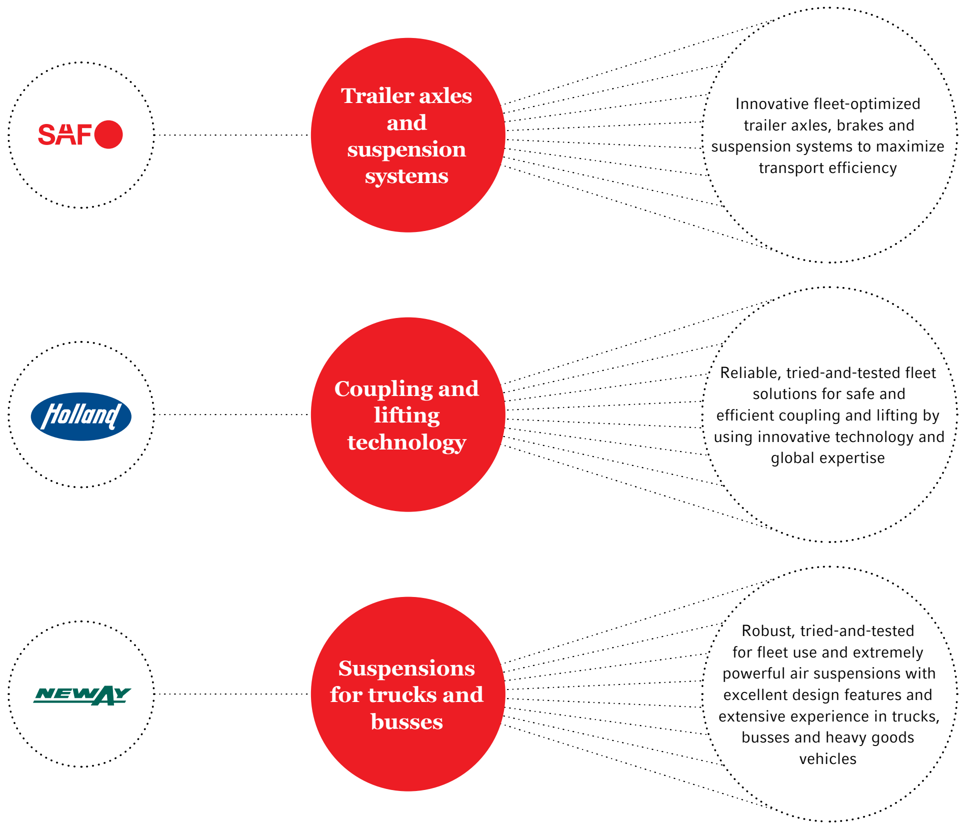
Modular product structure in line with market requirements

In an industry comparison, the product portfolio of SAF-HOLLAND is seen as one of the most extensive on the market. Thanks to the modular design of our components, especially the axle and suspension systems, we can flexibly respond to our customer requirements. We are able to offer customized manufacturing and solutions for niche markets as well as components and systems that are geared toward the specific requirements of individual regions. We do not necessarily supply individual country markets with the entire product range. The focus is more on components which meet the individual local needs and tap promising sales potential for SAF-HOLLAND. Further information on the products for regional sales markets with product examples can be found on page 25.

Clearly defined brand environment

Under the SAF-HOLLAND umbrella brand we bring together three strong product brands which we market around the world: SAF, Holland and NEWAY. The SAF brand stands for our axle and suspension systems for trailers. The Holland logo incorporates coupling and lifting technology products. NEWAY stands for suspension systems in trucks and buses. SAF-HOLLAND also has a regional brand TRILEX.

PRODUCT BRANDS OF SAF-HOLLAND



Well-positioned in established and emerging markets

Europe and North America are the most important sales markets for SAF-HOLLAND. In both regions, the company has an outstanding market position. In Europe SAF-HOLLAND is one of the top two leading suppliers of axles and axle systems for trailers as well as fifth wheels for trucks. In the North American market, we are the leading supplier of fifth wheels, landing gears and kingpins and the third largest supplier of axles and suspension systems for trailers. In all Business Units, the strong positioning in the core markets is directly attributable to our position as an internationally-recognized leader in technology and quality.

Parallel to the expansion of market share in established markets, SAF-HOLLAND is also expanding its activities in emerging markets. The focus here is, in particular, on the BRIC countries. In China, the world's largest market for commercial vehicles, in addition to the truck and trailer sector we are also active in the growing bus suspension systems segment. Our Chinese subsidiary Corpco with its headquarters in Beijing is a supplier of suspension systems for buses. In the medium-term, we want to explore further national markets for bus suspension systems from China. The Indian market is especially attractive in this regard and we have been focused on the bus segment there for some time.

Economic and legal influences

The development of global transport volumes is a key factor for SAF-HOLLAND. Driven by the rapid increase in global population, advancing urbanization and globalization of the economy, the transport of goods is increasing strongly around the world. In addition, the expansion of the road network in emerging markets allows for the rising volume of goods being transported. Trucks and trailers are important links in nearly every logistics chain. The demographic and economic developments thus lead to greater demand for trucks and trailers, from which SAF-HOLLAND also benefits.

From a legal perspective, regulatory requirements could promote our product sales. The requirements, for example, regarding fuel consumption and the emission profile of commercial vehicles around the world are becoming increasingly strict. This increases the need for weight-reduced components – a development that benefits SAF-HOLLAND since our components are among the lightest on the market. A similar scenario applies to safety requirements. In this area, too, increasingly strict regulations are being initiated around the world. For SAF-HOLLAND, this opens up advantageous perspectives since our products can contribute to the meeting of stricter safety standards.

OBJECTIVES AND STRATEGY

The company's core objectives are defined in our mission statement: SAF-HOLLAND's objective is to become the most highly regarded supplier of best-in-class components, systems and services that ensure the success of our global fleet customers. SAF-HOLLAND acts as an innovative, cost-conscious and reliable company.

On the operational side of our business, the goal of our activities is to take advantage of the company's market opportunities and generate profitable growth. We also aim at positioning the company in order to achieve the greatest possible independence from economic developments.

Key features of the business model

A key feature of SAF-HOLLAND is the broad geographic positioning. It provides us with the possibility to offset potentially unfavorable demand development in individual regions through other markets. Our international activities are the foundation for an effective transfer of technologies with which we can transfer well-established regional products and innovations to other sales markets.

An important driver of our market success is the combination of original equipment and spare parts activities, two areas that ideally complement one another and which generate mutual benefits. In this way, the Aftermarket business benefits from the increasing number of vehicles which are equipped with SAF-HOLLAND products. The growth of the installed base of our products drives demand for components with which the existing parts can be replaced or upgraded.

In turn, the comprehensive spare parts and service network in the Aftermarket Business Unit ensures that customers explicitly order products by SAF-HOLLAND when placing vehicle orders. Because demand for spare parts increases when fleet operators postpone new vehicle purchases over a longer period of time, the Aftermarket business also contributes to the stabilization of SAF-HOLLAND's business development.

Strategic positioning in the regions

We want to further expand our good market position internationally and to this end, we want to increase our market share in both established markets and in emerging markets. In Europe and North America we rely primarily on the special characteristics and performance features of our products for the expansion of our market position. This applies above all with regard to weight reduction, durability and safety. Beyond that, the modularization and increasing integration of electrical or electronic components play an important role. We gain additional potential from the optimization of our manufacturing structures, the mutual transfer of technology and an expanded range of products on offer for specialized applications.

In the growth markets of the emerging economies we are initially providing products adapted for the region and to current requirements. In this way we ensure that SAF-HOLLAND shows its presence at an early stage and builds up a strong reputation. If, as it is currently the case in China and Brazil, the demand for more technologically sophisticated products in these markets should increase, SAF-HOLLAND is able to profit from its established market position and starts to gradually introduce its premium-quality products.

Strategic alignment of the Business Units

We intend to expand the global market share of SAF-HOLLAND in all business segments. To this end, we are systematically extending and optimizing the product portfolio of those Business Units active in the original equipment business. We see additional growth potential in Trailer Systems and Powered Vehicle Systems through technological innovations primarily for the two core markets of North America and Europe. In the truck segment, for example, we have been generating important momentum with a suspension system for the North American market that has been available since 2014. With regard to the trailer sector, positive effects are anticipated beginning in mid 2015 from the introduction of the European axle and suspension systems presented at the IAA Commercial Vehicles trade fair.

In the Aftermarket Business Unit we are continually expanding the global network of spare parts and service stations. At the same time, we are implementing solutions to make the procurement of spare parts even faster and more comfortable, also including options to place orders via an app or tablet pc as well as the use of QR codes. The spare parts range is continuously expanded. Together with original spare parts we also increasingly offer products with the brands SAUER GERMANY QUALITY PARTS and GoldLine. They are targeted toward markets which are characterized by a large share of trucks and trailers that are in the later stage of their product lifecycle. These include, in particular, Asian and South American countries and regions in the Middle East, as well as East European nations and Next Eleven countries.

Focus of the growth strategy

SAF-HOLLAND pursues medium-term strategies covering a period of five years. The medium-term strategy that is relevant for the reporting period addresses three growth areas where we see particularly promising market opportunities.

__ Growth area 1: trailer market in North America
We want to further expand our market share in the North American trailer market, increasing it to 30%. In line with these efforts, we are now offering a full assortment of integrated axle systems in the region as well as our entire product range of suspension systems. For North America, SAF-HOLLAND has an extremely comprehensive product portfolio for the trailer industry. Our on-site production capacities were considerably expanded and can now be gradually utilized within the framework of the business expansion. Furthermore, we continue to count on the experience gained in Europe in the field of integrated axle production with disc brake technology. In this way, we can benefit from the change of technology that has begun and which has increasingly drawn the attention of North American fleet operators to disc brakes.

__ Growth area 2: Aftermarket business
The spare parts business is an important success factor for SAF-HOLLAND. The share of Group sales of the Aftermarket Business Unit will, accordingly, expand to 30%. With this objective in mind, we have added the brands SAUER GERMANY QUALITY PARTS and GoldLine to our spare parts assortment. In addition to the original products, these brands open up sales potential in markets with a high share of trucks and trailers in later product lifecycles. We are also continuing to push the expansion of the global distribution and service network. A key role here is being played by our Parts Distribution Centers (PDC). Including the PDC in Malaysia, which was newly-added in 2014, SAF-HOLLAND currently has more than 11 centers of this kind located in North and South America, Europe, Africa, Asia and Australia.

__ Growth area 3: BRIC countries
With the continued economic development and the expansion of infrastructure, the transport volume in BRIC countries is increasing significantly. To benefit from the associated increase in demand for trucks and trailers, we have strengthened our on-site commitment. The focus is on Brazil and China, where in each country we are present with products that are adjusted to the specific needs of the market. Beyond the truck and trailer sector, we are at the same time intensifying our activities in the bus suspension system segment. Corpco, the company that was acquired in 2014 and which is headquartered in Beijing serves as a starting point in this regard and its activities are flanked by our company in India, which is also specialized in bus suspension systems. In the medium-term, we intend to also supply country markets on other continents with suspension systems for buses from Asia.

Strategic investments

SAF-HOLLAND has held a good third of the shares in FWI S.A. of France since 2006. The other shares in the joint venture are held by the SAFE Group, a manufacturer of technical components made of cast steel and injection molded plastics for various industrial applications.

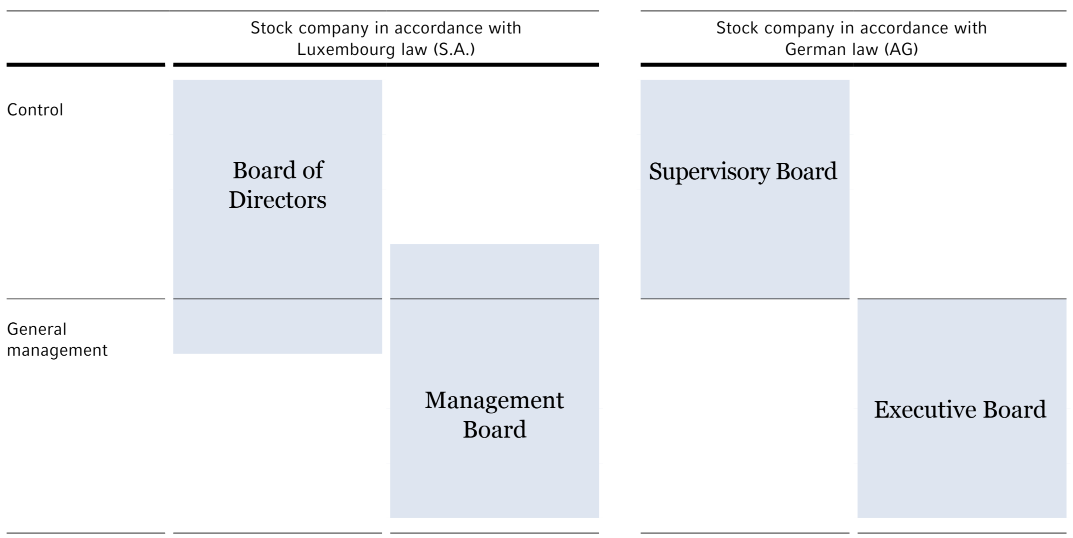
Strategic financing principles

SAF-HOLLAND's financing strategy is structured to allow flexible action in the interest of the growth strategy. Key assumptions include the low debt ratio, adequate financing conditions and the long-term securing of the required funding. In addition, attention is also paid to ensuring that the financing of SAF-HOLLAND is broadly based with time-staggered maturity profiles. With the issue of a convertible bond and other optimizations in corporate financing, significant progress was achieved once again in 2014. Further information on the issue of the convertible bond can be found on page 79 and on corporate financing on page 87.

MANAGEMENT AND CONTROL

SAF-HOLLAND is incorporated as a Société Anonyme (S.A.) in accordance with the laws of Luxembourg. Management and control are thereby organized differently to other German stock corporations: In Germany corporate law 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 UNDER LUXEMBOURG AND GERMAN CORPORATE LAW



Board of Directors

A key characteristic of the single-level structure of the board 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.

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

At SAF-HOLLAND, the Board of Directors currently consists of a total of seven members. Six of these elected representatives, including the Chairman Bernhard Schneider, are Non-Executive Directors. The seventh seat is held by Detlef Borghardt, the Chief Executive Officer (CEO) of SAF-HOLLAND. This means that one member of the Board is directly involved in the daily business of the company.

The Board of Directors of SAF-HOLLAND makes decisions on the basis of a simple majority, in accordance with the Articles of Incorporation. For the exercising of its duties, the Board has formed one committee: the Audit Committee, whose tasks are comparable to the audit committee in a Supervisory Board.

More detailed information on the Board of Directors can be found in the relevant report on page 8. An overview of the mandates of Board members is provided on page 188.

Changes in personnel

At the Annual General Meeting of SAF-HOLLAND S.A. on Thursday, April 24, 2014, shareholders elected Martina Merz as new Member of the Board of Directors. She had already belonged to the Board as an associated member from December 1, 2013 until April 24, 2014. Mechanical Engineer Martina Merz was as of December 31, 2014 the Chief Executive Officer of Chassis Brakes International, a producer of car brakes in Amsterdam, the Netherlands.

Martina Merz's mandate runs until the Annual General Meeting which will decide on financial year 2016. The Board of Directors mandates of Bernhard Schneider, Sam Martin and Detlef Borghardt were confirmed by the shareholders in the reporting period and extended until the end of the Annual General Meeting for financial year 2016, the mandate of Anja Kleyboldt was extended until the end of the Annual General Meeting for financial year 2015.

After the Annual General Meeting of April 24, 2014, the Board of Directors met to appoint – as previously – Bernhard Schneider as Chairman of this Committee and Sam Martin as Deputy Chairman.

BOARD OF DIRECTORS AS OF DECEMBER 31, 2014

Bernhard Schneider	Chairman of Board of Directors
Sam Martin	Deputy Chairman of Board of Directors
Detlef Borghardt	Member of Board of Directors
Dr. Martin Kleinschmitt	Member of Board of Directors
Anja Kleyboldt	Member of Board of Directors
Martina Merz	Member of Board of Directors
Richard Muzzy	Member of Board of Directors

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. For the purposes of sustainable value creation, the Board of Directors and the Management Board work closely together.

The Management Board at SAF-HOLLAND currently consists of a total of five members, including Detlef Borghardt who as Chief Executive Officer (CEO) is also part of the Board of Directors and Wilfried Trepels as Chief Financial Officer (CFO). The Business Unit Presidents – Alexander Geis, Jack Gisinger and Steffen Schewerda – are directly involved in the Management Board. This ensures the constant flow of information and guarantees short reaction times. More detailed information on the Management Board can be found on page 6.

MANAGEMENT BOARD AS OF DECEMBER 31, 2014

Detlef Borghardt	Chief Executive Officer (CEO)
Wilfried Trepels	Chief Financial Officer (CFO)
Jack Gisinger	President Powered Vehicle Systems Business Unit & Group Technical Services
Steffen Schewerda	President Trailer Systems Business Unit & Group Operations
Alexander Geis	President Aftermarket Business Unit

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 representative 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 company 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 the managers. SAF-HOLLAND publishes these transactions immediately when the company receives the information.

We received six notices regarding Directors' Dealings in reporting year 2014 which have been placed on our website at http://corporate.safholland.com/en/investoren/investor-news/directors-dealings.html. Current information on Directors' Dealings can also be accessed using the same link.

Main features of the remuneration system

For their service in the Board of Directors, the members of the Board receive remuneration. They also receive additional fees for special functions such as chairing the Audit Committee. The CEO of the Management Board receives no remuneration for his work on the Board of Directors.

The performance-related remuneration system for the Management Board is underpinned by short and medium-term performance agreements. In addition, a share-based remuneration component for members of the Management Board was created that is geared towards the medium to long-term success of the company.

Disclosures pursuant to Article 11 (1) and (3) of the Luxembourg Law on Takeovers of May 19, 2006

a) Information regarding Article 11 (1) Law (structure of capital) can be found on page 76 of this Annual Report.
b) The transfer of shares is, pursuant to the company's articles of incorporation, not limited.
c) In accordance with the requirements of Article 11 (1) c of the Law on Takeovers, we present the significant shareholders within the meaning of Directive 2004/109/EG (Transparency Directive) as follows:

Name of the shareholder	Shares [1) 2)]	Percentage of voting rings [1)]
FMR LLC, Boston, Massachusetts, USA	2,294,277	5.06%
Deutsche Bank AG, Frankfurt, Germany	2,401,539	5.29%
Ameriprise Financial Inc./ Threadneedle Asset Management Ltd., London	2,376,212	5.24%

1) As of December 31, 2014.
2) Total shares SAF-HOLLAND: 45,361,122.

d) There are no shareholders with special control rights.
e) The control rights of any shares issued in connection with employee share plans are exercised directly by the respective employees.
f) The company's articles of incorporation do not include limitations on voting rights.
g) As of Tuesday, December 31, 2014, there are no agreements among shareholders which are known to the Company that could result in restrictions on the transfer of shares or voting rights within the meaning of Directive 2004/109/EG (Transparency Directive).
h) The members of the Board of Directors are appointed and may be dismissed by the General Meeting of the Shareholders duly convened with a simple majority of the shareholders present and voting (meaning 50% of the voting rights present at the General Meeting of the Shareholders plus one vote) in accordance with Article 7.1 and 7.4 in connection with Article 17.10 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. The period in office of a Member of the Board of Directors may not exceed six years, a re-election is, however, possible. Should a Member of the Board of Directors step down, the remaining members can, with a simple majority, elect a replacement member for the period until the next Annual General Meeting. 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 and a majority of two thirds of the votes rights represented or present at the meeting. Should the quorum requirement not be met in the first Annual General Meeting, a second Annual General Meeting can be convened for the same purposes in which there is no quorum requirement.
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, redeem and buy back of shares can be found in the consolidated financial statements in the "Equity" chapter.
j) There are no important agreements to which the company is a party and which take effect, alter or terminate upon a change of control in the company following a takeover bid.
k) There are no agreements between the company and members of the Board of Directors or employees providing for compensation to members of the Board of Directors or employees in the case of a takeover bid if the employment relationship is terminated without valid reason or due to a takeover offer.

Corporate governance and Declaration of compliance

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. However, the members of our Board of Directors and the Management Board consider responsible and transparent corporate governance as an important basis for the success of the company. We therefore 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 March 2015, the Board of Directors submitted the following Declaration of Compliance which is permanently available on our website at http://corporate.safholland.com/en/investoren/corporate-governance.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 and will comply with the recommendations of the Government Commission's German Corporate Governance Code in its version of May 13, 2013 as published by the Federal Ministry of Justice on June 10, 2013 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, 6.3 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 ownership 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. 6.3). 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 up to three years, and as such, payments in the case of service in the boards ending prematurely will not exceed three 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. The payments, however, 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.
- Clause 4.2.3 (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 due to the Board's structure.
- 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 the 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 quarterly 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 Luxembourg's Transparency Act.

CORPORATE CONTROLLING

Internal controlling system

SAF-HOLLAND's corporate strategy targets profitable growth and a sustained increase in the enterprise value. We analyze business development and goal conformity of the operating business as relates to orders, production, quality, delivery reliability, volume, personnel and investments. The key criterion is the profitability of the three Business Units. 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.

Strategic and operative requirements are used for the corresponding control of the Group whereby the objectives fulfilled are monitored based on financial key figures. In the meetings of the Management Board and Board of Directors the scheduled progress is regularly reviewed against the achievement of strategic objectives. The target/actual comparison of the financial key performance indicators is also included.

In order to evaluate business development, a medium-term planning with a time horizon of five years is prepared each year 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.

Parameters for Group-wide control

The most important performance indicator for SAF-HOLLAND is the adjusted EBIT – earnings before interest and taxes adjusted for non-operational one-time effects. EBIT is adjusted for the following special effects: depreciation and amortization of property, plant, and equipment arising from purchase price allocation, reversals of impairment of intangible assets as well as restructuring and integration costs. It is thereby a significant indicator for the performance and profitability of the Group.

In addition to the adjusted EBIT we also use other performance indicators, including, in particular, the net working capital as the difference between current assets less cash and cash equivalents, current non-interest bearing liabilities and other current and non-current provisions. Using this value we control the funds tied up in the operating business and thereby also the available liquidity potential.

SAF-HOLLAND primarily uses key figures from the areas of customer structure and satisfaction as well as the development of market share as operational indicators. The parameters gathered are recorded separately for different regions and product groups. Developments are thereby not only recognized at an early stage but can also be addressed very specifically.

RESEARCH AND DEVELOPMENT

The international growth of SAF-HOLLAND is based on the success of its own technologies. Research and development are of significant strategic importance for the company. A characteristic of our R&D activities is that they are geared toward the greatest possible benefit for our fleet customers. The focus is thus on new developments that support efficient fleet operations and, at the same time, help with safety. A further focus is on product adaptations which adjust existing solutions to country-specific requirements so that they thus correspond to the specific needs of individual regions and country markets. More detailed information on the end customer oriented development objectives can be found on pages 14 and 23; information on product adaptations can be found on page 24.

Our international research and development network works closely in centralized and decentralized units. This opens up two significant advantages: on the one hand, key tasks are efficiently bundled. On the other hand, it is ensured that the special market knowledge of the local units flows directly into product variations. More information on the advantages of the global development group can be found on page 26.

R&D expenses at last year's level

In the reporting period, a total of EUR 19.6 million was spent on research and development activities (previous year: EUR 18.0 million). In relation to Group sales, this results in an R&D ratio of 2.3% (previous year: 2.2%). The share of capitalized development costs reached EUR 2.3 million (previous year: EUR 1.1 million) which corresponds to 10.5% of the total expenditure for research and development (previous year: 5.8%). Depreciation on capitalized development costs totaled EUR 0.4 million (previous year: EUR 0.3 million).

PERIOD OVERVIEW RESEARCH AND DEVELOPMENT

	2014	2013	2012	2011	2010
R&D expenses including capitalized development costs (EUR million)	21.9	19.1	19.4	16.1	14.3
R&D ratio (Expenditures as a percentage of sales)	2.3	2.2	2.3	1.9	2.3

In the area of development, construction and testing, SAF-HOLLAND employed a total of 171 people in 2014 (previous year: 164 people). We increased our portfolio of internationally transacted priority applications to 41 new registrations. This increase was accordingly accompanied by numerous related part or supplementary applications.

EMPLOYEES IN DEVELOPMENT, CONSTRUCTION AND TESTING WORLDWIDE

SAF-HOLLAND ON THE CAPITAL MARKET

OVERVIEW SHARE PRICE DEVELOPMENT

Turbulent stock exchange year influenced by international factors

2014 was a very eventful year for the German stock market. The stock exchanges were put under pressure in particular as a result of the crises in the Ukraine and the Middle East, geopolitical uncertainties and concerns about the economy as well as monetary turmoil in emerging markets. On the other hand, the world's leading central banks continued their expansionary monetary policy, which had a positive impact on the stock market.

In the middle of the year, the leading German index DAX rose for the first time in its history above the record level of 10,000 points. However, with increasing uncertainty due to the developments in international crisis regions, especially the conflicts between Russia and the Ukraine, the share prices deteriorated significantly during the third quarter. The DAX fell from the middle of September by about 15% within just four weeks. Subsequently, the leading index developed again positively and had a year-end figure of 9,805.55 points. This represents a slight increase of 2.7% over the previous year, when the DAX had risen by an impressive 25.5%. In 2014, the EURO STOXX 50 had to settle for a much smaller increase of 1.1% (previous year: 17.9%) while the US index Dow Jones reported an improvement of nearly 9.0% (previous year: 26.5%).

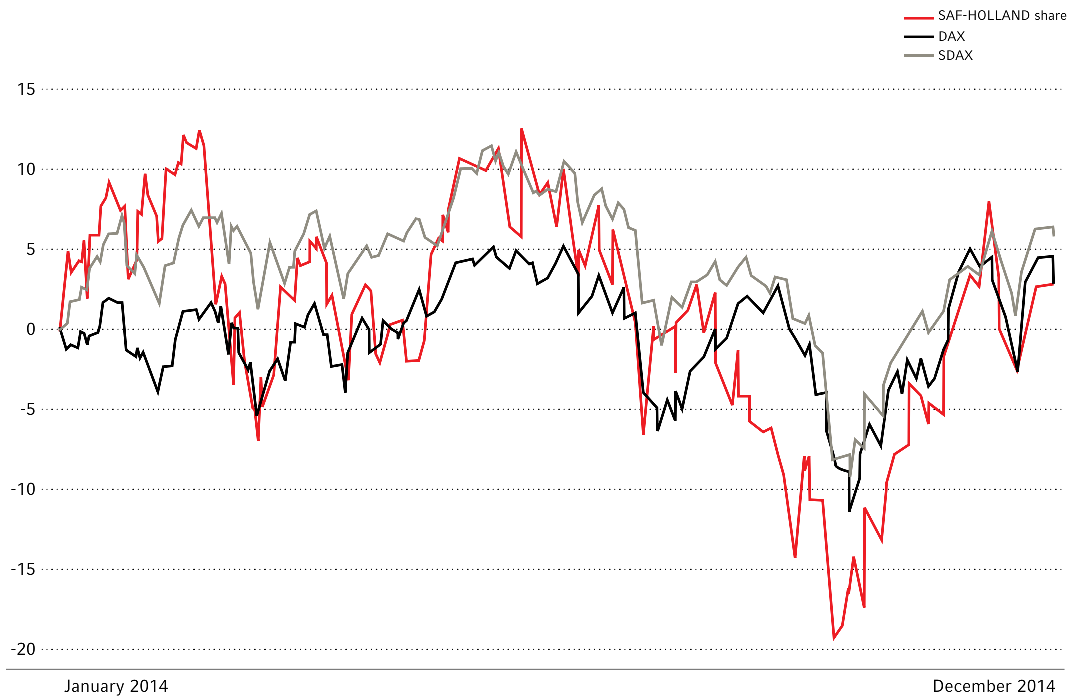
SDAX with more than 7,000 points

The SAF-HOLLAND comparative index SDAX increased at the beginning of 2014 at a greater rate than the DAX and in January exceeded the 7,000 point mark for the first time. It then experienced a price development similar to the leading index, with an equally sharp decline in the fall. At the end of the year the SDAX rose again significantly and reached a year-end closing price of 7,186 points. Thus, the increase over the previous year amounted to 5.9% (previous year: 29.3%).

Market capitalization of SAF-HOLLAND above EUR 500 million

The SAF-HOLLAND share began the 2014 stock exchange year with a much stronger performance than the DAX and SDAX. Compared to the year-end 2013, by February 19 the share price had risen by 13% to the year's high of EUR 12.22. The resulting profit-taking, which was used by a number of investors, as well as the impact of the Crimea crisis on the stock exchanges then led to a decline in the share price. In the second quarter, there was a further share price rise to the equally high value of EUR 12.20 on June 19. In the third quarter, due to the international crises and the conflict in the Ukraine, a more intense weakening of the stock market began. The ongoing declines in the indices, which continued until mid-October, were also reflected in the price development of the SAF-HOLLAND share. With the improved market environment the share then rose again significantly. At the end of the year, with a closing price of EUR 11.10 (previous year: EUR 10.81), our share showed an increase of 2.7% over the previous year-end results. On the basis of the annual closing price and the 45,361,112 shares issued, the market capitalization of SAF-HOLLAND increased to EUR 503.5 million as of December 31, 2014.

DEVELOPMENT OF THE SAF-HOLLAND SHARE PRICE VS. SDAX AND DAX in %



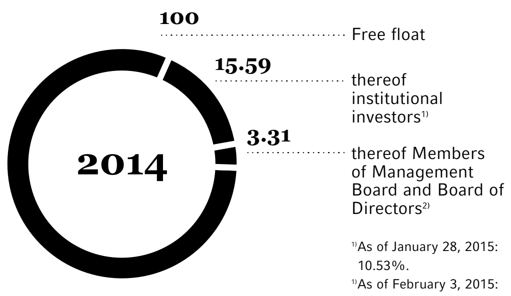
Source: Commerzbank AG, Frankfurt am Main.

Diverse shareholder structure

The SAF-HOLLAND share is listed on the regulated market of the Frankfurt Stock Exchange. It meets the strict transparency requirements of the Prime Standard of the German Stock Exchange and has been a component of the SDAX index since 2010. In financial year 2014, the average trading volume of the share per trading day was 158,912 (previous year: 216,447).

All of our company's shares are in free float. Contingents of our stock are held by investment companies from the USA, the United Kingdom, Switzerland, France, the Benelux countries and Germany. At the end of 2014 larger institutional investors include Deutsche Bank AG with a 5.29% stake and 2,401,539 voting rights, FMR LLC, Boston, (5.06% / 2,294,277 voting rights) and Ameriprise Financial Inc./Threadneedle Asset Management Ltd., London, (5.24% / 2,376,212 voting rights). By the end of the year members of the Management Board and the Board of Directors of SAF-HOLLAND owned 3.31% of the shares of the company (previous year: 4.2%).

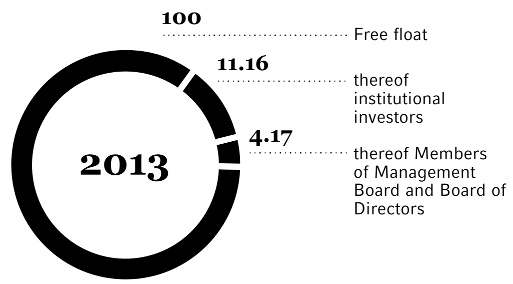
SHAREHOLDER STRUCTURE 2014 in %



[1] As of January 28, 2015: 10.53%.
[2] As of February 3, 2015: 3.09%.

As of December 31, 2014

SHAREHOLDER STRUCTURE 2013 in %



As of December 31, 2013

Analysts recommend acquisition of the share

SAF-HOLLAND is regularly analyzed by several banks and brokers. They produce studies on the business and evaluate our share. Quirin Bank AG, Berlin, became a part of this process in the reporting year. The coverage by the extensive group of analysts and their positive assessments is a key driver for attracting even more attention for our share among private and institutional investors. Exane BNP Paribas, Paris, started coverage from January 2015 and Macquarie Capital Ltd., London from February 2015. At the time of publication of this annual report, eight out of eleven analysts gave the share a "buy" rating, two analysts gave the rating "outperform", one analyst gave the rating "hold".

CURRENT ANALYSTS ESTIMATES

March 5, 2015	Kepler Cheuvreux	buy
March 5, 2015	Commerzbank AG	hold
March 4, 2015	Deutsche Bank AG	buy
March 4, 2015	Exane BNP Paribas	outperform
March 4, 2015	Hauck & Aufhäuser Institutional Research AG	buy
February 10, 2015	Macquarie Capital Ltd.	outperform
November 7, 2014	ODDO SEYDLER BANK AG	buy
November 6, 2014	Bankhaus Lampe KG	buy
November 6, 2014	equinet Bank AG	buy
November 6, 2014	Montega AG	buy
September 29, 2014	Quirin Bank AG	buy

An increase of the dividend payment is proposed

SAF-HOLLAND is committed to allowing shareholders to participate in the success of the company by distributing 40 to 50% of the available net earnings as a dividend. The condition for the dividend payment is an equity ratio of about 40% reported in the annual financial statements. This target was nearly achieved again in the 2014 financial year with 38.5%. The balance sheet total for 2014 showed compared to the target value for the company of around EUR 7 million a relatively high amount of cash and cash equivalents of EUR 44.2 million (previous year: EUR 23.9 million). If the balance sheet total were adjusted for the difference to the target value, this would result in a mathematical adjusted equity ratio of 40.9% for financial year 2014 (previous year: EUR 42.8%). At the Annual General Meeting the Board of Directors will thus propose distributing a dividend of EUR 0.32 per share (previous year: EUR 0.27), which corresponds to a dividend distribution of EUR 14.5 million (previous year: EUR 12.2 million) and around 44% (previous year: 50%) of the result for the period. In relation to the individual share and the annual closing price of 2014, this results in a dividend yield of 2.88%. Subject to approval at the Annual General Meeting of April 23, 2015, the dividend will be paid to the share holders on April 24, 2015.

SHARE DETAILS

WKN / ISIN	A0MU70 / LU0307018795
Stock exchange symbol	SFQ
Number of shares	45,361,112 shares
Designated sponsors	Commerzbank AG, ODDO SEYDLER BANK AG, Kepler Cheuvreux
Highest/lowest price for the year[1]	EUR 12.22 / EUR 8.77
Closing price[1]	EUR 11.10
Market capitalization[2]	EUR 503.5 million
Adjusted earnings per share[2]	0.96 Euro

[1] XETRA closing price.
[2] Based on the weighted average number of shares outstanding in the period under review.

CORPORATE BONDS OVERVIEW

Attractive investment with good returns

In 2014, the central banks continued their expansionary monetary policy and the interest rates on the capital market remained at very low levels. Against this background, corporate bonds proved to be an attractive yield alternative. As before, corporate bonds still had a good rating and enjoyed strong demand among private and institutional investors as an investment opportunity.

SAF-HOLLAND corporate bond

Since October 2012, SAF-HOLLAND has had a corporate bond listed in the Prime Standard for corporate bonds in the Frankfurt Stock Exchange. The quotation in this premium segment offers investors a high degree of transparency and a good tradability of the bond.

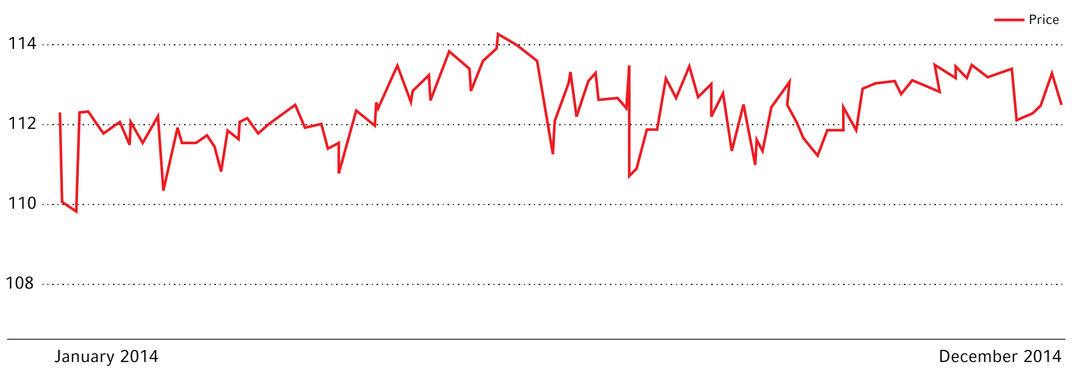
The total nominal value of the bond amounts to EUR 75.0 million in a private investor-friendly denomination of EUR 1,000. The bond has an interest coupon of 7.00% and a maturity until April 26, 2018.

In financial year 2014, the SAF-HOLLAND corporate bond recorded a generally stable price development. The closing price on December 30, 2014, the last trading day of the year, at 112.3%, was at almost the same level as of the previous year end (112.4%). On December 30, 2014, the yield to maturity amounted to 4.39%.

Company rating confirmed again in April 2014

SAF-HOLLAND has a liquidity rating in the investment grade range of BBB, stable outlook. The rating agency Euler Hermes confirmed its rating of September 2013 following a further detailed analysis on April 23, 2014 with the expectation of continued stable business development in the twelve-month outlook.

DEVELOPMENT OF THE SAF-HOLLAND CORPORATE BOND in %



Source: IKB Deutsche Industriebank AG, Düsseldorf.

KEY FIGURES FOR THE CORPORATE BOND PRICE

WKN	A1HA97
ISIN	DE000A1HA979
Volume	EUR 75.0 million
Denomination	EUR 1,000
Coupon	7.00% p.a.
Interest date	April 26
Term	5.5 years
Maturity	April 26, 2018
Bond segment	Prime Standard
Exchange	Frankfurt
Status	Not subordinate
Company rating	BBB, outlook stable (Euler Hermes)
Closing price[1]	112.3 %

[1] Closing price Bloomberg.

SAF-HOLLAND convertible bond

As part of a private placement on September 12, 2014 SAF-HOLLAND issued a convertible bond with a nominal value of EUR 100.2 million. The unsubordinated and unsecured convertible bond are due on September 12, 2020. The two-times oversubscribed bond was placed with institutional investors just a few hours after the accelerated book building process – evidence of the tremendous interest in the convertible bond as well as the confidence that investors have in the strength of our company.

The transaction was accompanied by joint bookrunners Citigroup Global Markets Ltd. and Commerzbank AG. IKB Deutsche Industriebank AG acted as co-lead manager and advisor. Following the issue, the convertible bond was admitted for trading on September 12, 2014 in the open market of the Frankfurt Stock Exchange.

The convertible bonds issued at 100% of their nominal value with a denomination of EUR 100,000 per bond are initially convertible into 8.1 million new or existing ordinary shares of SAF-HOLLAND S.A. with a par value of EUR 0.01, representing approx. 17.9% of SAF-HOLLAND S.A.'s current outstanding share capital. The subscription rights of the shareholders have been excluded.

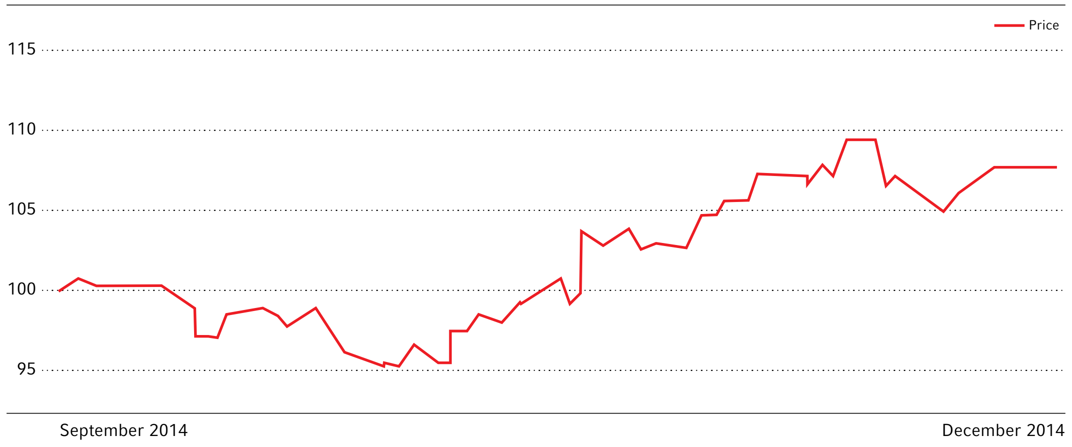
The convertible bond has an annual interest rate of 1.00%, which is paid in arrears. The initial conversion price amounts to EUR 12.37 which represents a conversion premium of 20% above the applicable reference share price.

For SAF-HOLLAND, the convertible bond is a further significant component in the long-term securing and optimization of the company's financing structure and costs. They give our company sustainably attractive low interest rate conditions and, at the same time, have established a favorable basis for the renegotiation of existing credit lines at banks. More information on this can be found on page 94.

Compared to a non-convertible bond, the convertible bond provides our company with an interest rate advantage of around 2.5%. In total, SAF-HOLLAND saves about EUR 2 million annually as a result of the optimized financing structure, which has a correspondingly positive impact on the earnings situation and thus also on the earnings per share.

Following the issue of the convertible bond at the beginning of September 2014, the price initially fell. The short term weakness, however, was overcome by the middle of October. Over the course of the rest of the year, the convertible bond from SAF-HOLLAND showed a generally positive share-price development. It closed out the financial year on December 30, 2014 at a price of 107.5%.

VALUE DEVELOPMENT OF THE SAF-HOLLAND CONVERTIBLE BOND in %



Source: IKB Deutsche Industriebank AG, Düsseldorf.

KEY FIGURES FOR THE CONVERTIBLE BOND

WKN	A1ZN7J
ISIN	DE000A1ZN7J4
Volume	EUR 100.2 million
Denomination	EUR 100,000
Coupon	1.00% p.a.
Method of payment	Semi-annually, first payment on March 12, 2015
Term	6 years
Maturity	September 12, 2020
Status	Unsubordinated and unsecured
Conversion price	EUR 12.37 per share
Conversion bonus	20% above reference price
Conversion rate	Initially 8,083.6823 per bond (approx. 8.1 million shares)
Dividend protection	Up to EUR 0.27 per share annually
Stock exchange listing	Over the counter market of the Frankfurt Stock Exchange
Closing price [1]	107.5%

[1] Closing price by Bloomberg.

INVESTOR RELATIONS AND CAPITAL MARKET RELATIONSHIPS

Capital Markets Day 2014 at the world's leading trade fair in Hanover

With its investor relations activities, SAF-HOLLAND focuses on providing timely and comprehensive information to shareholders, bondholders and analysts. We offer capital market participants a detailed report on business performance, the global growth strategy and the future prospects of our company. As a result of the extensive and continuous IR efforts, we make a direct contribution to the expansion of our investor base. In addition, our commitment serves to enhance the importance of SAF-HOLLAND shares and corporate bonds as attractive investments.

The spectrum of our capital market activities in financial year 2014 included presentations at roadshows and investor conferences in Germany, France, UK, Italy, Switzerland, the Benelux countries and the United States. Our IR work was complemented by a number of conference calls and individual and group meetings with investors and analysts.

A special highlight of the capital market communications was SAF-HOLLAND's Capital Markets Day 2014. The well-attended event for financial analysts and investors took place at the end of September at the world's leading international trade fair IAA Commercial Vehicles under the motto "inspired by PASSION" in Hanover, Germany. Many investors and analysts followed our management's presentations and lectures with great interest and these were followed by an invitation to a tour of the SAF-HOLLAND stand with the product innovations being described in personal conversations.

Detailed information on the share, corporate bond and convertible bond of SAF-HOLLAND can be found on our Investor Relations website on the Internet. Here you will find, among other things, reports and presentations for download: http://corporate.safholland.com/en/investoren.html.

FINANCIAL POSITION AND FINANCIAL PERFORMANCE

GENERAL FRAMEWORK CONDITIONS

Overall economic development

Global production growth accelerated in the second half of 2014. According to the Kiel Institute for the World Economy (IfW), global production for the full year rose by an estimated 3.4%. The world economy benefited in particular from the strong decrease in oil prices. The continued expansionary monetary policy of the advanced economies also had a positive effect. World trade showed gains in 2014 and, according to the IfW, is expected to record growth for the year of 3.5%.

__ Europe: economic recovery continues
In Europe, economic activity in the reporting year was again subdued due to structural problems in some of the countries in the monetary union. Added to this were the effects of the Ukraine conflict. Consequently, there was a break in the economic recovery in the Euro zone in the spring followed by a slight increase again in the following months. Based on the year as a whole, production in Europe and in the Euro zone increased, however at low rates of expansion. Germany was once again among the countries with above-average economic growth in 2014.

__ North America: economy on a growth path
In the United States, gross domestic product (GDP) showed strong growth after a weak start to the year. In addition to the now passed budget crisis and the favorable oil prices, intensified housing construction in particular contributed to the economic upswing. Overall, the US economy expanded its production by 2.2% as in the previous year. It thus achieved a growth rate above the average of the advanced economies.

__ BRIC countries: strong growth in China and India
Parallel to the world economy, production also increased in emerging markets. The relevant BRIC countries for SAF-HOLLAND showed varying economic activity. After a strong decline in the first half of the year, production in Brazil increased slightly over the rest of the year and reached a slight overall GDP growth of 0.2%. The Russian economy, which was significantly impacted by the Ukraine crisis and its consequences, showed similar development with a slight increase of just 0.4%. Growth in the Asian BRIC countries was again well above that of the world economy. According to the IfW, production in India is expected to have grown by 5.9% and in China by 7.4%.

ECONOMIC GROWTH 2014 IN IMPORTANT MARKETS

	2014	2013
European Union	1.3%	0.1% [1]
Euro zone	0.8%	-0.4%
Germany	1.5%	0.1%
United States	2.2%	2.2%
Brazil	0.2%	2.5%
Russia	0.4%	1.3%
India	5.9%	4.7%
China	7.4%	7.7%

[1] Institute for the World Economy IfW (September 2014)

Source: Institute for the World Economy IfW (December 2014)

We evaluate overall macroeconomic development as positive for the Group.

Industry-specific development

The German Automotive Industry Association (VDA) expects the global commercial vehicle market to grow by 1% in 2014 compared to the previous year. The medium and heavy trucks segment is expected to have developed significantly better. Consulting firm Frost & Sullivan assumes that sales of higher class vehicles increased to a combined 2.9 million units in the reporting year. Compared to 2013, this corresponds to a growth rate of 3.7%.

__ Europe: commercial vehicle market remains positive
The European commercial vehicle market tended to show upward development. All in all, 1.8 million new commercial vehicles were newly registered in the reporting year, 7.6% more than in 2013. The primary growth driver proved to be the light-duty trucks, but the heavier weight classes were also in good demand on a high level. For the entire segment of trucks over 3.5 tons, the industry association ACEA recorded 290,107 new registrations, 7.7% less than in 2013. When making a comparison with the prior year it should be considered that the upcoming Euro 6 emissions standard led to pre-buy effects at the end of 2013 and thus to unusually strong sales figures – a special effect that did not recur in 2014.

Within the higher weight classes, trucks over 16 tons were particularly in demand in 2014. The individual markets showed a varied picture. In France and the UK for example, new registrations fell short of the previous year. In Germany on the other hand, 6.1% more heavy trucks were newly registered and in Southern European countries the market segment saw growth rates of more than 25%.

The European trailer market performed well during the reporting year. A slight market weakness towards the end of the year was caused by political developments: manufacturers exported fewer trailers to the Ukraine and Russia. The sales of used trailers to Russia also declined, which correspondingly put pressure on the used vehicle prices in the exporting countries. As a result, fleet operators kept their old vehicles in stock and decided to replace them with new purchases later than planned. Despite these burdening influences, new trailer registrations in 2014 in Eastern Europe increased by 9.3% and in Western Europe by 16.7%.

__ North America: strong demand for trucks and trailers
The North American market grew strongly in 2014. Freight forwarders and fleet operators made intensive investments in trucks and trailers. The strong upward trend was buoyed by several factors which, according to ACT Research, will continue to boost growth. These include, in addition to pent-up demand, also the increasing economic activity and, above all, rising freight rates.

Production of trucks in class 8, which is relevant for SAF-HOLLAND, increased in the reporting year to 298,474 units according to ACT Research. Compared to 2013, this corresponds to growth of 21.4%. The trailer market also showed strong gains. Compared to the previous year, delivery figures in the USA were up by 16.8% and in Canada by 8.6%.

The strong upward trend in the North American market showed even greater dynamic toward the end of the reporting year. For trucks in class 8, November 2014 was among the five best order months since the early 1980's, according to ACT Research. In the market for semi-trailers and trailers, September, October and November were the three strongest consecutive order months in history. For December, order books in the trailer industry almost doubled compared to the previous year.

__ BRIC countries: production growth in India and China
The commercial vehicle markets in the BRIC countries developed unevenly in 2014. In Brazil, the number of trucks registered for the first time decreased by 11.3% as compared to the previous year. According to statistics from the industry association Anfavea, the decline primarily

impacted lighter truck classes. Middle-heavy and heavy trucks, the market that is relevant for SAF-HOLLAND, saw stronger demand but also in this market segment 9.2% fewer units were newly registered than in the prior year. The Russian commercial vehicles market continued to show weakness due in part to political differences in Ukraine and the substantial loss of value of the ruble. Both vehicle imports and production figures declined significantly. From January to July, sales of trucks fell by 18.6% as compared to the same period in the previous year.

Not least as a result of higher export rates , the Indian commercial vehicles market has been improving since February 2014. The middle-heavy and heavy truck sector showed stronger development than the overall market. Here, for the period from April to December 2014, SIAM registered growth of 10.3% as compared to the prior-year period. In China, the world's largest commercial vehicles market, approximately 3.8 million units were produced in 2014, 5.7% less than in the previous year. According to the local manufacturer's association, CAAM, production of trucks declined by 7.9% over the previous year. Against the backdrop of the acquisition of Corpco, the bus segment is also relevant for SAF-HOLLAND in China. Here, production figures for 2014 were 7.6% higher than the prior year.

We evaluate industry specific development as positive for the Group.

OVERVIEW OF BUSINESS DEVELOPMENT

SAF-HOLLAND's business development in 2014 was good. As a result of our forward-looking capacity planning, we were able to benefit extensively from the continued recovery in the European market and from strong demand in North America. We managed to compensate for regional market weaknesses in Russia and Brazil with higher volumes in other emerging markets. In addition, our Aftermarket business contributed to the favorable business development. Overall, SAF-HOLLAND increased sales in the reporting year to EUR 959.7 million (previous year: EUR 857.0 million). Adjusted EBIT increased to EUR 70.7 million (previous year: EUR 59.3 million) with an improved adjusted EBIT margin of 7.4% (previous year: 6.9%).

Targets achieved in 2014

The expectations for 2014 as described in our Annual Report 2013 were confirmed. Our objectives were achieved both in terms of sales and earnings. Total sales generated in 2014 of EUR 959.7 million is above the target corridor as defined in the forecast of EUR 920 to EUR 945 million. In terms of earnings we aimed for an adjusted EBIT of at least EUR 70 million in 2014. With an increase in adjusted EBIT to EUR 70.7 million (previous year: EUR 59.3 million), this goal was also achieved. With respect to the adjusted EBIT margin, we forecast a further improvement, which we also managed to reach. In the Group, SAF-HOLLAND showed an adjusted EBIT margin for 2014 of 7.4%, following a comparative figure of 6.9% in the previous year.

OVERVIEW OF TARGET ACHIEVEMENT 2014

	Targets 2014	Results 2014
Group sales	between EUR 920 million and EUR 945 million	EUR 959.7 million
Adjusted EBIT in the Group	approximately EUR 70 million	EUR 70.7 million
Adjusted EBIT margin in the Group	rising adjusted EBIT margin (2013: 6.9%)	7.4%

In line with the forecast for financial year 2014, we recorded stronger business development in North America as compared to the previous year. The European business also developed according to plan because pre-buy effects with regard to the Euro 6 standard had limited impact on our activities in this core market, which are primarily focused on trailers.

In financial year 2013, we announced the continuation of our growth strategy for 2014 with the following areas of focus: development of the trailer business in North America, expansion of our global activities in the Aftermarket business and the ongoing exploration of BRIC markets. With this intention, we began to utilize our doubled axle production capacities in North America. Through a newly-opened Parts Distribution Center in Malaysia, we strengthened the aftermarket activities in Southeast Asia and expanded activities in the bus segment in China with the acquisition of Corpco.

The focus of our product developments was, as planned, on innovations that serve to reduce the weight of vehicles. As planned, we invested in the optimization of the manufacturing capacities and, to a much smaller extent than in the previous year, in the harmonization of our global IT structures. The implementation in 2013 of the measures to improve profitability of the Trailer Systems Business Unit was continued and, as of the balance sheet date 2014, developed as planned.

Significant events in the 2014 financial year

__ inspired by PASSION: innovations for fleet customers

SAF-HOLLAND presented an unusually high number of new developments in the reporting year. We showed innovations for the European market at the IAA Commercial Vehicles trade fair under the motto "inspired by PASSION" in Hanover, Germany. We also showed innovations for North America at the Mid-America Trucking Show (MATS) in Louisville, Kentucky. The common feature of these new products is weight savings as well as developments with regard to durability, maintenance-friendliness and safety. Among the highlights at the IAA was a pioneering carbon axle as well as the products INTRA S and INTRA R – new, market and price differentiated suspension systems from our INTRA product line. At the MATS, the focus was on the innovative NEWAY LSZ, a lift axle that combines a number of best-in-class functions. It is geared primarily toward vocational trucks for special uses and thus addresses a market segment that is particularly interesting for SAF-HOLLAND due to the limited cyclical demand.

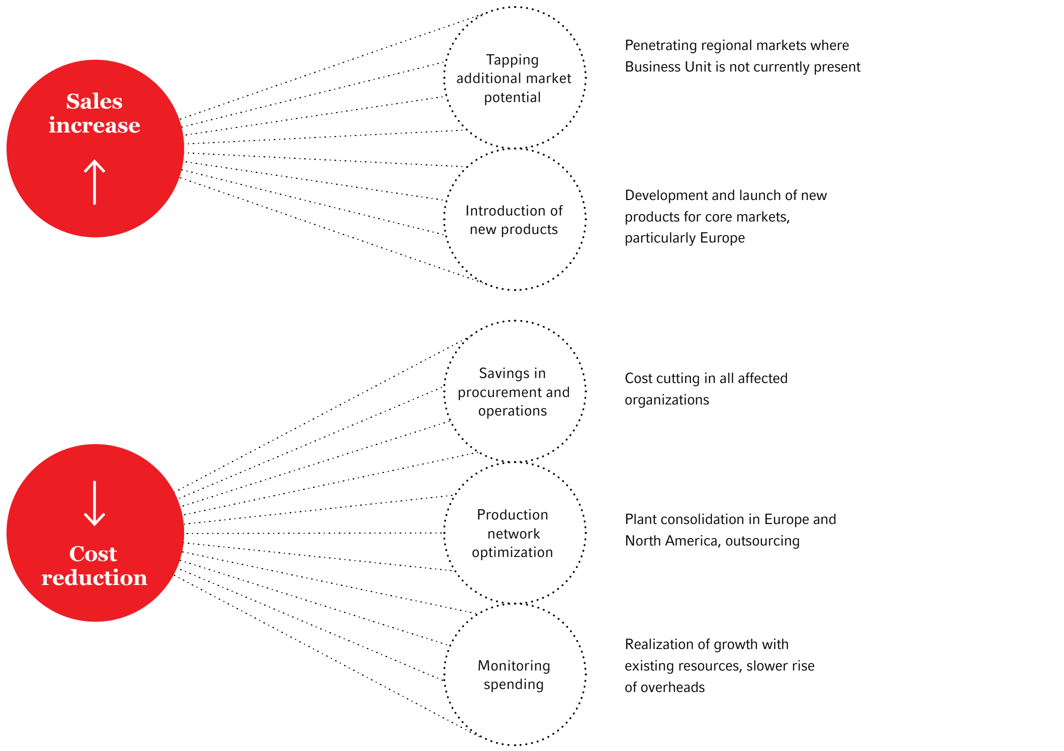
We also presented innovations in the Aftermarket area including a Service 24/7 app as well as the expansion of spare parts ordering via QR code. The loyalty program FLEET Connect which was launched in 2014 ensures an even closer networking with fleet customers. Participating fleets are given bonus points when they equip new vehicles with our components or purchase spare parts from SAF-HOLLAND. These bonus points can then be exchanged for attractive rewards. FLEET Connect is the first program of its kind in the industry. You can find out more about the focus development topics weight reduction, durability and safety on pages 18 to 23. More detailed information on the trade fair appearances can be found from page 42.

__ Measures to increase profitability in Trailer Systems according to plan

The large number of new products at the IAA was also the result of intensified development activities in the Trailer Systems Business Unit. We intend to increase the adjusted EBIT margin for the business segment to about 6% by the end of 2015. To this end, a comprehensive set of measures was set up in the second half of 2013 which enables cost reductions and, at the same time, opens up additional sales potential. This includes an innovation campaign for the development and market launch of new products for our core markets, especially Europe.

The implementation of the measures proceeded as planned in the reporting year. We achieved considerable progress especially in the plant consolidation in Germany, a key component of the set of measures. Until the second half of 2015, we intend to merge the Wörth plant into the plants at the main site in Bessenbach, which we will expand for the purpose. Already in the first half of 2014, a significant amount of machinery and systems were transferred from Wörth to Bessenbach. Simultaneously, construction measures began in Bessenbach for the modernization and expansion of the plant system which, at the time of publication, were near completion. From today's perspective, the plant relocation can be completed on schedule in 2015. Concrete steps for the planned plant consolidation in North America will also be decided and implemented over the course of 2015. More detailed information on this topic will be published in 2015.

PACKAGE OF MEASURES TO INCREASE PROFITABILITY OF TRAILER SYSTEMS



__ Corpco expands activities in the bus segment

On January 2, 2014, SAF-HOLLAND acquired 80% of the shares in Corpco Beijing Technology and Development Co., Ltd. (Corpco). The acquisition is combined with an option on the remaining 20% of shares in the company. The Chinese company produces and sells suspension systems for buses and is a supplier in its domestic market. The integration of Corpco began as planned in the reporting year. These efforts were supported by the fact that the partners had already been working together for more than ten years and Corpco has manufactured and sold suspension systems for the SAF-HOLLAND NEWAY brand as a licensee for several years.

The acquisition intensifies our activities in the bus segment and provides a greater degree of independence from demand cycles in the truck and trailer sector. In addition to the Chinese market, Corpco also opens up other country markets for bus suspension systems, especially in Asia and South America.

__ Spare parts distribution in Southeast Asia strengthened

The consistent expansion of the service network and global spare parts availability are key drivers for the success of our Aftermarket business. With the opening of a Parts Distribution Center (PDC) in Malaysia, we expanded our presence in Southeast Asia in 2014. From its base in Kuala Lumpur, the new PDC supplies workshops and fleet customers with original spare parts and our products from the brand SAUER GERMANY QUALITY PARTS. Worldwide, SAF-HOLLAND currently has a total of eleven PDCs on the continents North and South America, Europe, Africa, Asia and Australia. As strategic distribution centers, they supply a network of around 9,000 spare parts and service stations worldwide.

PARTS DISTRIBUTION CENTERS (PDC): 11 LOCATIONS WORLDWIDE

1 **Central PDC**
Germany
USA

2 **Continental PDC**
Canada
Brazil
Poland
Russia
United Arab Emirates
South Africa
Australia

3 **PDC in Mexico**

4 **PDC in Malaysia**

__ Convertible bond as basis for optimized financing structure

In September 2014, SAF-HOLLAND placed a convertible bond with a total value of EUR 100.2 million with institutional investors. They can be converted by bondholders into a total of 8.1 million ordinary shares of SAF-HOLLAND each with a denomination of EUR 0.01. This corresponds to approximately 17.9% of existing share capital. If investors do not convert their bond into shares, repayment will be undertaken in September 2020. We used the proceeds from the emission to further repay our bank loans, to optimize our financing costs, to raise our financial flexibility and to secure the future growth of the company. More information on corporate financing can be found on page 94. Further information on the placement of the convertible bond can be found on page 79.

EARNINGS SITUATION

Group sales increase significantly to EUR 959.7 million

In the financial year, SAF-HOLLAND increased Group sales by 12.0% to EUR 959.7 million (previous year: EUR 857.0 million). We achieved higher sales volume than in the prior year in our core markets Europe and North America as well as in the other regions. All Business Units contributed to the growth in sales. The Group's order situation over the course of the year and also on the balance sheet date December 31, 2014 was positively influenced by the improved market situation for trucks and trailers as compared to the previous year.

CURRENCIES: DEVELOPMENT US DOLLAR AND CANADIAN DOLLAR AGAINST THE EURO (2014)[1]

North America	
US dollar	+0.05%
Canadian dollar	-6.74%

[1] Average rates of financial year 2014 versus financial year 2013.

Adjusted for exchange rate effects, sales generated in 2014 in the Group was EUR 959.5 million.

SALES DEVELOPMENT BY REGION

EUR million		2014		2013
Europe	496.5	51.7%	447.9	52.3%
North America	363.9	37.9%	339.1	39.5%
Other	99.3	10.4%	70.0	8.2%
Total	**959.7**	**100%**	**857.0**	**100%**

__ Europe: substantial growth in sales volume
In Europe, our assumption was confirmed that customers are increasingly beginning to modernize their fleets and pent-up demand for investments started to materialize. Based on the more favorable framework conditions, SAF-HOLLAND was able to significantly increase sales in Europe in all four quarters of the reporting year.

The trailer business in particular contributed to the significantly increased sales in Europe. With a view to the upcoming Euro 6 standard, European fleet owners preferred to invest in trucks in the fourth quarter of 2013. From the beginning of 2014, the focus began to shift toward trailers, a development from which we were able to sustainably benefit, even though business development in the second half of the year was impacted by negative effects from the Russia-Ukraine crisis. Overall, we increased sales generated in Europe by 10.9% to EUR 496.5 million (previous year: EUR 447.9 million). With a share in Group sales of 51.7% (previous year: 52.3%), the region again strengthened its position as a primary source of sales.

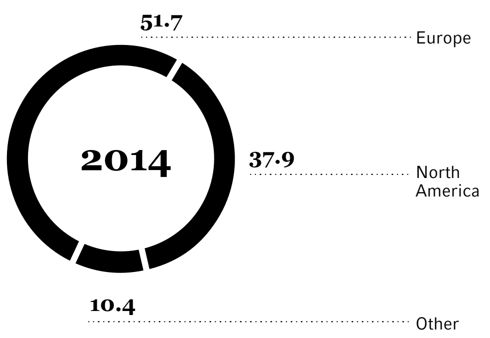
__ North America: business development with increasing momentum
SAF-HOLLAND relies in particular on the further expansion of trailer activities in the North American market. Our traditionally strong market position, the comprehensive product portfolio of axles and suspension systems as well as the significantly expanded production capacities proved to be effective advantages in 2014. We were able to take good advantage of the increasingly positive industry environment as a result of our market leadership in the truck sector. From the second quarter, North American quarterly sales reached continually higher levels compared to the respective prior-year period.

In full-year 2014, sales in this region increased to EUR 363.9 million (previous year: EUR 339.1 million), which corresponds to growth of EUR 24.8 million or 7.3%. Approximately 37.9% of Group sales were thus generated in this core market (previous year: 39.5%).

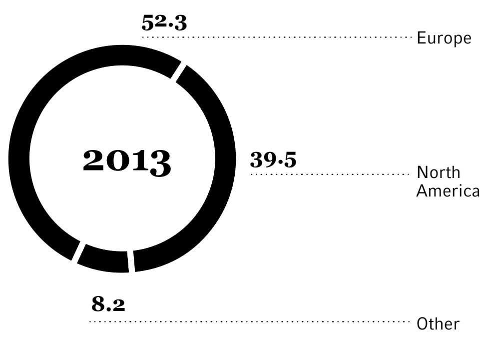
__ BRIC countries: strong sales growth in emerging markets
In regions outside the core markets, including the BRIC countries, sales in 2014 grew to EUR 99.3 million (previous year: EUR 70.0 million). The clear increase resulted both from organic growth and from the inclusion of the Chinese company Corpco in the consolidated financial statements. The Chinese company has been included in the scope of consolidation since January 2014.

Development of activities in China was generally pleasing, which also applies to our landing gear production for Europe and North America. On the Chinese market, we added cost-efficient standard axles to the product program in 2014. They address – depending on the model – vehicles manufactured in China which are exported to North America or are sold to smaller vehicle manufacturers in the Middle East or Southeast Asia. In Brazil, sales were below expectations due to the difficult market situation. As a result of this weaker development at our company in Brazil, an impairment was conducted on the positions plant and equipment as well as on customer receivables and other non-current assets in the amount of EUR 0.67 million. On the cost side, we made further progress in the South American country so that we anticipate an improvement in earnings for the first half of 2015.

SHARE OF GROUP SALES BY REGION in %



SHARE OF GROUP SALES BY REGION in %



Gross profit improved to EUR 174.6 million

Due primarily to high business volume, the gross profit in the Group rose to EUR 174.6 million (previous year: EUR 155.6 million) which is with 18.2% (previous year: 18.2%) gross margin a constant development. In relation to the key cost categories, our expenses rose at a lower rate than sales. Selling expenses of EUR 57.7 million (previous year: EUR 53.3 million) were 6.0% of Group sales (previous year: 6.2%). This cost position includes costs for the lead trade fair IAA in Hanover which takes place every two years. We had expenditures of EUR 19.6 million for research and development (previous year: EUR 18.0 million). Despite intensive activities in this area, the share of R&D expenditures excluding capitalized development cost in relation to total sales reached a rate of 2.1% (previous year: 2.1%).

Administrative expenses in 2014 amounted to EUR 44.6 million (previous year: EUR 38.0 million). In a comparison with the previous year, it should be taken into consideration that in 2013 this position was relieved due to internal costs which were capitalized in the course of the IT harmonization in the amount of EUR 2.1 million. We also booked an additional provision in 2014 of EUR 2.3 million relating to a phantom share program created in financial year 2010 for a group of 20 people consisting of Management Board and Vice Presidents. The requirement for the key figure “earnings before taxes after cost of total equity” was met in the past financial year. The exercise conditions for the phantom share program were updated by the Board of Directors in the financial year. The reasons for the update in the exercise conditions is that when the phantom share program was concluded in June 2010, long-term capital measures and the extent of restructuring expenses during the term of the phantom share program were not foreseeable. If this situation had been known at the time the phantom share program was concluded, the exercise conditions would have been defined accordingly. In relation to total sales, the share of administrative expenses in 2014 amounts to 4.6% (previous year: 4.4%).

INCOME STATEMENT

EUR million	2014		2013	
Sales	959.7	100%	857.0	100%
Cost of sales	-785.1	-81.8%	-701.4	-81.8%
Gross profit	**174.6**	**18.2%**	**155.6**	**18.2%**
Other income	2.0	0.2%	3.1	0.3%
Selling expenses	-57.7	-6.0%	-53.3	-6.2%
Administrative expenses	-44.6	-4.6%	-38.0	-4.4%
Research and development costs	-19.6	-2.1%	-18.0	-2.1%
Operating result	**54.7**	**5.7%**	**49.4**	**5.8%**
Finance result	-7.7	-0.8%	-17.8	-2.1%
Share of net profit of investments accounted for using the equity method	2.0	0.2%	-0.1	0.0%
Result before tax	**49.0**	**5.1%**	**31.5**	**3.7%**
Income tax	-16.3	-1.7%	-7.1	-0.9%
Result for the period	**32.7**	**3.4%**	**24.4**	**2.8%**
Number of shares[1]	45,361,112		45,361,112	
Basic earnings per share in EUR	**0.72**		**0.54**	
Diluted earnings per share in EUR	**0.69**		**0.54**	

[1] Weighted average number of ordinary shares.

Earnings before tax in 2014 increased by more than 55.6% to EUR 49.0 million (previous year: EUR 31.5 million). In addition to the higher operating result of EUR 54.7 million (previous year: EUR 49.4 million), this increase was primarily attributable to the improved finance result of EUR -7.7 million (previous year: EUR -17.8 million). In addition to operational advances and positive effects from our comprehensively optimized external financing, the finance result also reflects positive currency gains. In the reporting period, unrealized foreign exchange gains amounted to EUR 8.4 million compared to unrealized foreign exchange losses of EUR 4.3 million in the previous year. In addition, the finance result is burdened by one-time effects such as the earlier repayment of capitalized transaction costs in the amount of EUR 2.0 million (previous year: EUR 0.0 million) and the earlier repayment of interest rate swaps in the amount of EUR 2.2 million (previous year: EUR 2.2 million) in the course of the refinancing. The result for the period increased to EUR 32.7 million in the reporting year (previous year: EUR 24.4 million) despite the higher income tax of EUR 16.3 million (previous year: EUR 7.1 million).

RECONCILIATION OF ADJUSTED EARNINGS FIGURES

EUR million	2014	2013
Result for the period	32.7	24.4
Income tax	16.3	7.1
Finance result	7.7 [1]	17.8 [2]
Depreciation and amortization from PPA[3]	6.1	6.1
Restructuring and integration costs as well as aperiodic expenses	7.9	3.9
Adjusted EBIT	**70.7**	**59.3**
as a percentage of sales	7.4	6.9
Depreciation and amortization	13.6	11.8
Adjusted EBITDA	**84.3**	**71.1**
as a percentage of sales	8.8	8.3
Depreciation and amortization	-13.6	-11.8
Finance result	-7.7 [1]	-17.8 [2]
Restructuring and integration costs	-	–
Adjusted earnings before taxes	**63.0**	**41.5**
Income tax	-19.3 [4]	-12.7 [5]
Adjusted result for the period	**43.7**	**28.8**
as a percentage of sales	4.6	3.4
Number of shares[6]	45,361,112	45,361,112
Adjusted earnings per share in EUR	**0.96**	**0.63**

[1] The financial result includes unrealized foreign exchange gains on foreign currency loans in the amount of EUR 8.4 million. Unrealized foreign exchange losses of EUR 0.5 million had an opposing effect.
[2] The financial result includes unrealized foreign exchange losses on foreign currency loans in the amount of EUR 4.3 million, unrealized foreign exchange gains of EUR 0.6 million had an opposing effect.
[3] Purchase price allocation (PPA) from the acquisition of the SAF Group and Holland Group in 2006 as well as Austin-Westran Machinery Co., Ltd. and the current SAF-HOLLAND Verkehrstechnik GmbH in 2008.
[4] A uniform tax rate of 30.60% was assumed for the adjusted result for the period.
[5] A uniform tax rate of 30.70% was assumed for the adjusted result for the period.
[6] Weighted average number of shares issued in the period under review.

Adjusted EBIT significantly increased by almost 20%

The growth in Group sales was related to a disproportionately high increase in earnings. Adjusted EBIT increased by 19.2% to EUR 70.7 million (previous year: EUR 59.3 million). In relation to higher total sales, this results in an improved adjusted EBIT margin of 7.4% (previous year: 6.9%). The sustainably optimized earnings figures reflect both the higher business volume and results of strict cost discipline.

The restructuring costs and expenses relating to other periods of EUR 7.9 million (previous year: EUR 3.9 million) were influenced by a number of positions. These include, on the one hand, costs for the plant consolidation in the Trailer Systems Business Unit in Europe as well as initial costs in connection with the plant consolidation in North America planned for 2015. There were also expenses for the restructuring of the European subsidiaries and for the phantom share program. Adjusted earnings before taxes rose despite increased one-time expenses to EUR 63.0 million (previous year: EUR 41.5 million) and the adjusted result for the period to EUR 43.7 million (previous year 28.8). Adjusted earnings per share increased to EUR 0.96 (previous year: EUR 0.63) while the number of shares on which this figure is based remained unchanged at 45.4 million shares.

FIVE-YEAR OVERVIEW OF EARNINGS SITUATION

EUR million	2014	2013	2012	2011 [1]	2010
Sales	959.7	857.0	859.6	831.3	631.0
Adjusted EBIT	70.7	59.3	58.2	58.0	37.1
as a percentage of sales	7.4	6.9	6.8	7.0	5.9
Adjusted EBITDA	84.3	71.1	72.7	72.0	52.7
as a percentage of sales	8.8	8.3	8.5	8.7	8.4
Adjusted result before taxes	63.0	41.5	41.0	34.9	4.1
as a percentage of sales	6.6	4.8	4.8	4.2	0.6
Adjusted result for the period	43.7	28.8	28.4	24.2	2.9
as a percentage of sales	4.6	3.4	3.3	2.9	0.5
Adjusted earnings per share in EUR	0.96 [2]	0.63 [2]	0.68 [3]	0.66 [4]	0.14 [5]

[1] Adjusted for the effects of applying IAS 19R as from financial year 2012.
[2] On the basis of 45.361.112 shares.
[3] On the basis of 41.546.655 shares.
[4] On the basis of 36.502.894 shares.
[5] On the basis of 20.702.275 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	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Sales	544.4	485.7	169.5	144.7	245.8	226.6	–	–	**959.7**	**857.0**
Cost of sales	-494.8	-443.9	-140.8	-119.6	-174.9	-163.0	25.4	25.1	**-785.1**	**-701.4**
Gross profit	**49.6**	**41.8**	**28.7**	**25.1**	**70.9**	**63.6**	**25.4**	**25.1**	**174.6**	**155.6**
as a percentage of sales	9.1	8.6	16.9	17.4	28.8	28.1	–	–	**18.2**	**18.2**
Other income and expense	-29.1	-31.2	-16.9	-12.7	-32.5	-27.3	-25.4	-25.1	**-103.9**	**-96.3**
Adjusted EBIT	**20.5**	**10.6**	**11.8**	**12.4**	**38.4**	**36.3**	**–**	**–**	**70.7**	**59.3**
as a percentage of sales	3.8	2.2	7.0	8.6	15.6	16.0	–	–	**7.4**	**6.9**

__ Trailer Systems improves profitability

In In the Trailer Systems Business Unit sales increased by 12.1% and reached EUR 544.4 million (previous year: EUR 485.7 million). Sales growth was in line with the total sales growth of the Group, which means that the share of the Business Unit was constant at 56.7% (previous year 56.7%). In Europe, Trailer Systems benefited in the first half of the year from overproportional demand: with regard to the Euro 6 standard, fleet operators had initially invested in trucks in the fourth quarter of 2013 and postponed planned orders for trailers or semi-trailers. These investments were rescheduled in 2014. Towards the end of the reporting year against the background of the Russia-Ukraine conflict, the order figures were slightly weaker in line with the overall market. As a result of the expanded shift operations in the production area, we once again neared normal levels with continued good utilization of capacities. The sales volume of the Business Unit also developed positively in North America. In addition to the positive development of the market, we again benefited from increasing interest in our axle and suspension systems. In the Warrenton, Missouri plant we were able to further utilize the production capacity that had been doubled in the previous year as intended.

The gross profit of the Trailer Systems Business Unit increased in the reporting year to EUR 49.6 million (previous year: EUR 41.8 million). The adjusted EBIT reached EUR 20.5 million (previous year: EUR 10.6 million) and was almost doubled compared to the previous year.

The adjusted EBIT margin improved to 3.8% (previous year: 2.2%). In addition to the successes of operational business, the growth in earnings shows the first positive effects of the bundle of measures to improve the profitability of the Business Unit. With the initiatives in this package, the adjusted EBIT margin of Trailer Systems should improve by the end of 2015 to around 6%. Given the progress made so far, we are confident that we can achieve this target on schedule. Information about the bundle of measures and its individual initiatives on page 85.

__ Powered Vehicle Systems with sales increase of around 17%

The Powered Vehicle Systems Business Unit increased its sales to EUR 169.5 million (previous year: EUR 144.7 million) and thereby generated 17.7% (previous year: 16.9%) of Group sales. The development in Europe is remarkable especially considering that European fleet owners had invested very heavily in new trucks in the fourth quarter of 2013 because of the upcoming Euro 6 standard. SAF-HOLLAND also recorded a high demand in the second half of 2014 when the European market showed a weaker tendency. The business segment's European production was therefore consistently well utilized, not least because of exports and innovative product solutions. In addition, sales from the China region showed positive momentum due to the consolidation of Corpco.

In its gross profits Powered Vehicle Systems achieved an increase to EUR 28.7 million (previous year EUR 25.1 million). Adjusted EBIT totaled EUR 11.8 million (previous year: EUR 12.4 million), which corresponds to an adjusted EBIT margin of 7.0% (previous year: 8.6%). The Business Unit's expected weaker earnings figures are mainly influenced by structural effects. Corpco's activities in the bus segment remained below our expectations in the second and third quarter of 2014. In addition, an unfavorable customer and product mix had an impact, as North American authorities increasingly focused their investments on structural projects in connection with the re-industrialization.

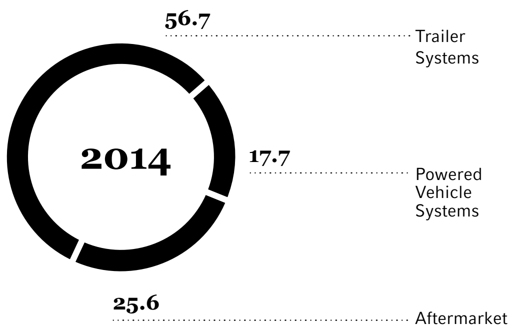
__ Aftermarket benefits from expanded sales structures

In the Aftermarket Business Unit, sales increased by 8.5% to EUR 245.8 million (previous year: 226.6 million), which corresponds to 25.6% of Group sales (previous year: 26.4%). Gross profit of the Business Unit rose to EUR 70.9 million (previous year: EUR 63.6 million); adjusted EBIT totaled EUR 38.4 million (previous year: EUR 36.3 million), and had to bear further expansion of the sales structures. The adjusted EBIT margin totaled 15.6% (previous year: 16.0%).

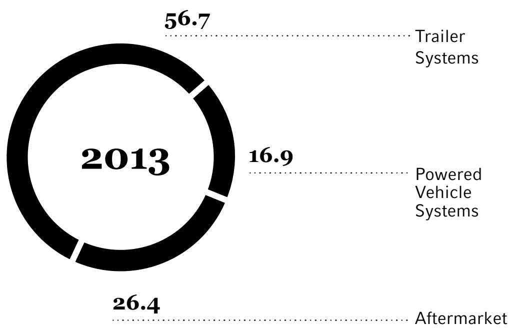
In terms of sales and earnings the Aftermarket business profited from contributions from our brand SAUER GERMANY QUALITY PARTS, which were strongly in demand in the reporting year, particularly in Eastern Europe and the Middle East. With its product range established in 2012, the brand is geared towards regions whose markets are characterized by vehicles with a high service age. The exploration of this additional market segment is one of the business segment's strategic growth initiatives. Therefore, we are extending our 2014 range of spare parts offering with the brand GoldLine, which will be introduced in the 2015 financial year. It addresses the North, Central and South American Aftermarket, while SAUER GERMANY QUALITY PARTS primarily serves Asian countries, the Middle East and Eastern European countries.

The expansion of the global service network was also continued. After the successful strengthening of spare parts distribution in Mexico and South America in 2013, in 2014 the focus was on Southeast Asia. Another major project was the expansion of our operations in Dubai. Since February 2015, the space in the Parts Distribution Center tripled with this expansion. At the same time capacities are being created in order to be able to assemble components and systems for the heavy-duty applications in the truck and trailer area. The assembly that has so far been based in the German plant in Wörth is thus being moved closer to the market. Out of Dubai we are able to deliver products to Northern and Central Africa.

SHARE IN GROUP SALES BY BUSINESS UNIT in %



SHARE IN GROUP SALES BY BUSINESS UNIT in %



FINANCIAL POSITION

Principles and objectives of financial management

Our financial management primarily pursues three goals: placing the company's financing on a solid basis; securing the growth path on the long term; and offering the utmost in flexibility in addition to adequate financing conditions.

Financing: long-term security on favorable terms

SAF-HOLLAND's corporate financing was further sustainably optimized in 2014. This was made possible by the emission of a convertible bond and early refinancing of bank loans at more favorable rates.

In September 2014, SAF-HOLLAND placed a convertible bond with institutional investors. The proceeds served the repayment of bank loans and increased financial flexibility for safeguarding future growth. In September, an existing loan in the amount of EUR 80.9 million was repaid ahead of schedule. More information on the placement of the convertible bond is on pages 79 and 87.

In a further step, in October 2014 we repaid the existing bank credit line of EUR 121.4 million ahead of schedule. It was replaced with a newly-negotiated credit line in a total amount of EUR 110.9 million. The transaction opens up significant benefits. The current syndicated loan runs two years longer than the redeemed agreement. In addition, more favorable framework conditions and covenants were agreed with the new, smaller group of banks. With the convertible bond and the early refinancing, SAF-HOLLAND benefits from extensively better interest rates. Overall it results in interest cost savings of about EUR 2.0 million per year.

Through these transactions SAF-HOLLAND now has an even more balanced financing structure. The growth course of the company has been secured over the long term: the corporate bond matures in April 2018, the new credit line runs until October 2019 and the convertible bond to September 2020.

OPTIMIZED FINANCING STRUCTURE

Previous financing structure			Current financing structure		
Corporate bond	Revolving credit line	Term loan A[1]	Corporate bond	Revolving credit line	Convertible bond
75.0 EUR million	121.4 EUR million	64.2 EUR million	75.0 EUR million	110.9 EUR million	100.2 EUR million
Term 04/2018	Term 10/2017	Term 10/2017	Term 04/2018	Term 10/2019	Term 09/2020

[1] The financing agreement Term loan A was redeemed in September 2014 with proceeds from the emission of the convertible bond.

As of December 31, 2014, the interest bearing loans and bonds amounted to EUR 181.3 million (December 31, 2013: EUR 146.9 million). On December 31, 2014, net debt reached EUR 137.1 million (December 31, 2013: EUR 123.0 million). Due to the more favorable interest conditions, the interest expense was slightly lower than in the previous year. In the reporting year, it reached a total of EUR 9.5 million (previous year: EUR 9.7 million).

Net working capital above previous year as expected

Net working capital increased and as of December 31, 2014 was at EUR 102.7 million (previous year: EUR 76.1 million). In relation to Group sales, this represents a ratio of 10.9% (previous year: 9.4%). The increase in net working capital was within the range of our expectations and is related to various individual structural factors. Key among these is the disproportionately high inventory volume. This results from the increased business volume, from the expanded number of Parts Distribution Centers and our new business in China. In addition, developments in connection with the European plant consolidation also had an impact on inventories. In preparation for the move of the machines and equipment from Wörth to Bessenbach, we intentionally established contingents of pre-fabricated components. The closure of the logistics service center in Bessenbach and the takeover of the external service providers required temporarily higher inventories to ensure a smooth transfer. Not least, we expanded the inventory volume in light of the events in Ukraine and Russia in order to compensate for potential import difficulties.

Cash flow before changes of net working capital reached EUR 76.7 million (previous year: EUR 70.2 million); cash flow from operating activities before income tax paid was EUR 48.8 million (previous year: EUR 63.0 million). This change is related primarily to working capital. Due to the increased business volume as compared to the previous year, trade receivables also increased. In addition, the increased utilization of early payment discounts on the part of suppliers led to a reduction in trade payables. Furthermore, inventories rose among other things due to the stocking of the warehouse in our parts distribution center (PDC) and due to the relocation of the plant in Wörth to the plants at the Bessenbach location. Cash flow from investing activities amounted to EUR -29.5 million (previous year: EUR -23.5 million) and was primarily effected by the Corpco acquisition. With cash flow from financing activities of EUR 12.6 million (previous year: EUR -24.9 million) payments from the emission of the convertible bond in the amount of EUR 100.2 million have been taken into consideration. Noticeable effects included the dividend distribution for financial year 2013 in the amount of EUR 12.2 million as well as the repayment of the bank loans A1 and A2 in September 2014 in the total amount of EUR 64.2 million.

In addition to non-recourse factoring, SAF-HOLLAND also makes use, to a more limited extent, of the off balance sheet financing instruments of operating leases, for example in the purchase of vehicles, IT hardware or production equipment.

FIVE-YEAR OVERVIEW OF FINANCIAL POSITION

EUR million	2014	2013	2012	2011 [1]	2010
Cash flow from operating activities before income tax paid	48.8	63.0	59.5	46.5	46.0
Net cash flow from investing activities	-29.5	-23.5	-21.3	-12.1	-7.2
Net cash flow from financing activities	12.6	-24.9	-29.3	-22.3	-45.3
Investments	30.1	23.2	22.3	15.6	8.3
as a percentage of sales	3.1	2.7	2.6	1.9	1.3

[1] Adjusted for effects of IAS 19R and a correction due to IAS 8.42, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

Investment ratio increased

In the reporting year, SAF-HOLLAND invested a total of EUR 30.1 million (previous year: EUR 23.2 million). In relation to sales volume, this corresponds to an investment ratio of 3.1% (previous year: 2.7%). The expanded investment volume is influenced by the acquisition of Corpco. In addition, there were initial investments in the new Parts Distribution Centers in Mexico and Malaysia as well as expenditures for the expansion of our activities in Dubai.

Expenditures related to the European plant consolidation also contributed to the higher investment volume. A significant item was the reconstruction of our factory network at the main location in Bessenbach. We are investing approximately EUR 5 million in the project which is scheduled for completion in the second half of 2015. The modernization and expansion of the plants expands the production space in Bessenbach by around 40%. There will be sufficient space available that, in addition to the existing production systems, about 100 machines from the plant in Wörth can be added. The plant relocation from Wörth to Bessenbach is part of the bundle of measures as described on page 85 to improve the profits in the Trailer Systems Business Unit.

In the IT area, we once again invested in enhancements to our global systems, including the materials and production planning software Advanced Planner & Optimizer. We are currently extending the IT program, which we have been using for some time in Europe, to our American organization. Another project related to the establishment of a uniform system platform for product data management. The PDM solution optimizes cooperation across countries between the product development teams as well as other parts of our organization. Following development and construction centers in North America, in 2014 German locations were connected to the platform which can be shared. The connection of additional countries is planned as is a linking of the PDM platform to the central SAP system.

We generally orient investment decisions based on return on investment (ROI). ROI should be achieved in less than three years for investments in rationalization. As of the balance sheet date no significant investment obligations existed.

ASSETS

BoD proposes dividend payment of EUR 0.32 per share

As of December 31, 2014, equity was EUR 248.6 million (previous year: EUR 222.2 million) which corresponds to an equity ratio of 38.5% (previous year: 41.4%). The positive earnings development in particular contributed to the increase in equity of EUR 26.4 million. This was partially offset by the reduction in retained earnings by EUR 12.2 million in the course of the dividend payment for financial year 2013.

SAF-HOLLAND is committed to allowing our shareholders to participate in the success of the company by striving to pay out a dividend. The condition for the dividend payment is an equity ratio of about 40% reported in the annual financial statements. This target was nearly achieved again in the 2014 financial year with 38.5%. The balance sheet total for 2014 showed compared to the target value for the company of around EUR 7 million a relatively high amount of cash and cash equivalents of EUR 44.2 million (previous year: EUR 23.9 million). If the balance sheet total were adjusted for the difference to the target value, this would result in a mathematical adjusted equity ratio of 40.9% for financial year 2014 (previous year: EUR 42.8%). The Board of Directors therefore proposes to the Annual General Meeting on April 23, 2015 the distribution of a dividend of EUR 0.32 per share (previous year: EUR 0.27 per share). This would result in a total distribution volume of EUR 14.5 million, which corresponds to around 44% of available net earnings.

FIVE-YEAR OVERVIEW OF ASSETS

EUR million	2014	2013	2012	2011 [1]	2010
Balance sheet total	645.2	536.4	536.7	541.3	484.7
Equity	248.6	222.2	197.9	175.6	24.9
Equity ratio	38.5%	41.4%	36.9%	32.4%	5.1%

[1] Adjusted for effects of IAS 19R and a correction due to IAS 8.42, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

Assets significantly higher compared to previous year

As of December 31, 2014 the balance sheet total rose to EUR 645.2 million (December 31, 2013: EUR 536.4 million). Primarily as a result of higher property, plant and equipment and driven by an increase of deferred tax assets, non-current assets rose to EUR 364.0 million (previous year: EUR 329.2 million).

Current assets increased to EUR 281.2 million (previous year EUR 207.3 million). The increase can be attributed primarily to changes in trade receivables as well as higher inventories. This was in addition to higher cash and cash equivalents.

Due to the expanded business volume, trade receivables as of the balance sheet date totaled EUR 103.0 million (previous year EUR 76.1 million) with days outstanding of 39 (previous year: 34). Inventories were at EUR 122.2 million at the reporting date (previous year: EUR 100.2 million), with 56 days of inventory outstanding (previous year: 54 days). The expected significantly higher inventory volume and the days inventory outstanding above our target figure of 45 days are the result of our plant consolidation in Europe as well as various other influencing factors. More details on this topic can be found in the information on net working capital on page 95.

On the liabilities side, non-current liabilities were at EUR 265.0 million as of December 31, 2014 (previous year: EUR 197.9 million). This was influenced primarily by changes to interest bearing loans and bonds. On the balance sheet date, this item was EUR 177.8 million (previous year: EUR 132.0 million). It shows the further repayment of liabilities to banks as well as our convertible bond which was issued in 2014, which account for a share of EUR 96.4 million. On the reporting date, non-current interest bearing bank loans were EUR 8.2 million (previous year: EUR 60.2 million).

Current liabilities of EUR 131.6 million (previous year: EUR 116.3 million) were influenced by two counteracting developments. On the one hand, current loans and bonds declined by EUR 11.4 million due to the issue of the convertible bond. On the other hand, trade payables increased to EUR 94.4 million (previous year: EUR 79.3 million) primarily as a result of the higher business volume and higher inventories.

Increase of total liquidity to EUR 146.9 million

Overall, liabilities from interest bearing bank loans and bonds as of December 31, 2014 amounted to EUR 181.3 million (previous year: EUR 146.9 million). This corresponds to net debt of EUR 137.1 million (previous year: EUR 123.0 million). These liabilities are noted exclusively in the Group currency euro.

As of December 31, 2014, SAF-HOLLAND had cash and cash equivalents of EUR 44.2 million (previous year: EUR 23.9 million). If cash available were also to include the agreed credit line, total liquidity would amount to EUR 146.9 million as of December 31, 2014 (previous year: EUR 142.1 million).

As of the balance sheet date on December 31, 2014, the exchange rate for the translation of the US dollar to euro was 1.216 (previous year: 1.377). Compared to the previous year, the rise in the US dollar over the exchange rate on the balance sheet date resulted in an increase in the balance sheet total of about EUR 37.5 million.

TABLE SUMMARIZING THE DETERMINATION OF OVERALL LIQUIDITY

	12/31/2014			
kEUR	Amount drawn valued as of the period-end exchange rate	Agreed credit lines valued as of the period-end exchange rate	Cash and cash equivalents	Total liquidity
Facility A	5,822	85,000	–	79,178
Facility B	–	20,568	–	20,568
Other Facility	2,356	5,360 [1]	44,165	47,169
Total	**8,178**	**110,928**	**44,165**	**146,915**

[1] New bilateral credit line for the activities of the Group in China.

	12/31/2013			
kEUR	Amount drawn valued as of the period-end exchange rate	Agreed credit lines valued as of the period-end exchange rate	Cash and cash equivalents	Total liquidity
Facility A1	53,195	53,195	–	–
Facility A2	11,080	15,980	–	4,900
Facility B1	3,000	80,000	23,856	100,856
Facility B2	–	36,320	–	36,320
Total	**67,275**	**185,495**	**23,856**	**142,076**

Number of employees nearly unchanged

SAF-HOLLAND operates in a highly competitive environment. Market-appropriate and flexible personnel structures are therefore an important success factor for the company. In order to ensure the required level of flexibility, we rely on more than just a permanent workforce, we also rely on fixed-term contracts and support from temporary workers.

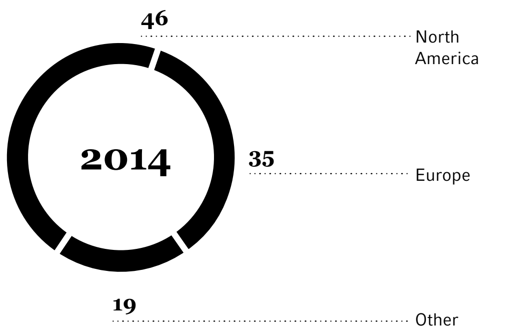
As of December 31, 2014, SAF-HOLLAND employed 3,262 people worldwide, including temporary workers (previous year: 3,169). Over the course of the year, an average of 3,346 people worked for the Group (previous year: 3,106).

DEVELOPMENT OF EMPLOYEE NUMBERS BY REGION

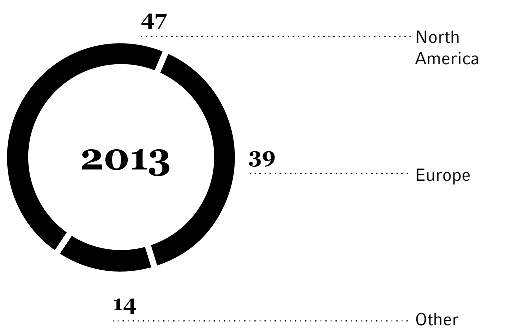
	2014	2013	2012	2011	2010
Europe	1,148	1,247	1,159	1,130	990
North America	1,515	1,498	1,497	1,615	1,387
Other	599	424	403	410	397
Total (Dec. 31)	**3,262**	**3,169**	**3,059**	**3,155**	**2,774**
Annual average	**3,346**	**3,106**	**3,118**	**3,107**	**2,619**

With a share of 46% (previous year: 47%) the majority of the total workforce belonged to the company's North American organization on the balance sheet date. Approximately 35% (previous year: 39%) of employees worked for the European organization and another 19% (previous year: 14%) worked at locations outside of the core markets.

EMPLOYEES BY REGION (12/31/2014) in %



EMPLOYEES BY REGION (12/31/2013) in %



Sales per employee increased again

Adjusted for restructuring and integration costs and non-period expenses, personnel expenses in the reporting year increased to EUR 167.3 million (previous year EUR 154.3 million). Average personnel expenses per employee – not including temporary workers – amounted to kEUR 52.6 (previous year: kEUR 52.0). Sales per employee reached kEUR 286.8 after kEUR 275.9 in the previous year.

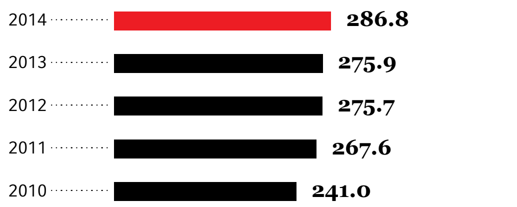
PERSONNEL EXPENSES PER EMPLOYEE

excluding restructuring and integration costs and temporary workers (kEUR)

[1] Adjusted for effects from the adoption of IAS 19R and a correction pursuant to IAS 8.42.

SALES PER EMPLOYEE

including temporary workers (kEUR)



SAF-HOLLAND established a phantom share program in financial year 2010. The program, which will run until 2015, is targeted toward retaining managers for the company over the long term and to allowing them to participate in the success of the company. With requirements for minimum company return and share price development, the program is linked to two conditions. Because the vesting conditions for the phantom share program were met in 2014 for the first time, additional provisions of EUR 2.3 million were made.

Multi-year assurance of location and job security

In the course of our measures to strengthen the profitability of the Trailer Systems Business Unit, we are merging the German Wörth plant into the Bessenbach location plants by the end of 2015. Furthermore, the activities of the logistics service center in Bessenbach were transferred to an external logistics service provider in the reporting year. Both changes come in connection with personnel measures that SAF-HOLLAND will handle with partial retirement, additional professional qualification and alternative position offerings.

For the plants in Bessenbach there is a location guarantee as well as an employment guarantee that has been in place since 2013 and which will run until the end of 2017. In case of significant changes in market conditions, the employment guarantee which relates to 842 employees can be adjusted accordingly. Information on the measures to increase profitability in the Trailer Systems Business Unit and the relevant approach can be found on page 85.

__ Diverse professional training initiatives
Within the scope of our management development efforts, the focus remained on employee management skills and increasing motivation. The further education also concentrated on product knowledge, training related to intensifying our lean management and value analysis activities as well as learning opportunities in the areas of engineering and sales.

SAF-HOLLAND once again placed particular emphasis on technical training which benefits those work areas that are close to the product. The North American location in Holland became part of an education initiative from the US state of Michigan in the reporting year. In total, 46 production employees will complete an intensive professional training for qualified specialists directly at the plant. The training focuses on knowledge and skills in the areas of industrial engineering as well as in CNC-controlled production.

__ Proposal system expanded into idea management
In order to continue to move the innovative strength of SAF-HOLLAND forward, we expanded the operational proposal system into an idea management system in 2014. The key intention is to more intensively integrate the practical knowledge of employees and thus to leverage the associated idea potential. The focus of the idea management system, which is being launched in 2015 initially at German locations, is on improvements in the categories of occupational safety, cost reduction and quality.

Financial performance indicators unchanged

The financial performance indicators remained unchanged in 2014 as compared to the previous year. Financial and non-financial performance indicators are not used with respect to sustainability at SAF-HOLLAND. Further information on corporate governance and our key performance indicators can be found on page 72.

Non-financial value-enhancing factors

In the operating business, SAF-HOLLAND can count on a wide range of strengths. Besides the excellent knowledge of the employees, established relationships with customers and suppliers offer particular advantages.

__ Solid customer base among OEM and fleet customers
In the original equipment business, we supply several hundred trailer manufacturers as well as almost all globally active truck manufacturers. The cooperation is based on both multi-year supply contracts and corresponding framework agreements.

Beyond the OEM area, we have established close contact to transport companies and fleet operators worldwide. The direct connection with the end customers allows us to optimally adjust our product and service offers to their requirements, which effectively supports SAF-HOLLAND's position as an international market leader.

__ Procurement via a global network of suppliers
The reliable circle of suppliers comprises approximately 550 partners. In order to reduce or fully avoid dependence on individual suppliers, SAF-HOLLAND pursues a multi-supplier strategy where possible. We conclude multi-year framework agreements with core suppliers in which important conditions are stipulated. Like our production network, the circle of suppliers is also structured internationally. To exploit synergies, the procurement processes are networked across companies and countries.

__ Organization and processing advantages through networking
We support our processes at all locations using high-performance IT architectures and data technology networking. The European and North American locations work with a uniform SAP platform. This allows for clear data structures, a smooth exchange of information and ideas and a high level of transparency which subsequently results in improved processes and optimized cost structures.

The Group-wide establishment of the materials and production planning software Advanced Planner & Optimizer also progressed in the reporting year. And, in addition, we further expanded the use of a shared PDM system. North American and German locations are now connected to the uniform system platform which will further intensify cooperation in our development and construction centers.

__ Sustainability as a strategic component
The corporate activities of SAF-HOLLAND are characterized by economic, ecological and social responsibility. In product manufacturing, we are constantly working towards minimizing noise, dust and exhaust emissions produced during manufacturing. The majority of our plants, especially in North America, have certified environmental management systems in accordance with the international norm ISO 14001.

We create jobs in a wide variety of countries with our global activities and support the local situation through contracts with local or regional companies. SAF-HOLLAND thereby focuses its actions on ethical and moral principles on each continent and on the guidelines included in the Code of Conduct which has been adopted throughout the Group.

Sustainability is also part of the core business: consistently reducing the weight of our products and components contributes to the decrease of fleets' fuel consumption. At the same time, the reduced emissions values contribute to the climate protection and the conservation of resources.

EVALUATION OF THE CURRENT ECONOMIC SITUATION BY THE MANAGEMENT BOARD

Business development for SAF-HOLLAND in 2014 was, in the view of the Management Board, pleasing. The company fully-achieved the goals it set for itself for the financial year on the earnings side and exceeded its goals in terms of Group sales. In all regions and in all Business Units, business volume was expanded as compared to the previous year.

With the successful placement of the convertible bond, the company also managed to once again sustainably optimize its financing. SAF-HOLLAND's equity was again strong which will support a dividend distribution and thus made a renewed participation of shareholders in the success of the company possible. At the same time, additional conditions were established in the reporting year to efficiently take advantage of promising market opportunities. These include, in particular, the results of the measures to enhance profitability in the Trailer Systems Business Unit and the broad range of product innovations introduced in 2014.

The Management Board continued to view business development as positive at the time of preparation of the Group Management Report. SAF-HOLLAND is well-positioned on the market and meets the conditions for further profitable growth. In the first months of 2015, business development was in line with our expectations. We therefore anticipate a positive overall development of the company.

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. All risks with a significant scope and a reasonable probability of occurrence are closely monitored. It only considers the reveal of risks but not the identification of opportunities. 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 developed and monitored by the Board of Directors.

Risks that have been identified are evaluated in accordance with various measures, among other things, 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 risk fields, each of which has an established risk policy.

__ Internal control and risk management system

The Group Accounting department is responsible for the Group's financial reporting. This covers all key responsibilities including the consolidation of financial data and the preparation of quarterly and annual financial statements. The individual Business Units and regions record their key financial figures and transfer them to Group Accounting for consolidation. Mandatory directives, standardized specifications and defined processes must be complied with throughout.

We employ an internal control and risk management system to ensure the accuracy of accounting and its conformity with the regulatory requirements. This system encompasses monitoring tools and measures that are both independent and integrated into the process. The risk management system conducts systematic inspections as well as random checks. Group Accounting regularly reviews its compliance with the corporate accounting guidelines. The data, upon which the corporate financial reporting is based, is also subject to technical data validations.

Independent of processes, Internal Auditing reviews the effectiveness of the internal control and risk management system and its compliance with the specifications, regulations and directives. The accounting of the company's Business Units and subsidiaries is also incorporated into the audits. Internal Auditing is based in Europe and North America. Their audit reports are forwarded to the relevant Business Unit managers, the Management Board and the auditor. The Board of Directors receives a semi-annual report on the results of the independent internal auditing. The corporate accounting process is also monitored externally via audits of the consolidated financial statements conducted by independent auditors.

Evalution of the risk situation

The risks that can be directly influenced by the company are manageable. For known company-specific risks, sufficient provision has been made in the form of impairments, allowances, and risk 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 further improved with the further reduction in borrowed capital, a higher equity capitalization and the optimized liquidity situation all contributing to this development.

Company ratings

SAF-HOLLAND has had a company rating from rating agency Euler Hermes since 2012. In September 2013, Euler Hermes raised the credit rating and future potential of SAF-HOLLAND from BBB- to BBB, outlook stable. This assessment was confirmed by the rating agency on April 23, 2014 at the conclusion of a further analysis. More information on this rating can be found on page 78.

OVERVIEW OF RISKS

The risks described below are generally relevant for all Business Units and are thus carefully recorded, monitored and evaluated. Precautionary measures are jointly coordinated both at Group level and in the national companies.

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 exposed to economic fluctuations and which we are further strengthening through the Aftermarket Business Unit.

We are also achieving a greater degree of independence from the fluctuation of demand for trucks and trailers through our intensified activities in the bus sector. In addition, the increasingly broad geographical positioning of our business segments ensures further diversification: regional economic developments can be more easily compensated for as a result of the international positioning.

In individual country markets, political changes can influence 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

__ Volume risk
The principal industry-specific 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 has increased its presence among this group of customers in particular over the last years with the development of new applications.

With its continual internationalization and global positioning as a partner of the commercial vehicles industry, the Group has additionally improved its risk profile. The Aftermarket business is also a stabilizing factor within the Group with a share of sales that has upward potential. This Business Unit in particular is more independent of investment cycles and large customers and improves the risk position of the entire Group significantly.

In general, we do not fundamentally view the decision on the part of some German trailer producers to use self-produced components in addition to axles from suppliers as a disadvantage. We proactively manage structural market changes by strengthening and expanding SAF-HOLLAND's technological edge through constant innovation. Our research and development activities in the Trailer Systems Business Unit are targeted exclusively toward components for trailers. Unlike manufacturers of trailers and semi-trailers, our engineers focus intensively on axles and suspension systems and thus have special expertise in this area. We are consistently enlarging our product spectrum, including a further diversification of the products – adapted to the requirements of the fleet operators. We also gain a competitive advantage through the high level of quality of our products, which come with extensive guarantees. We are also confronting the trend of trailer producers in Germany producing their own axles by continually opening up new markets outside the European Union. Furthermore, SAF-HOLLAND benefits from the advantages of its strong positioning in the Aftermarket business and the intense service network insuring the worldwide availability of spare parts and service.

On the cost side, SAF-HOLLAND's high production volumes open up sustainable advantages which we are tapping into both in procurement as well as with regard to economy of scale effects. As a consequence we keep our fixed costs mostly stable.

__ Regulatory risks
In the truck market, legal regulations can impact demand behavior. Prior to stricter emission regulations taking effect, for example customers often shift vehicle purchases forward in order to avoid additional costs from low emission engines. In the following year, this could lead 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.

Company-specific risks

__ Strategic risks
Strategic risks could 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 supported by 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 could arise through work stoppages. Precautions are taken through the establishment of trusting and respectful dealings with our works councils and union representatives. In Germany, company agreements were reached that secure jobs and, at the same time, improve the competitive situation of SAF-HOLLAND. There are also similar agreements in place with the different local unions in North America. Worldwide, about 40% of our employees are unionized.

__ 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 usually contribute a return on investment within a period of three years maximum.

__ Quality risks

Quality risks would arise if products showed quality deficiencies. 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. The effectiveness of the integration of quality and systematic thinking has been demonstrated since 2012 with a process management system. It is additionally confirmed for the European locations of the Trailer Systems and Aftermarket Business Units through certification in accordance with the international quality standard DIN ISO 9001. The German plant of the Powered Vehicle Systems Business Unit in Singen (Germany) is certified in accordance with DIN ISO 14001. The system performance of the welding technology has been proven by the certification in accordance with ISO 3834-2. The remaining locations of the Powered Vehicle Systems Business Unit meet the specific ISO/TS 16949 requirements of the automobile industry.

Guarantee assurances to our customers are insured in advance. The precautions include, among other things, relevant test series or promises of delivery. Exchanges or recalls are exceptional cases. Affected suppliers are also involved in relation to absorbing the costs. In addition, we have an insurance for potential recalls and take appropriate precautions for potential quality risks by using provisions.

__ Procurement risks

Procurement risks would arise if there should be a shortage or a substantial increase in the purchase price of materials and components. This would be associated with the danger that production and delivery capabilities would be negatively impacted. In the supply of materials, risks arise in particularly 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.

__ Trial risks and tax risks

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. We review legal disputes and administrative procedures on an individual basis. We evaluate the potential results by means of the information available to us and in consultation with lawyers, tax advisors and internal experts. We also conduct third-party comparisons insofar as, in our estimation, an obligation will likely lead to a cash outflow in the future, we establish a provision for the net present value of the expected cash outflow, if this can be reliably measured.

Trial risks are generally risks that arise from legal disputes and, in the case of a trial, could result in financial obligations for the Group. There are currently three issues of relevance for SAF-HOLLAND. A customer made legal claims against a Group company as a result of supposedly defective equipment. There is also a lawsuit from a former Managing Director of a subsidiary with regard to bonus payments and claims relating to a virtual share program. Further, a consulting company has made claims with regard to consulting fees from year 2009 that are supposedly still due. As the Group's legal advisor considers it unlikely that the claims made would be successful, no provisions have been made for an payments resulting from these legal disputes within these consolidated financial statements.

Tax risks can arise from an audit of previous financial years. This would be the case if the financial authorities potentially view situations differently than they were accounted for by SAF-HOLLAND. The risk, in our view, is limited. In addition, risks can arise from the calculation and application of internal transfer pricing, which, in the case of changes to national regulations for resident and non-resident taxpayers with regard to the recognition of transfer prices, could lead to potential tax risks. SAF-HOLLAND has established a closely-knit control system. These risks have thus been classified as not significant.

Interest carry-forward utilization risks are risks that could arise if interest carry-forwards cannot be fully utilized for tax purposes in the following years. From the perspective of SAF-HOLLAND, this risk is to be classified as limited because existing interest carry-forwards are available with no time limit.

The risk that tax loss carry-forwards cannot be fully utilized for tax purposes due to a utilization limitation is similarly classified. This risk is, in our view, also to be evaluated as immaterial.

__ Information technology risks

Information technology risks are risks that could arise from the failure of IT systems.

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. We also ensure the security of comprehensive high-priority IT projects for example through efficient, transparent project management, the inclusion of the top management in the steering committee and the use of experienced external consultants.

__ Risks from acquisitions and restructurings

In January 2014, the acquisition of Corpco Beijing Technology and Development Co., Ltd. (Corpco) was concluded. With the acquisition, we expand and strengthen our activities in the promising bus suspension system segment. Potential risks from the acquisition were analyzed in detail in advance and will be monitored, minimized and controlled in the course of the integration. Risks that could arise as a result of restructurings within existing business activities such as risks from employee claims, working capital risks or implementation risks are continually monitored and evaluated. Provisions are booked where necessary.

Financial risks

__ Receivables default risk

Receivables default risks are defined as risks that could arise when customer receivables are not paid.

We control default risks through preventive liquidity checks and appropriate receivables management, among other things. On a global scale, a substantial portion of customer receivables are hedged through commercial credit insurance. In addition, we also work with so-called house limits. In our view, this risk is classified as limited.

__ Currency risks
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. If exchange rate changes are hedged using financial instruments, the financial instruments themselves may not have a calculable influence on the earnings and asset situation of the company.

__ Interest rate risks
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. There are currently relatively limited risks for the Group because the scope of variable interest rates from financing is also relatively limited. The majority of borrowings come from the fixed-interest rate corporate bond and the convertible bond which also has a fixed interest rate.

__ Liquidity risks
Liquidity risks are defined as risks that the company does not have sufficient liquidity. SAF-HOLLAND traditionally pursues a strategy for securing liquidity that is both conservative and forward-looking. Through the diversification of financing sources and structuring of the maturities, a concentration of risk in the liquidity area is thus avoided. The Group monitors the current liquidity situation on a daily basis. In addition, management continually evaluates adherence to the financial covenants as required by the long-term credit agreement. This risk, in the view of SAF-HOLLAND, is to be classified as limited.

We also report on financial risks in the notes of the consolidated financial statements from page 183. Supplementary information on liquidity and on corporate financing can be found in the Management Report on pages 98 and 94.

__ Investment risks
Investments are reviewed, evaluation and decided upon in a multi-stage process in line with their respective magnitude. In this way we ensure that investments meet the demands of the company strategy, especially with regard to our return and security requirements. Investment risks include, among other things, risks related to statutory approval, principal's risk and capacity utilization risk. The investment risk, in our view, is limited. Principal's risks associated with construction activities at the Keilberg plant and at our location in Bessenbach have been covered by means of a principal insurance. There is no capacity utilization risk in connection with the move of the plant in Wörth to the existing Keilberg plant and the Frauengrund plant in Bessenbach because only existing capacities are being moved and not significantly changed.

OVERVIEW OF OPPORTUNITIES

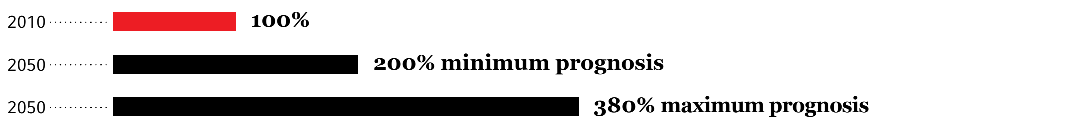
Population growth, globalization, and expansion of road networks: these global macroeconomic trends open up a number of opportunities for SAF-HOLLAND that will continue during the coming financial years and beyond and support the long-term growth of the Group.

Increased volume of goods transported in line with growing population

In its most recent forecasts, the United Nations predicts that by 2050 some 9.6 billion people will inhabit the earth. This is about a third more than live in the world today. With the rapid increase in the world population and globalization of the economy, the transport of goods will increase sharply in the coming years. This development promises outstanding prospects and good opportunities for SAF-HOLLAND.

The Organization for Economic Cooperation and Development (OECD) predicts that freight volumes will at least double by 2050 from 2010 levels. According to the OECD, depending on economic conditions, the increase could be nearly fourfold.

DEVELOPMENT OF THE GLOBAL TRANSPORT VOLUME



Source: OECD/International Transport Forum, Transport Outlook 2012

The OECD expects particularly high growth rates in goods transport volumes in emerging economies, such as the BRIC countries. There, the analysts think it would be possible that transport volume could be five times higher in 2050.

DEVELOPMENT OF THE TRANSPORT VOLUME OUTSIDE THE OECD

Source: OECD/International Transport Forum, Transport Outlook 2012

Road transport is a key factor

As cargo volumes increase, the volume of goods transported by road will also grow, both in emerging countries and in industrialized nations. A number of trends support this assessment, in particular increasing urbanization and global infrastructure development.

The urbanization trend

More and more people are moving to cities. Half of the world's population currently lives in cities, and by 2050, city dwellers will account for an estimated two-thirds of the globe's inhabitants. SAF-HOLLAND can benefit from this development as well, as trucks are the most important means of transport for goods and merchandise in metropolitan areas.

Infrastructure expansion

Around the world, transport routes are being expanded and improved, both in advanced economies and particularly in emerging countries. This activity will continue to promote the use of trucks and trailers for the transport of goods. In emerging economies, investment in infrastructure projects is an indispensable component of economic recovery. Furthermore, because the momentum of economic growth in emerging countries has stalled, governments are also investing more intensely into transport routes as part of their economic recovery programs. For instance, China has directed some 60% of its infrastructure investment to the expansion of its road network. The Indian government wants to extend its national road network 30 km a day.

__ Global market for trucks and trailers grows

Trucks and trailers are important links in the global logistics chain. Increasing quantities of cargo and expanded road networks are boosting demand. Compared to 2012 market analysts from the consulting firm Frost & Sullivan expect the number of medium and heavy trucks sold annually worldwide to increase by around 70% to 4.6 million vehicles by 2022. They project that a quarter of the growth in sales volume for this period will take place in the three regions of Europe, the USA and Japan. The Indian market is seen as an essential driver of global commercial vehicle sales. Analysts from Deloitte Consulting, for instance, estimate that by the year 2024 India will become the world's second-largest market – after China – for sales of medium- and heavy-duty trucks.

Better roads allow for fleets equipped with higher quality components

The sustainable growth of the global commercial vehicle market is driven not only by the quantitative expansion of fleets. Along with improved road networks comes greater interest in higher-quality trucks and trailers. This development offers SAF-HOLLAND an excellent opportunity for the expansion of these market segments, both in terms of quality and increased margin. In emerging countries, for instance, we can initially supply manufacturers and customers with product components that are specifically aligned with current regional needs. In the course of the qualitative development of these markets, we can then shift to higher quality systems via technology transfer.

Opportunities by stricter environmental and safety standards

Environmental standards are rising around the world. Old vehicles cannot meet increasingly stringent requirements. As a result, this development also promotes the sale of trucks and trailers. For SAF-HOLLAND, resource conservation and climate protection initiatives are linked to new opportunities as our weight-optimized components contribute to reduce fuel consumption and thus allow lower emissions. Internationally, safety requirements are also becoming increasingly stringent. This development also promotes our market opportunities because the continuously refined technologies of SAF-HOLLAND products are designed for long service life and the highest possible level of safety.

Growth not only in the BRIC countries

The consulting firm PwC determined in a study that by the year 2020 some 71%, or nearly three-quarters of the global truck market will be located outside developed industrial nations. And it is not only the BRIC countries that will account for this market; a number of other countries are also surging into the future. SAF-HOLLAND is well-positioned for changing and developing markets. We can supply trucks and trailers with spare parts over their entire lifecycle with our brands SAUER GERMANY QUALITY PARTS and GoldLine. Both brands are especially dedicated to markets where many old vehicles are still on the road. In steadily rising future markets of the emerging countries these brands not only open up additional sales potential, they also allow an early positioning of our company in these markets.

From our international experience we know that in the future markets of emerging economies, special qualities count. In these regions, trucks and trailers must be both robust and inexpensive. Producing such vehicles is a strength of Chinese manufacturers. Chinese companies are increasingly taking the role of exporters to the expanding markets in emerging countries; not least, due to an estimated 13% overproduction by 2020 for their domestic market. Because SAF-HOLLAND is well positioned in China we can participate in this trend.

__ Global business requires a global presence

Our company is well positioned in the established commercial vehicle markets as it is in the attractive markets of emerging economies. The current logistics index of market research consultancy Transport Intelligence lists the markets with the strongest growth potential in the global logistics industry. SAF-HOLLAND has a direct presence in nine of the top 10 countries listed. For us, China and Brazil are of particular importance, countries that hold the top two positions in the ranking.

THE MOST IMPORTANT GROWTH COUNTRIES OF THE GLOBAL LOGISTICS INDUSTRY

Place	Country
1	China
2	Brazil
3	Saudi Arabia
4	India
5	Indonesia
6	United Arab Emirates
7	Russia
8	Malaysia
9	Mexico
10	Turkey

Source: Transport Intelligence, Agility Emerging Markets Logistics Index, January 2014.

__ Shift to e-mobility drives the bus market

With its acquisition of China's Corpco, SAF-HOLLAND increased its activities in the bus segment and therefore benefits increasingly from developments in this market segment. Public transportation, particularly in the rapidly growing urban areas of emerging countries, is of critical importance. In these megacities, bus lines will reduce individual traffic in order to reduce traffic congestion on city streets while limiting emissions. In India, for example, in the 2014/2015 fiscal year, some $ 1.2 billion will be invested in 100 so-called smart cities. They are characterized by a strong public transportation system in which buses play an important role.

China, too, is intensifying its efforts to expand bus lines. In the process, e-mobility is becoming increasingly important. In 2009, the Chinese government set a goal of replacing all of its conventional city buses with electric buses. Industry experts state that this will result in a demand of 50,000 to 150,000 electric buses a year. Internationally, the Chinese already lead the market for electric buses. These environmentally friendly vehicles from China have long been driving on the streets of European cities like Milan, Barcelona, London and Amsterdam. E-mobility is also an issue for Corpco. At IAA Commercial Vehicles 2014 SAF-HOLLAND presented its innovative J Beam air suspension system. It is designed for 9-meter buses with electric drives and its new design creates desperately needed space for power storage. Read more on page 54.

EVENTS AFTER THE BALANCE SHEET DATE

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

OUTLOOK

ECONOMIC ENVIRONMENT

Global economy accelerates

The Institute for the World Economy (IfW) expects a further improvement in the global economy. Higher growth rates are expected, particularly in advanced economies, a development that will also benefit emerging markets through stronger external demand. The IfW expects global output to increase by 3.7% in 2015. In the subsequent year, growth could reach 3.9%. Global trade should show even stronger growth, with an increase of 4.5% this year and 5.5% next year. The institute's forecast is based on the assumptions that geopolitical crises will not intensify, that financial market tensions will either be of short duration or limited to individual countries, and that the existence of the euro zone will not again be cast in doubt.

__ Europe: economic recovery continues
In the crisis countries in Europe, economic adaptation processes have continued to take effect, which should spur positive economic impulses. However, in the view of the IfW, structural problems in some euro-zone countries continue to stand in the way of a robust economic recovery. Thus, only moderate growth rates are expected in 2015 and 2016 for both the European Union and the euro zone.

__ North America: recovery in the USA
In the United States economic conditions have seen sustained improvement. Accordingly, a significant increase in economic growth is forecast for this economic region. With economic growth at 3.2% this year and 3.5% next year, the USA could become an engine of growth in the global economy. Against this backdrop, the IfW sees strengthening corporate investment, and companies could benefit from very favorable financing conditions.

__ BRIC countries: generally rising economies
Economic growth in the BRIC states will likely continue to be uneven. Russia is expected to dip into a slight recession in 2015 before the economy bounces back into positive territory in 2016. In Brazil, GDP is expected to grow in both of the next two years according to estimates from the IfW. Overall, however, there are contradictory estimates and sources on Brazilian

economic development. Positive development is also expected to continue in India, where annual growth rates over the forecast period should exceed 6%. In China, the IfW sees gross domestic product growing by 7.0% in 2015 and 6.7% in 2016. Thus the trend toward weaker economic growth in China will continue but with growth rates continuing to be significantly higher than those of the global economy.

PREDICTED ECONOMIC DEVELOPMENT IN IMPORTANT MARKETS

	2015	2016
European Union	1.6%	1.8%
Euro zone	1.2%	1.5%
Germany	1.7%	1.9%
United States	3.2%	3.5%
Brazil	1.5%	2.5%
Russia	-0.5%	0.5%
India	6.5%	6.5%
China	7.0%	6.7%

Source: Institute for the World Economy IfW, (December 2014)

Industry trend: outlook remains positive

For the global commercial vehicle market all signs point to continued future growth. The industry experts at A.T. Kearney expect the global market for medium and heavy trucks to grow by 4.8% annually to 2020. At the same time, increasing volumes of goods and improved road networks worldwide are expected to support the trend. The high number of freight forwarders needing to catch up on new purchases to modernize their fleets in established markets will strengthen demand.

__ Commercial vehicle market in Europe picks up steam
Forecasts project continued positive development in the European market. This view is supported in particular by the high average age of fleets, which makes new purchases increasingly inevitable. In Western Europe the number of new trailer registrations this year is expected to reach 4.4% and climb to 9.0% next year. In Eastern Europe, new registrations in 2015 are likely to be on par with last year's figure. For 2016, new vehicle registrations are expected to rise to 11.0%. Significant increases are also expected in the truck segment. For vehicles exceeding 15 tons in the region encompassing Western, Central and Eastern Europe an increase of 13.3% in 2015 and 7.5% in 2016 is anticipated.

__ Double-digit growth rates in North America
For North America, ACT Research projects strong growth in the sector. In the trailer segment, shipment figures for 2015 are anticipated to rise by 11.7% and the class 8 trucks that are key for SAF-HOLLAND are expected to see a 14.0% production increase. In 2016, market growth may level off again, with a continued high annual production of more than 300,000 units in each segment. Volume in class 7 vehicles could fall slightly. In this segment, ACT Research sees a slight plus of 0.6% this year and 5.6% next year. Once again, the North American market's pent-up demand will be a significant driver of growth. The strong economy and the increase in construction activity will give the market additional buoyancy.

__ BRIC countries continue to be important markets
In emerging nations, transport volumes are increasing rapidly, creating growing demand for trucks and trailers. Commercial vehicle markets are thus still on track for growth. This also applies to the BRIC countries, which already purchase 55% of the world's truck production. As high demand continues, industry development in Russia depends for now primarily on the

outcome of political events. In Brazil the market is not expected to grow. An improved economic outlook, as well as stronger construction and mining activities will bolster demand in India. The country's industry association SIAM expects growth of between 5% and 9% for trucks of the higher weight classes. In China, A.T. Kearney projects that sales of medium and heavy trucks will increase to 1.4 million units by 2020. That corresponds to an annual growth rate of 4.0%.

FUTURE DEVELOPMENT OF SAF-HOLLAND

SAF-HOLLAND is well prepared for continued positive business development. Among the significant strengths of our company are a high level of technological expertise, our modular range of high-quality products, close contact with fleet customers, and our comprehensive network of spare parts and service stations. We also have a solid financial base and long-term financial security for our continued growth.

Growth strategy with three focal points

SAF-HOLLAND works according to medium-term strategies, each covering a period of five years. In the current financial year we will continue to pursue our growth strategy with a focus on: expansion of the trailer business in North America, strengthening international Aftermarket activities and further exploration of markets in BRIC countries.

Future products: focus remains on weight reduction

The focus of our product development efforts remains on innovations which support the reduction of weight, as well as solutions for extending service life and safety. This orientation corresponds precisely to the requirements of fleet operators, as bigger payloads, lower fuel consumption and high vehicle availability are essential prerequisites for profitable fleet operation. Furthermore, we will develop adaptations to local markets and exploit sales potential through technology transfer.

Market launches in 2015 will include the INTRA S and INTRA R air spring systems presented at IAA Commercial Vehicles 2014. These innovative variants of the proven INTRA series are tailored to different price points and markets, which makes them highly attractive on the market. Further information about INTRA S and INTRA R can be found on page 50. Additional information about new SAF-HOLLAND products is available on the pages 48, 53 and 56.

Investment in optimization of the production plant network

Optimizing our production plant network is a primary focus of investment and an initiative of our package of measures to increase the profitability of the Trailer Systems Business Unit. In the course of the current plant consolidation in Europe, we will complete the consolidation of the German plant in Wörth into the two plants at our main location in Bessenbach by the end of 2015. In IT, we are continuing to invest in projects aimed at networking our global locations, particularly in the fields of planning and consolidation, as well as product data management.

Dividend policy

At the Annual General Meeting on April 23, 2015, the Board of Directors will recommend the distribution of a dividend of EUR 0.32 per share (previous year: 0.27 EUR) for financial year 2014. This would result in a total distribution amount of EUR 14.5 million, which corresponds to around 44% of net earnings.

SAF-HOLLAND's stated target is to continue with its dividend policy of paying out 40% to 50% of its net income to shareholders, depending on the success of the company. The prerequisite for the dividend payment is an equity ratio of about 40% reported in the consolidated annual financial statements.

GENERAL STATEMENT ON FUTURE BUSINESS DEVELOPMENT

We intend to continue expanding our market share both in established core markets and in emerging markets. The rising global commercial vehicle market offers promising prospects for such expansion. In Europe, we expect demand in the trailer segment in 2015 to be on par with last year's demand. We therefore expect the good utilization of our plants to continue, spurred on in part by our innovative product range. From today's perspective, we also expect positive business development in North America. The North American truck and trailer markets are currently characterized by strong demand from which the company stands to profit due to the high market share of its products. Through our investments last year in China, Malaysia and Dubai, we created the conditions in emerging regions to take greater advantage of growth opportunities. The resulting effects have strengthened our business, particularly in Asia and the Middle East, as well as in North and Central Africa.

Assuming that political, overall economic and industry-specific conditions do not deteriorate, we confirm the forecast presented in December 2013. For financial year 2015, we will therefore continue to strive for sales between EUR 980 million and EUR 1.035 billion. On the earnings side, our target remains unchanged at an adjusted EBIT margin of 9% to 10%. The package of measures to increase the profitability of the Trailer Systems Business Unit will contribute to meeting this target.

116 Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kEUR	Notes	2014	2013
Sales	(4)	959,683	857,018
Cost of sales	(5.1)	-785,051	-701,442
Gross profit		**174,632**	**155,576**
Other income	(5.2.1)	1,984	3,063
Selling expenses	(5.2.2)	-57,699	-53,304
Administrative expenses	(5.2.3)	-44,617	-38,012
Research and development costs	(5.2.4)	-19,614	-17,923
Operating result	(4)	**54,686**	**49,400**
Finance income	(5.2.5)	9,098	1,077
Finance expenses	(5.2.5)	-16,802	-18,892
Share of net profit of investments accounted for using the equity method	(6.3)	1,988	-142
Result before tax		**48,970**	**31,443**
Income tax	(5.3)	-16,292	-7,078
Result for the period		**32,678**	**24,365**
Attributable to:			
Equity holders of the parent		32,643	24,365
Non-controlling interests		35	–
Other comprehensive income			
Items that will not be reclassifed to profit or loss			
Remeasurements of defined benefit plans		-13,175	12,325
Income tax effects on items recognized directly in other comprehensive income	(6.9)	4,283	-4,168
Items that may be reclassifed subsequently to profit or loss			
Exchange differences on translation of foreign operations	(6.9)	9,210	-10,093
Changes in fair values of derivatives designated as hedges, recognized in equity	(6.9)/(7.1)	1,438	2,602
Income tax effects on items recognized directly in other comprehensive income	(6.9)	-391	-708
Other comprehensive income		**1,365**	**-42**
Comprehensive income for the period		**34,043**	**24,323**
Attributable to			
Equity holders of the parent		**33,854**	**24,323**
Non-controlling interests		**189**	**–**
Basic earnings per share in EUR	(7.2)	**0.72**	**0.54**
Diluted earnings per share in EUR	(7.2)	**0.69**	**0.54**

CONSOLIDATED BALANCE SHEET

kEUR	Notes	12/31/2014	12/31/2013
Assets			
Non-current assets		**363,955**	**329,166**
Goodwill	(6.1)	50,248	45,404
Intangible assets	(6.1)	142,363	139,118
Property, plant, and equipment	(6.2)	116,971	100,605
Investments accounted for using the equity method	(6.3)	11,805	9,829
Financial assets	(7.1)	118	–
Other non-current assets	(6.4)	3,042	2,879
Deferred tax assets	(5.3)	39,408	31,331
Current assets		**281,241**	**207,270**
Inventories	(6.5)	122,156	100,223
Trade receivables	(6.6)	102,964	76,088
Income tax assets		2,732	498
Other current assets	(6.7)	9,108	6,590
Financial assets	(7.1)	116	15
Cash and cash equivalents	(6.8)	44,165	23,856
Total assets		**645,196**	**536,436**
Equity and liabilities			
Total equity	(6.9)	**248,597**	**222,186**
Equity attributable to equity holders of the parent		**246,593**	**222,186**
Subscribed share capital		454	454
Share premium		268,644	265,843
Legal reserve		45	22
Other reserve		436	436
Retained earnings		-773	-21,145
Accumulated other comprehensive income		-22,213	-23,424
Shares of non-controlling interests		**2,004**	**–**
Non-current liabilities		**264,997**	**197,906**
Pensions and other similar benefits	(6.10)	37,493	25,433
Other provisions	(6.11)	6,799	6,140
Interest bearing loans and bonds	(6.12)	177,797	131,994
Finance lease liabilities		1,773	1,887
Other financial liabilities	(7.1)	–	205
Other liabilities	(6.14)	685	657
Deferred tax liabilities	(5.3)	40,450	31,590
Current liabilities		**131,602**	**116,344**
Other provisions	(6.11)	10,134	6,450
Interest bearing loans and bonds	(6.12)	3,543	14,869
Finance lease liabilities		399	350
Trade payables	(6.13)	94,363	79,253
Income tax liabilities		4,704	2,107
Other financial liabilities	(7.1)	45	–
Other liabilities	(6.14)	18,414	13,315
Total equity and liabilities		**645,196**	**536,436**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

kEUR	2014								
	Attributable to equity holders of the parent								
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	**Total amount**	**Shares of non-controlling interests**	**Total equity** (Note 6.9)
As of 01/01/2014	**454**	**265,843**	**22**	**436**	**-21,145**	**-23,424**	**222,186**	**–**	**222,186**
Result for the period	–	–	–	–	32,643	–	**32,643**	**35**	**32,678**
Other comprehensive income	–	–	–	–	–	1,211	**1,211**	**154**	**1,365**
Comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**33,854**	**189**	**34,043**
Dividend	–	–	–	–	-12,248	–	**-12,248**	**–**	**-12,248**
Appropriation to legal reserve	–	–	23	–	-23	–	**–**	**–**	**–**
Addition of shares of non-controlling interests due to mergers	–	–	–	–	–	–	**–**	**1,815**	**1,815**
Convertible bond issue	–	2,823	–	–	–	–	**2,823**	**–**	**2,823**
Transaction costs	–	-22	–	–	–	–	-22	**–**	**-22**
As of 12/31/2014	**454**	**268,644**	**45**	**436**	**-773**	**-22,213**	**246,593**	**2,004**	**248,597**

kEUR	2013						
	Attributable to equity holders of the parent						
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	**Total equity** (Note 6.9)
As of 01/01/2013	**454**	**265,843**	**22**	**436**	**-45,510**	**-23,382**	**197,863**
Result for the period	–	–	–	–	24,365	–	**24,365**
Other comprehensive income	–	–	–	–	–	-42	**-42**
As of 12/31/2013	**454**	**265,843**	**22**	**436**	**-21,145**	**-23,424**	**222,186**

CONSOLIDATED CASH FLOW STATEMENT

	kEUR	Notes	2014	2013
	Cash flow from operating activities			
	Result before tax		**48,970**	**31,443**
-	Finance income	(5.2.5)	-9,098	-1,077
+	Finance expenses	(5.2.5)	16,802	18,892
+/-	Share of net profit of investments accounted for using the equity method	(6.3)	-1,988	142
+	Amortization, depreciation of intangible assets and property, plant, and equipment	(5.2.7)	19,673	17,876
+	Allowance of current assets	(6.5)/(6.6)	2,010	2,636
+/-	Loss/Gain on disposal of property, plant, and equipment		364	4
+	Dividends from investments accounted for using the equity method		18	253
	Cash flow before change of net working capital		**76,751**	**70,169**
+/-	Change in other provisions and pensions		-1,027	1,086
+/-	Change in inventories		-14,040	-19,808
+/-	Change in trade receivables and other assets		-18,645 [1]	9,136 [1]
+/-	Change in trade payables and other liabilities		5,779	2,424
	Cash flow from operating activities before income tax paid		**48,817**	**63,007**
-	Income tax paid	(5.3)	-12,769	-9,045
	Net cash flow from operating activities		**36,048**	**53,962**
	Cash flow from investing activities			
-	Purchase of property, plant, and equipment	(6.2)	-20,520	-13,830
-	Purchase of intangible assets	(6.1)	-4,223	-9,386
+/-	Purchase/ Sale/ Winding up of at equity investments	(3)	–	-788
+	Proceeds from sales of property, plant, and equipment		623	337
-	Payments for acquisition of subsidiaries net of cash	(3)	-5,396	–
+	Interest received		58	145
	Net cash flow from investing activities		**-29,458**	**-23,522**
	Cash flow from financing activities			
+	Proceeds current and non-current financial liabilities	(6.12)	–	14,000
-	Payments for expenses relating to amended finance agreement	(5.2.5)	–	-396
-	Dividend payments to shareholders of SAF-HOLLAND S.A.	(6.9)	-12,248	–
+	Proceeds from convertible bond placement	(6.9)/(6.12)	100,200	–
-	Paid transaction costs relating to the issue of the convertible bond		-771	–
-	Payments for replacement interest swaps	(7.1)	-1,142	–
-	Payments for finance lease		-280	-386
-	Interest paid		-9,930	-7,008
-	Repayments of current and non-current financial liabilities	(6.12)	-64,275 [2]	-21,125 [2]
+/-	Change in drawings on the credit line and other financing activities	(6.12)	1,080	-9,942
	Net cash flow from financing activities		**12,634**	**-24,857**
	Net increase in cash and cash equivalents		**19,224**	**5,583**
+/-	Effect of changes in exchange rates on cash and cash equivalents		1,085	-306
	Cash and cash equivalents at the beginning of the period	(6.8)	**23,856**	**18,579**
	Cash and cash equivalents at the end of the period	(6.8)	**44,165**	**23,856**

[1] As of December 31, 2014, trade receivables in the amount of EUR 21.7 million (previous year: EUR 18.7 million) were sold in the context of a factoring contract. Assuming the legal validity of the receivable, no further rights of recourse exist against SAF-HOLLAND from the sold receivables.

[2] Repayment of facilities A1 and A2.

Notes to the Consolidated Financial Statements

For the period January 1 to December 31, 2014

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, 2014 were authorized for issue in accordance with the resolution of the Board of Directors on March 10, 2015. 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 tests as of October 1, 2014 are 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, 2014, the carrying amounts of goodwill totaled EUR 50.2 million (previous year: EUR 45.4 million), and intangible assets with indefinite useful lives amounted to EUR 32.7 million (previous year: EUR 31.0 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, 2014, the carrying amounts of property, plant, and equipment totaled EUR 117.0 million (previous year: EUR 100.6 million), and those of intangible assets with finite useful lives amounted to EUR 109.7 million (previous year: EUR 108.1 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, 2014, the carrying amount of deferred tax assets for tax loss carry-forwards amounted to EUR 2.6 million (previous year: EUR 3.5 million). Unrecognized tax loss carry-forwards amounted to EUR 37.2 million (previous year: EUR 31.2 million). In addition, as of December 31, 2014, the carrying amount of recorded deferred tax assets for tax interest carry-forwards was EUR 29.3 million (previous year: EUR 29.6 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, 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, 2014, the carrying amount of pensions and other similar benefits was EUR 37.5 million (previous year: EUR 25.4 million). Further details, including a sensitivity analysis, are given in Note 6.10.

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, 2014, other provisions amounted to EUR 16.9 million (previous year: EUR 12.6 million). Further details are given in Note 6.11.

Share-based payment transactions

The Group initially measures the cost of phantom shares and share units (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 and share units 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 and share units 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. In 2014, the carrying amount of provisions was EUR 4.4 million (previous year: EUR 1.4 million). Further details are given in Note 6.11.

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, 2014, the carrying amount of derivative financial instruments was EUR 0.2 million (previous year: EUR -0.2 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 inter-company 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. SAF-HOLLAND controls an investee where SAF-HOLLAND has direct or indirect power over the investee, is exposed to the variable returns from its involvement with the company and has the ability to affect the variable returns through its power over the company. An entity is deconsolidated as soon as the parent loses control over it.

Business combinations are accounted for using the acquisition method. 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 measured at fair value 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.

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 subsidiary,
- 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, if required by IFRS.

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 or is not able to play a leading role in the decision processes. Significant influence is generally assumed, if the Group holds between 20% and 50% of the voting rights.

A joint venture is a joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control via an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations necessary to determine the existence of significant influence or joint control are similar to those required for the determination of control over subsidiaries. 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 the joint control over decision processes. 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 7.6.

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 = 1.21551 (previous year: 1.37665) and EUR/CAD = 1.41323 (previous year: 1.47210). The weighted average exchange rates for these two currencies were EUR/USD = 1.32679 (previous year: 1.32746) and EUR/CAD = 1.46516 (previous year: 1.36634).

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

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 as well as production related depreciation. 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.

__ Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be assessable to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 bonds 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.

__ Hybrid financial instruments
Financial instruments that contain both a debt and an equity component are classified and measured separately as dictated by those components. Convertible bonds are examples of instrument treated as such. The fair value of the share conversion rights is recognized separately in capital reserves at the date the bond is issued and therefore deducted from the bond liability. The fair values of conversion rights from bonds with below-market interest rates are calculated based on the present value of the difference between the coupon rate and the market interest rate. The interest expense for the debt component is calculated over the term of the bond based on the market interest rate. The interest expense for the debt component is calculated over the term of the bond based on the market interest rate at the date of the issue for a comparable bond without a conversion right. The difference between the deemed interest and the coupon rate accrued over the term increases the carrying amount of the bond liability. The issuing costs of the convertible bond are deducted directly from the carrying amount of the debt component and the equity component in the same proportion.

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 (or a portion of a financial asset or a portion of a group of similar financial assets) is derecognized when one of the following conditions are met:
- The contractual rights to receive cash flows from a financial asset have expired.
- The Group has transferred its contractual rights to receive cash flows from a financial asset to a third party or has accepted a contractual obligation to remit a cash flow to a third party without material delay in the context of an agreement which fulfills the conditions of IAS 39.19 (so-called transfer contract) and, at the same time, either (a) substantially transfers all risks and rewards associated with ownership of the financial asset, or (b) all risks and rewards associated with ownership of the financial asset are neither substantially transferred nor retained, but control of the asset has been transferred.

If the Group transfers its contractual rights to receive cash flows from an asset or concludes a transfer contract, it evaluates whether and to what extent it shall retain the associated risks and rewards. If the Group neither substantially transfers nor retains all risks and rewards associated with the ownership of this asset, nor transfers control of the asset, the Group recognizes the asset to the extent of its continuing involvement. In such a case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

When the continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of the consideration received that the Group could be required to repay.

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 as well as production related depreciation.

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 and share units (share appreciation rights) in return for services rendered; these share appreciation rights 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. Revaluations of defined benefit plans include actuarial gains and losses, returns on plan assets (provided they are not included in net interest expense) as well as effects from limitation (so-called asset ceiling). The Group recognizes revaluations of defined benefit plans in other comprehensive income. All other expenses in connection with defined benefit plans are immediately recognized in the result for the period.

Past service cost is recognized immediately in profit or loss.

The amount recognized as a defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets from which the obligations are to be settled directly. The value of any asset is limited to 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.

The effects of closing or curtailing plans are recognized in the result for the period in which the curtailment or closure takes place.

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. Obligations of the phased retirement model are accounted for as non-current employee benefits.

__ 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:

2.4.1 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 uses a consistent control model to define whether companies including structured entities are to be included in the consolidated financial statements. The pronouncement was applied retrospectively. The application of IFRS 10 did not have any significant effect on the Company's Consolidated Financial Statements.

2.4.2 IFRS 11 "Joint Arrangements"

The standard replaces IAS 31 "Interests in Joint Ventures" and the interpretation SIC-13 "Jointly controlled Entities – Non-monetary Contributions by Ventures". IFRS 11 outlines the accounting of joint arrangements and draws on the kind of rights and obligations that result from the arrangement. The pronouncement was applied retrospectively. The application of IFRS 11 did not have any significant effect on the Company's Consolidated Financial Statements.

2.4.3 IFRS 12 "Disclosure of Interests in Other Entities"

This standard establishes uniform disclosure requirements for all types of investments. The application of IFRS 12 resulted in additional disclosures in the Notes to the Consolidated Financial Statements.

2.4.4 IAS 32 "Financial Instruments – Presentation"

This amendment clarifies the term "currently has a legally enforceable right to set off the recognized amounts" with regard to the fulfillment of conditions on offsetting.

The application of this amendment to IAS 32 has no effect on the consolidated financial statements, as the Group does not have any financial assets and liabilities for which offsetting is permitted.

2.4.5 IAS 39 "Financial Instruments – Recognition and Measurement"

This amendment allows, under certain circumstances, the continuation of hedge accounting in cases where derivatives designated as hedging instruments are transferred to a clearing organization due to legal or regulatory requirements (novation).

The application of IAS 39 has no effect on the consolidated financial statements, as the Group has not transferred derivatives to a clearing organization.

2.4.6 IFRIC 21 "Levies"

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. This interpretation clarifies that an entity operating in a market must recognize a liability for a levy imposed by the authorities responsible for this market when the obligating event that triggers payment, as identified by the relevant legislation, occurs.

The application of IFRIC 21 has no effect on the consolidated financial statements.

2.5
STANDARDS ISSUED BUT NOT YET EFFECTIVE

During financial year 2014, 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.

IFRS 9 "Financial Instruments – Classification and Measurement"

IFRS 9, issued in July 2014, replaces the existing guidelines in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 provides amended guidance on the classification and measurement of financial instruments, including a new model on expected credit losses for calculation of the impairment of financial assets as well as the new general accounting requirements for hedging instruments. It also carries over the guidelines on recognition and derecognition of financial instruments from IAS 39.

Application of IFRS 9 is required for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The Group is currently reviewing the potential effect of applying IFRS 9 on its consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, to what extent and at what time revenue is recognized. It replaces existing guidance for the recognition of revenue, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes".

Application of IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The Group is currently reviewing the potential effect of the application of IFRS 15 on its consolidated financial statements.

IFRS 11 "Joint Arrangements"

The amendments to IFRS 11 include guidance on the accounting for acquisitions of interests in joint operations, if the activity constitutes a business as defined in IFRS 3. In this case, all of the principles on business combinations accounting in IFRS 3 and other IFRSs are to be applied, provided they do not conflict with the guidance in IFRS 11.

The amendments apply to the acquisition of interests in existing joint operations and to the acquisition of interests in joint operations at their formation, as long as the formation of a joint operation does not involve the formation of a business.

The Group does not currently expect the amendments to IFRS 11 to have a significant influence on the consolidated financial statements.

IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"

The amendments to IAS 16 clarify that a depreciation method for property plant and equipment that is based on revenue is not appropriate. The requirements of IAS 38 are amended to introduce a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate. The presumption can be overcome only in a limited number of cases:

a) The intangible asset can be expressed as a measure of revenue. That would for example be the case, if the term of a concession for the extraction of mineral deposits would not relate to a specific time period, but to the total revenue generated by the extraction of the natural deposits.
b) Revenue and the consumption of economic benefits are highly correlated.

Management assumes that a linear depreciation method best reflects the decrease in value of the economic benefits. The amendments to IAS 16 and IAS 38 are therefore not expected to have an effect on the company.

IAS 27 "Separate Financial Statements"

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an investors' separate financial statements.

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in their separate financial statements using one of the following options:

a) at cost of acquisition
b) in accordance with IFRS 9 "Financial Instruments"
c) using the equity method as set out in IAS 28 "Investments in Associates and Joint Ventures"

The amendments to IAS 27 have no effect on the consolidated financial statements, as the option relates to an entity's separate financial statements.

In addition there were further standard changes which, however, have no effect on Group`s net assets, financial position, and results of operations.

3 _ SCOPE OF CONSOLIDATION

Acquisitions

On January 2, 2014, SAF-HOLLAND GmbH has acquired 80% of voting shares in Corpco Beijing Technology and Development Co., Ltd., a non-listed company headquartered in China and specialized in the manufacture of air suspensions. In the context of the takeover, SAF-HOLLAND GmbH was given a call option for the remaining 20% of the shares which is exercisable for three years following takeover. The call option is accounted for in accordance with the requirements of IAS 39. As a result of having the majority in voting rights, SAF-HOLLAND achieved control of Corpco Beijing Technology and Development Co., Ltd., as of the acquisition date.

The initial consolidation of Corpco Beijing Technology and Development Co., Ltd. was carried out in accordance with IFRS 3 using the acquisition method. The results of the acquired company were included in the Consolidated Financial Statements from the date of acquisition. Transaction costs recognized as an expense in connection with the acquisition amounted to EUR 0.3 million. As of December 31, 2014, the earnings contribution of Corpco Beijing Technology and Development Co., Ltd. was EUR 0.2 million; the sales thereby generated amounted to EUR 13.0 million.

The purchase price in the amount of EUR 9.3 million was paid in cash.

The following disclosures show the final purchase price allocation and the values of main groups of assets acquired and liabilities assumed recorded at the time of the acquisition:

kEUR	Fair value as of acquisition date
Brand	402
Other intangible assets	63
Property, plant, and equipment	2,564
Deferred tax assets	410
Inventories	5,049
Trade receivables	9,285
Other assets	119
Cash and cash equivalents	3,907
	21,799
Deferred tax liabilities	428
Interest bearing loans and borrowings	5,247
Trade payables	6,369
Other liabilities	681
	12,725
Total of identified net assets	**9,074**
Shares with non-controlling interests	-1,815
Goodwill from the acquisition	2,044
Consideration transferred	**9,303**

Goodwill in the amount of kEUR 2,044 includes non-separable intangible assets such as employee expertise and expected synergies.

The fair value of trade receivables amounted to kEUR 9,285 as of the acquisition date. The gross amount of trade receivables amounted to kEUR 9,322. At the acquisition date, receivables in the amount of kEUR 37 were written down.

Non-controlling interest in the acquiree is measured at the proportionate share measured at fair value of the acquiree's identifiable net assets and amounted to kEUR 1,815 as at the acquisition date.

The cash outflow due to the acquisition of the company is as follows:

kEUR	
Cash outflow	9,303
Cash acquired	3,907
Actual cash outflow	**5,396**

Corpco Beijing Technology and Development Co., Ltd., was allocated to the Powered Vehicle Systems Business Unit.

Formations

On June 20, 2014, OOO SAF-HOLLAND Russland, Moscow, Russia, was founded.

India Pvt. Ltd., Sriperambadur Taluk, India, founded in the previous year, was included in the consolidated financial statements for the first time on June 30, 2013.

Deconsolidations

No company was deconsolidated in the year under review.

Other changes

As of December 31, 2014, SAF-HOLLAND International Inc., USA, and QSI Air Ltd., USA, were merged into SAF-HOLLAND Inc., USA.

In the previous year, the joint venture Madras SAF-HOLLAND Manufacturing (I) P. Ltd., which was accounted for in the consolidated financial statements using the equity method, was ended in May 2013. A loss of kEUR 900 has resulted from the termination of the joint venture. The loss has been reported in the P&L line "Share of net profit of investments accounted for using the equity method".

In the previous year, with registration in the commercial register on August 22, 2013 furthermore, SAF-HOLLAND Verkehrstechnik GmbH was merged into Holland Europe GmbH with retroactive effect as of January 1, 2013. Once the merger was concluded, Holland Europe GmbH was renamed SAF-HOLLAND Verkehrstechnik GmbH. Effective October 1, 2013, the operating business of SAF-HOLLAND Verkehrstechnik GmbH was transferred to SAF-HOLLAND GmbH as part of an asset deal.

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 components such as parts for all available systems for trailers and powered vehicles.

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	2014	2013
Operating result	54,686	49,400
Share of net profit of investments accounted for using the equity method	1,988	-142
EBIT	**56,674**	**49,258**
Additional depreciation and amortization from PPA	6,069	6,075
Restructuring and integration costs as well as non-period expenses	7,912 [1]	3,939
Adjusted EBIT	**70,655**	**59,272**

[1] Restructuring and integration costs as well as non-period expenses and elimination of internal Group charges comprises aperiodic expenses in amount of kEUR 2,187.

Segment information for the period January 1 to December 31:

	2014				
	Business Units				
kEUR	Trailer Systems	Powered Vehicle Systems	Aftermarket	Adjustments/ eliminations	**Consolidated**
Sales	544,372	169,465	245,846	–	**959,683**
Cost of sales	-494,739	-140,760	-174,913	25,361 [1]	**-785,051**
Gross profit	**49,633**	**28,705**	**70,933**	25,361	**174,632**
Gross margin	9.1%	16.9%	28.9%	–	**18.2%**
Selling and administrative expenses, research and development costs, other income, share of net profit of investments accounted for using the equity method	-32,209	-18,240	-34,236	-33,273 [2]	**-117,958**
Adjustments	3,046 [3]	1,323 [3]	1,700 [3]	7,912 [4]	**13,981**
Adjusted EBIT	**20,470**	**11,788**	**38,397**	–	**70,655**
Adjusted EBIT margin	3.8%	7.0%	15.6%	–	**7.4%**
Depreciation	-11,889	-3,557	-4,227	–	**-19,673**

[1] Restructuring and integration costs as well as non-period expenses (kEUR -4,631) and elimination of internal Group charges (kEUR 29,992).
[2] Restructuring and integration costs as well as non-period expenses (kEUR -3,281) and elimination of internal Group charges (kEUR -29,992)
[3] Eliminations in the Business Units relate to amortization and depreciation (kEUR 6,069) arising from the purchase price allocation.
[4] Restructuring and integration costs as well as non-period expenses (kEUR 7,912) are not allocated to any Business Unit.

	2013				
	Business Units				
kEUR	Trailer Systems	Powered Vehicle Systems	Aftermarket	Adjustments/ eliminations	**Consolidated**
Sales	485,726	144,676	226,616	–	**857,018**
Cost of sales	-443,950	-119,555	-163,015	25,078 [1]	**-701,442**
Gross profit	**41,776**	**25,121**	**63,601**	25,078	**155,576**
Gross margin	8.6%	17.4%	28.1%	–	**18.2%**
Selling and administrative expenses, research and development costs, other income, share of net profit of investments accounted for using the equity method	-34,277	-13,942	-29,082	-29,017 [2]	**-106,318**
Adjustments	3,095 [3]	1,210 [3]	1,770 [3]	3,939 [4]	**10,014**
Adjusted EBIT	**10,594**	**12,389**	**36,289**	–	**59,272**
Adjusted EBIT margin	2.2%	8.6%	16.0%	–	**6.9%**
Depreciation	-11,028	-3,035	-3,814	–	**-17,876**

[1] Restructuring and integration costs (kEUR -744) as well as elimination of internal Group charges (kEUR 25,822).
[2] Restructuring and integration costs (kEUR -3,195) as well as elimination of internal Group charges (kEUR -25,822).
[3] Eliminations in the Business Units relate to amortization and depreciation (kEUR 6,075) arising from the purchase price allocation.
[4] Restructuring and integration costs (kEUR 3,939) are not allocated 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	2014	2013
Revenues from external customers		
Europe	496,493	447,859
North America	363,897	339,146
Other	99,293	70,013
Total	**959,683**	**857,018**

The segment revenue information above is based on the locations of the customers.

kEUR	12/31/2014	12/31/2013
Non-current assets		
Europe	166,032	160,763
North America	140,417	126,409
Other	17,980	10,663
Total	**324,429**	**297,835**

Non-current assets consist of goodwill, intangible assets, property, plant, and equipment, investments accounted for using the equity method, and other non-current assets.

No significant sales are generated in the country where the company is located. Further, the company does not have any signifiant share in the Group's non-current assets in the country where the company is located.

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	2014	2013
Cost of materials	631,594	563,411
Personnel expenses	107,055	99,656
Depreciation and amortization of property, plant, and equipment and intangible assets	9,459	8,908
Warranty expenses	8,305	5,518
Repair and maintenance expenses	6,753	7,627
Temporary employees expenses	5,406	4,464
Restructuring and integration costs as well as non-period expenses	4,631	744
Other	11,848	11,114
Total	**785,051**	**701,442**

5.2 OTHER INCOME AND EXPENSES

5.2.1 Other income

Other income consists of the following:

kEUR	2014	2013
Income from damage claims	–	1,400
Income from reimbursements	656	464
Income from insurance compensations	26	33
Gain from disposal of property, plant, and equipment	17	65
Other	1,285	1,101
Total	**1,984**	**3,063**

Income from damage claims from the previous year result from an out of court settlement with a supplier.

5.2.2 Selling expenses

The table below shows the breakdown of selling expenses:

kEUR	2014	2013
Personnel expenses	27,091	24,525
Expenses for advertising and sales promotion	8,966	8,115
Expenses for distribution	4,944	6,495
Depreciation and amortization of property, plant, and equipment and intangible assets	4,204	3,667
Commissions	1,662	962
Restructuring and integration costs as well as non-period expenses	1,231	1,031
Other	9,601	8,509
Total	**57,699**	**53,304**

5.2.3 Administrative expenses

Administrative expenses are shown in the following table:

kEUR	2014	2013
Personnel expenses	22,612	19,600
Legal and consulting expenses	3,271	4,051
Expenses for office and operating supplies	3,237	2,698
Depreciation and amortization of property, plant, and equipment and intangible assets	3,285	2,699
Restructuring and integration costs as well as non-period expenses	1,917	1,264
Travel costs	1,865	1,456
Other	8,430	6,244
Total	**44,617**	**38,012**

5.2.4 Research and development costs

Research and development costs consist of the following:

kEUR	2014	2013
Personnel expenses	10,517	10,563
Depreciation and amortization of property, plant, and equipment and intangible assets	2,725	2,602
Testing costs	2,071	1,027
Restructuring and integration costs as well as non-period expenses	134	–
Other	4,167	3,731
Total	**19,614**	**17,923**

Development costs of kEUR 2,348 (previous year: kEUR 1,127) were capitalized in the financial year. Payments by the Bavarian Ministry of Economic Affairs of kEUR 391 (previous year: kEUR 383) were offset against research and development costs as grants related to income.

5.2.5 Finance result

Finance income consists of the following:

kEUR	2014	2013
Foreign exchange gains on foreign currency loans	8,680	645
Finance income due to derivatives	189	–
Interest income	136	140
Finance income due to pensions and other similar benefits	87	–
Other	6	292
Total	**9,098**	**1,077**

Foreign exchange gains on foreign currency loans primarily comprise unrealized foreign exchange gains on foreign currency loans translated at the period-end exchange rate.

Finance expenses consist of the following:

kEUR	2014	2013
Interest expenses due to interest bearing loans and bonds	-9,542 [1]	-9,703
Finance expenses due to derivatives	-2,230	-2,176
Reversal of transaction costs	-1,997	–
Finance expenses due to pensions and other similar benefits	-1,023	-1,390
Amortization of transaction costs	-903	-758
Other	-1,107	-4,865
Total	**-16,802**	**-18,892**

[1] Includes the non-cash interest expense of kEUR 189 for the convertible bond.

Interest expenses due to interest bearing loans and bonds include, in addition to interest expenses for liabilities to banks, interest expenses in connection with the corporate bond issued in October 2012 and the convertible bond issued in September 2014. The Group has been able to refinance itself at more favorable conditions as a result of the early repayment of bank loans in the course of issuing the convertible bond and concluding the contract on a new credit line in October 2014, leading to a reduction of the interest expense.

Transaction costs from the reporting period primarily result from the early reversal of capitalized transaction costs totaling kEUR 1,997 (previous year: kEUR 0) due to the refinancing in October 2014.

The amortization of transaction costs of kEUR 903 (previous year: kEUR 758) represents the contract closing fees recognized as expenses in the period in accordance with the effective interest method.

Finance expenses in connection with derivative financial instruments include primarily the reclassification of the cash flow hedge reserve recorded in equity of kEUR 1,088 through profit or loss. The recycling of the cash flow hedge reserve results from the early repayment of interest rate swaps in the context of the refinancing in October 2012. The cash flow hedge reserve has been released to the finance result using the effective interest method over the original term of the swaps.

In addition, changes in value of interest rate hedges recorded in equity to date of kEUR 924 were reclassified to the finance result through profit or loss, because the hedge relationship for interest rate swaps was discontinued in the fourth quarter of 2014 as a result of the decrease in the bank loan due to issuing the convertible bond. Expenses in the amount of kEUR 218 resulted from the early repayment of the interest rate swaps.

More details are illustrated in Notes 6.12 and 7.1.

5.2.6 Employee benefit expenses

Employee benefit expenses consist of the following:

kEUR	2014	2013
Wages and salaries	-145,660	-133,656
Social insurance contributions	-20,526	-19,567
Pension expenses	-825	-965
Termination benefits	-264	-156
Total	**-167,275**	**-154,344**

Social insurance contributions include expenses from defined contribution plans in the amount of kEUR 6,919 (previous year: kEUR 6,460).

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	2014	2013	2014	2013	2014	2013
Cost of sales	-8,732	-8,022	-727	-886	**-9,459**	**-8,908**
Selling expenses	-942	-819	-3,262	-2,848	**-4,204**	**-3,667**
Administrative expenses	-1,365	-1,801	-1,920	-898	**-3,285**	**-2,699**
Research and development costs	-842	-552	-1,883	-2,050	**-2,725**	**-2,602**
Total	**-11,881**	**-11,194**	**-7,792**	**-6,682**	**-19,673**	**-17,876**

Depreciation and amortization of property, plant, and equipment and intangible assets arising from the purchase price allocation amount to kEUR 6,069 (previous year: kEUR 6,075).

5.2.8 Reversals and impairments on intangible assets

Neither reversals nor impairments of intangible assets were carried out in the financial year. More details are illustrated in Note 6.1.

5.3 INCOME TAXES

The major components of income taxes are as follows:

kEUR	2014	2013
Current income taxes	-13,648	-8,598
Deferred income taxes	-2,644	1,520
Income tax reported in the result for the period	**-16,292**	**-7,078**

The effective income tax rate for the Group for the year ended December 31, 2014 is 33.27% (previous year: 22.51%). The following table reconciles the actual to the expected income tax for the Group using the Group's corporate income tax rate of 30.60% (previous year: 30.70%). For German entities, as in the previous year, a corporate income tax rate of 27.20% was used, which comprised corporate income tax of 15.83% (including the solidarity surcharge) and trade tax of 11.37%. For the North American subgroup, a corporate income tax rate of 33.10% (previous year: 31.22%) was used, which comprised a federal tax rate of 30.89% and a state tax rate of 2.21%.

kEUR	12/31/2014	12/31/2013
Result before income tax	**48,970**	**31,443**
Income tax based on Group's income tax rate of 30.60% (previous year: 30.70%)	-14,985	-9,653
Recognition of previous years non-recognized interest carry-forwards	–	1,927
Unused tax loss carry-forwards	-1,472	-1,276
Use of previously not recognized tax loss carry-forwards	309	1,908
Income taxes resulting from previous years	-115	404
Other	-29	-388
Income tax based on effective income tax rate of 33.27% (previous year: 22.51%)	**-16,292**	**-7,078**

In the reporting period, deferred tax assets in the amount of kEUR 1,155 were recognized for the first time on unrecognized tax loss carry-forwards in the amount of kEUR 309. The management assumes that their future utilization can be regarded as sufficiently probable due to the improved future prospects regarding earnings.

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

kEUR	Consolidated balance sheet 12/31/2014	Consolidated balance sheet 12/31/2013	Consolidated result for the period 2014	Consolidated result for the period 2013
Inventories	2,317	1,492	730	-31
Pensions and other similar benefits	11,401	8,106	-83	-1,081
Other financial liabilities	21	56	-35	–
Other provisions	2,398	1,873	291	272
Tax loss carry-forwards	2,592	3,508	-1,033	146
Interest carry-forwards	29,315	29,646	-1,642	-57
Recycling of the cash flow hedge reserve	–	–	391	592
Other	5,601	3,226	2,065	597
Deferred tax assets	**53,645**	**47,907**		
Intangible assets	-34,076	-30,980	-1,315	1,223
Property, plant, and equipment	-10,184	-10,581	1,455	-199
Inventories	–	-7	7	17
Investments accounted for using the equity method	-3,950	-2,790	-1,307	-141
Other assets	-287	-1,478	-62	-95
Interest bearing loans and bonds	-1,094	-82	118	1,070
Other	-5,096	-2,248	-2,224	-793
Deferred tax liabilities	**-54,687**	**-48,166**		
Deferred tax income			**-2,644**	**1,520**

As of the balance sheet date, deferred tax assets and liabilities of kEUR 14,237 (previous year: kEUR 16,576) were offset, having met the requirements for offsetting. The balance sheet thus includes deferred tax assets of kEUR 39,408 (previous year: kEUR 31,331) and deferred tax liabilities of kEUR 40,450 (previous year: kEUR 31,590).

The Group has tax loss carry-forwards of kEUR 47,180 (previous year: kEUR 46,259) 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 37,181 (previous year: kEUR 31,231) 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	12/31/2014	12/31/2013
Expiry date		
Infinite	29,711	25,810
Within 5 years	4,048	3,730
Within 10 years	3,422	1,691
Total	**37,181**	**31,231**

In addition to tax loss carry-forwards, the Group has interest carry-forwards of kEUR 97,315 (previous year: kEUR 95,979), 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.

In financial year 2014, deferred income taxes relating to changes in the value of pension liabilities amounting to kEUR 4,283 (previous year: kEUR -4,168) were recognized. Furthermore, as a result of the release of the cash flow hedge reserve (see 5.2.5), deferred tax assets in the amount of kEUR 335, which were previously recognized in equity, were reclassified to the Statement of Comprehensive Income. In addition, as a result of the repayment of interest swaps, deferred tax assets in the amount of kEUR 56, which were previously recognized in equity, were recognized in the Income Statement. Further, in the year under review, deferred income taxes in connection with the emission of the convertible bond in the amount of kEUR 1,130 were recognized directly in equity. In addition and also in the course of the emission of the convertible bond, current income taxes from offsetting transaction costs with the share premium in the amount of kEUR -9 were recognized directly in equity.

Furthermore, temporary differences associated with investments in subsidiaries for which no deferred taxes have been recognized as the recognition criteria are not met as of balance sheet date amounted to EUR 69.0 million (previous year: EUR 67.5 million).

6 _ NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 GOODWILL AND INTANGIBLE ASSETS

kEUR	Customer relationship	Technology	Develop-ment costs	Brand	Service net	Licences and software	**Intangible assets**	**Goodwill**
Historical costs								
As of 12/31/2012	**103,406**	**21,098**	**4,231**	**31,879**	**3,495**	**17,459**	**181,568**	**75,541**
Additions	–	–	1,127	–	–	8,259	**9,386**	–
Foreign currency translation	-1,479	-224	–	-433	–	-409	**-2,545**	**-1,752**
As of 12/31/2013	**101,927**	**20,874**	**5,358**	**31,446**	**3,495**	**25,309**	**188,409**	**73,789**
Additions from initial consolidation	–	63	–	402	–	–	**465**	**2,044**
Additions	–	–	2,348	–		1,875	**4,223**	–
Disposals	–	–	–	–	–	84	**84**	–
Foreign currency translation	4,702	715	–	1,372	–	983	**7,772**	**3,752**
As of 12/31/2014	**106,629**	**21,652**	**7,706**	**33,220**	**3,495**	**28,083**	**200,785**	**79,585**
Accumulated amortization								
As of 12/31/2012	**20,037**	**12,016**	**450**	**454**	**1,181**	**8,961**	**43,099**	**28,556**
Additions	2,836	1,879	314	–	175	1,478	**6,682**	–
Foreign currency translation	-302	-92	–	–	–	-96	**-490**	**-171**
As of 12/31/2013	**22,571**	**13,803**	**764**	**454**	**1,356**	**10,343**	**49,291**	**28,385**
Additions	2,837	1,887	386	100	175	2,407	**7,792**	–
Disposals	–	–	–	–	–	67	**67**	–
Foreign currency translation	1,041	325	–	-14	–	54	**1,406**	**952**
As of 12/31/2014	**26,449**	**16,015**	**1,150**	**540**	**1,531**	**12,737**	**58,422**	**29,337**
Carrying amount 12/31/2013	**79,356**	**7,071**	**4,594**	**30,992**	**2,139**	**14,966**	**139,118**	**45,404**
Carrying amount 12/31/2014	**80,180**	**5,637**	**6,556**	**32,680**	**1,964**	**15,346**	**142,363**	**50,248**

Intangible assets with finite useful lives, which the Group considers important, are presented in the following table:

	2014		2013	
kEUR	Netbook value	Remaining useful life in years	Netbook value	Remaining useful life in years
Customer relationship "OEM"	30,329	32	31,299	33
Customer relationship "5th-Wheel"	13,312	24	13,873	25
SAP-application	12,751	8.5	12,873	9.5

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 largely unchanged from the previous year. As a result of the acquisition of Corpco Beijing Technology and Development Co., Ltd., goodwill of KEUR 2,044 was added to the Powered Vehicle Systems cash-generating unit. The carrying amounts are as follows:

	Trailer Systems		Powered Vehicle Systems		Aftermarket		**Gesamt**	
kEUR	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Goodwill	17,456	16,441	2,044	–	30,748	28,963	**50,248**	**45,404**
Brand	26,132	25,423	5,975	5,047	573	522	**32,680**	**30,992**

__ 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 2020, 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 in consideration of the cyclical nature of the market environment.

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. 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 value in use as of October 1, 2014 is 11.87% (October 1, 2013: 13.71%). As in the previous year, the impairment test in 2014 did not identify any impairment of goodwill as the value in use was above the carrying amount of the cash-generating unit.

Powered Vehicle Systems cash-generating unit
In the context of the acquisition of Corpco Beijing Technology and Development Co., Ltd., goodwill of KEUR 2,044 was added to the "Powered Vehicle Systems" cash-generating unit. The pre-tax discount rate used to calculate the value in use is 13.08%. Other goodwill of the "Powered Vehicle Systems" cash-generating unit 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 value in use is 12.42% (October 1, 2013: 14.11%). 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. For this purpose, alternative calculations were used without consideration of the assumed growth rate of the perpetual annuity and in consideration of an increase in the average cost of capital by 100 base points. All cash-generating units exceeded the relevant carrying amounts.

SAF brand
The impairment test of October 1, 2014 was carried out at the level of the Trailer Systems cash-generating unit. Please refer to the previous sections regarding the pre-tax discount rate used for the value in use of the cash-generating unit.

The impairment test did not result in an impairment.

Holland brand
The impairment test of October 1, 2014 was carried out at the level of the Powered Vehicle Systems cash-generating unit. The pre-tax discount rate used to calculate the value in use is 13.08% (October 1, 2013: 14.49%).

The impairment test did not result in an impairment.

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 12/31/2012	**63,812**	**97,900**	**15,311**	**7,012**	**184,035**
Additions	922	5,538	2,212	7,657	**16,329**
Disposals	48	1,480	97	35	**1,660**
Transfers	1,082	6,471	2,578	-10,131	**–**
Foreign currency translation	-1,752	-3,779	-528	-137	**-6,196**
As of 12/31/2013	**64,016**	**104,650**	**19,476**	**4,366**	**192,508**
Additions from initial consolidation	2,062	477	25	–	**2,564**
Additions	3,764	5,345	1,640	9,771	**20,520**
Disposals	209	3,687	875	–	**4,771**
Transfers	662	5,578	362	-6,602	**–**
Foreign currency translation	2,794	6,522	537	338	**10,191**
As of 12/31/2014	**73,089**	**118,885**	**21,165**	**7,873**	**221,012**
Accumulated depreciation					
As of 12/31/2012	**13,637**	**62,160**	**9,576**	**–**	**85,373**
Additions	2,566	6,741	1,887	–	**11,194**
Disposals	9	1,218	79	–	**1,306**
Transfers	7	-1,816	1,809	–	**–**
Foreign currency translation	-592	-2,397	-369	–	**-3,358**
As of 12/31/2013	**15,609**	**63,470**	**12,824**	**–**	**91,903**
Additions	2,418	7,370	2,093	–	**11,881**
Disposals	136	2,808	840	–	**3,784**
Transfers	32	-32	–	–	**–**
Foreign currency translation	559	3,065	417	–	**4,041**
As of 12/31/2014	**18,482**	**71,065**	**14,494**	**–**	**104,041**
Carrying amount 12/31/2013	**48,407**	**41,180**	**6,652**	**4,366**	**100,605**
Carrying amount 12/31/2014	**54,607**	**47,820**	**6,671**	**7,873**	**116,971**

The carrying amount of plant and equipment held under finance leases as of December 31, 2014 is kEUR 2,809 (previous year: kEUR 2,540). Additions during the year included kEUR 65 in plant and equipment hold under finance lease (previous year: 2,499). Depreciation during the year amounted to kEUR 116 (previous year: kEUR 79). The present value of minimum lease payments amounted to kEUR 2,171 TEUR (previous year: kEUR 2,567). Undiscounted minimum lease payments amounted to kEUR 2,432 (previous year: kEUR 2,567).

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

Details on significant associates of the Group are presented in the following tables:

Name of the associate	FWI S.A.
Nature of relationship with the Group	Supplier of components in cast steel
Principal place of business	Luxembourg
Ownership interest	34.05%

The following table summarizes financial information of FWI S.A. The summarized financial information corresponds to the relevant amounts in the financial statements of the associates prepared in accordance with IFRS (for accounting purposes adjusted to the Group according to the equity method).

	FWI S.A.	
kEUR	12/31/2014	12/31/2013
Current assets	33,387	25,680
Non-current assets	8,355	7,461
Current liabilities	-5,730	-4,863
Non-current liabilities	-6,043	-4,102
Sales	41,364	37,744
Net profit of the financial year from continuing operations	5,977	2,661
Other comprehensive income	-58	-123
Total comprehensive income	**5,919**	**2,538**
Group`s share in total comprehensive income	2,015	864
Other equity holders	3,904	1,674

Reconciliation of the reported summarized financial information to the carrying amount of the investment in FWI S.A. as shown in the consolidated financial statements:

kEUR	12/31/2014	12/31/2013
Net assets of the associate	29,969	24,176
Equity interest of the Group	34.05%	34.05%
Other adjustments	376	399
Carrying amount of the investment in FWI S.A.	10,580	8,631

The reconciliation item “Other adjustments“ results from the disclosure of hidden reserves in the context of the acquisition of the investment and its amortization.

Financial information on the associate Lakeshore Air LLP and the joint venture SAF-HOLLAND Nippon Ltd. is grouped together for reasons of materiality:

kEUR	12/31/2014	12/31/2013
Group`s share in profit or loss	10	16
Group`s share in total comprehensive income	10	16
Aggregate carrying amount of Group`s share in these companies	1,225	1,198

6.4
OTHER NON-CURRENT ASSETS

kEUR	12/31/2014	12/31/2013
Customer Loan	1,089	–
VAT reimbursement claims	942	1,137
Insurance premiums	109	161
Claims from reinsurance	511	478
Defined benefit assets	197	980
Other	194	123
Total	**3,042**	**2,879**

6.5
INVENTORIES

kEUR	12/31/2014	12/31/2013
Raw materials	48,233	40,138
Work in progress	29,431	23,210
Finished and trading goods	37,236	29,736
Goods in transit	7,256	7,139
Total	**122,156**	**100,223**

Included in the cost of sales are allowances for inventories of kEUR 1,248 (previous year: kEUR 2,073).

6.6
TRADE RECEIVABLES

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

				Thereof not impaired on the reporting date and past due in the following periods					
kEUR	Carrying amount	Thereof neither impaired nor past due on the reporting date	Thereof impaired on the reporting date	Less than 30 days	Between 31 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 12/31/2014	102,964	73,756	1,236	14,393	4,335	4,133	1,757	2,673	681
Trade receivables as of 12/31/2013	76,088	60,734	543	7,146	3,799	1,268	847	1,131	620

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 12/31/2012	**3,015**
Charge for the year	633
Utilized	424
Released	8
Foreign currency translation	-56
As of 12/31/2013	**3,160**
Charge for the year	762
Utilized	54
Released	–
Foreign currency translation	85
As of 12/31/2014	**3,953**

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 and USA, the Group has taken out trade credit insurance to hedge the default risk.

The Group disposed of receivables with a volume of kEUR 21,654 (previous year: kEUR 18,738) as of the balance sheet date in the framework of a factoring agreement. Assuming the legal validity of the receivables, no further risks of customer illiquidity exist against the factor for the sold receivables.

6.7
OTHER CURRENT ASSETS

kEUR	12/31/2014	12/31/2013
VAT receivables	4,025	2,576
Prepaid expenses	1,652	1,081
Insurance premiums	274	339
Other	3,157	2,594
Total	**9,108**	**6,590**

6.8
CASH AND CASH EQUIVALENTS

kEUR	12/31/2014	12/31/2013
Cash on hand, cash at banks and checks	44,160	23,851
Short-term deposits	5	5
Total	**44,165**	**23,856**

6.9
EQUITY

Subscribed share capital

The Company's subscribed share capital is unchanged from the previous year and amounted to EUR 453,611.12 on the balance sheet date (previous year: 453,611.12). It consists of 45,361,112 ordinary shares with a par value of EUR 0.01 and is fully paid-in (previous year: 45,361,112).

Authorized share capital

As of the balance sheet date, the approved capital items consist of the following:

Articles of Incorporation	Date of resolution / limitation	€/number	Capital increase against:	Subscription rights excluded / execution of capital increase
§ 5.3	June 4, 2012 / limited until June 3, 2017	EUR 164,949.63 = 16,494,963 shares	Cash contribution and/or contribution in kind	–
§ 5.6	July 15, 2014 / limited until July 14, 2019	EUR 90,722.22 = 9,072,222 shares	Settlement of convertible bond from 2014	Capital increase is carried out, when creditors of the convertible bond exercise their conversion rights

Share premium

As of December 31, 2014, the share premium remained at the amount of kEUR 268,644 (previous year: kEUR 265,843). The increase in the share premium is attributable to the emission of the convertible bond.

The conversion right securitized with the convertible bond is recognized directly in the share premium in the amount of the difference between the proceeds from the issue and the fair value of the borrowing cost component. The share premium increased by kEUR 3,953 as a result. Furthermore, deferred tax assets of kEUR -1,130 and proporationate transaction costs net of deferred tax of kEUR -22 were also recognized directly in the share premium in connection with the emission of the convertible bond.

Legal reserve

The legal reserve amounted to kEUR 45 (previous year: kEUR 22). Due to legal requirements, kEUR 23 was added to the legal reserve.

Other reserves

Other reserves consist of a reserve that is subject to restrictions on distribution. This allowed the Group to adhere to specific requirements under Luxembourg tax law. As of December 31, 2014 the amount in the other reserves that is subject to transfer restriction is kEUR 436 (previous year: kEUR 436).

Retained earnings

Retained earnings includes the result for the period attributable to shareholders of SAF-HOLLAND S.A. of kEUR 32,643 (previous year: kEUR 24,365).

Dividend

Payment of a dividend of EUR 0.32 per share will be recommended for financial year 2014, corresponding to a total dividend distribution – in terms of the 45,361,112 shares – of kEUR 14,515. A dividend of EUR 0.27 per share was paid in the previous year. Total dividend distribution amounted to kEUR 12,248.

Change in accumulated other comprehensive income

	Before tax amount		Tax expense		Net of tax amount	
kEUR	2014	2013	2014	2013	2014	2013
Revaluation defined benefit plan	-13,175	12,325	4,283	-4,168	-8,892	8,157
Exchange differences on translation of foreign operations	9,210	-10,093	–	–	9,210	-10,093
Changes in fair values of derivatives designated as hedges, recognized in equity	1,438	2,602	-391	-708	1,047	1,894
Total	**-2,527**	**4,834**	**3,892**	**-4,876**	**1,365**	**-42**

The total amount of exchange differences on translation of foreign operations included in accumulated other comprehensive income is kEUR -537 (previous year: kEUR -9,747).

Changes in value of hedging transactions previously recorded in equity of kEUR 1,438 (before taxes) were reclassified to the finance result in the reporting year, because, on the one hand the cash flow hedge reserve for the interest rate swaps canceled as part of the refinancing in October 2012 was released using the effective interest method over the original term of the swaps. On the other hand, changes in the value of hedging transactions previously recorded in equity were reclassified to the finance result due to the refinancing in the fourth quarter of 2014, as the hedge was terminated due to the discontinuation of the hedged item.

The total amount of changes in the fair value of derivatives designated as hedges after taxes included in accumulated other comprehensive income is kEUR 0 (previous year: kEUR -1,047).

The total amount of revaluations of defined benefit plans included in accumulated other comprehensive income is kEUR -21,150 (previous year: kEUR -12,258).

The Group envisages a target liquidity of cash and cash equivalents in the amount of EUR 7 million. The equity ratio adjusted for excess liquidity amounts to 40.9% (previous year: 42.8%).

6.10
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 511 (previous year: kEUR 478) 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.

In Canada, there is a minimum funding requirement for pension plans which are not fully funded and are not expected to be fully funded within the foreseeable future. As a result of the development of the market rates of interest and the positive development of plan assets as of the closing date, the liability due to minimum funding requirements recognized in the previously year was reversed directly in equity in Canada. In the previous year, the liability due to minimum funding requirements amounted to kEUR 455.

Defined benefit liabilities as of December 31 can be summarized follows:

	Pension plans							
	German plan		US plan		Canadian plan		Post employment medical	
kEUR	2014	2013	2014	2013	2014	2013	2014	2013
Defined benefit obligation	**14,157**	**11,538**	**61,621**	**45,957**	**15,622**	**12,559**	**9,496**	**7,542**
Fair value of plan assets	-10	-9	-47,771	-40,049	-16,001	-13,899	–	–
	14,147	**11,529**	**13,850**	**5,908**	**-379**	**-1,340**	**9,496**	**7,542**
Amount not recognized as an asset because of the limit in IAS 19.57(b)	–	–	–	–	182	359	–	–
Additional liability recognized due to minimum funding requirements (IFRIC 14)	–	–	–	–	–	455	–	–
Benefit liabilities	**14,147**	**11,529**	**13,850**	**5,908**	**-197**	**-526**	**9,496**	**7,542**

The defined benefit liabilities includes defined benefit assets in amount of kEUR 197 (previous year: kEUR 980), which is disclosed in other assets in the balance sheet.

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

	Pension plans							
	German plan		US plan		Canadian plan		Post employment medical	
kEUR	2014	2013	2014	2013	2014	2013	2014	2013
Defined benefit obligation as of the beginning of the period	**11,538**	**11,875**	**45,957**	**53,469**	**12,559**	**14,514**	**7,542**	**8,199**
Interest expenses	399	466	2,110	1,939	610	608	318	261
Current service cost	8	46	256	324	305	348	256	247
Benefits paid	-389	-408	-2,588	-2,276	-407	-385	-294	-240
Revaluation of defined benefit plans	2,602	-441	9,816	-5,361	2,012	-955	648	-561
Foreign currency translation	–	–	6,070	-2,138	542	-1,571	1,026	-364
Defined benefit obligation as of the end of the period	**14,157**	**11,538**	**61,621**	**45,957**	**15,622**	**12,559**	**9,496**	**7,542**

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

	German plan		US plan		Canadian plan	
kEUR	2014	2013	2014	2013	2014	2013
Fair value of plan assets as of the beginning of the period	**9**	**9**	**40,049**	**35,419**	**13,899**	**13,422**
Expected return on plan assets	–	–	1,805	1,322	697	562
Employer contribution	–	–	1,941	2,184	452	876
Actuarial gains (+) / losses (-)	1	–	1,149	4,862	754	915
Benefits paid	–	–	-2,588	-2,276	-407	-385
Foreign currency translation	–	–	5,415	-1,462	606	-1,491
Fair value of plan assets as of the end of the period	**10**	**9**	**47,771**	**40,049**	**16,001**	**13,899**

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

	2014		2013	
	%	TEUR	%	TEUR
Equities	58.00	36,994	66.00	35,611
Bonds	30.00	19,135	29.00	15,648
Cash and money market	8.00	5,103	1.00	540
Real estate	4.00	2,551	4.00	2,158
Total	**100.00**	**63,782**	**100.00**	**53,957**

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

	12/31/2014	12/31/2013
Defined benefit obligation	**100,896**	**77,596**
Fair value of plan assets	-63,782	-53,957
Benefit liabilities	**37,114**	**23,639**
Experience losses (+) / gains (-) related to defined benefit obligation	-627	-1,955
Experience losses (+) / gains (-) related to plan assets	-1,903	-5,777
Actuarial losses (+)/ gains (-) due to changes in demographic assumptions	4,735	117
Actuarial losses (+)/ gains (-) due to changes in financial assumptions	10,969	-5,480

The following table summarizes the components of net benefit expenses:

	Pension plans							
	German plan		US plan		Canadian plan		Post employment medical	
kEUR	2014	2013	2014	2013	2014	2013	2014	2013
Current service cost	8	46	256	324	305	348	256	247
Interest expenses	399	466	306	617	-87	46	318	261
Net benefit expenses	**407**	**512**	**562**	**941**	**218**	**394**	**574**	**508**
Actual return on plan assets	1	–	2,954	5,014	1,451	1,477	–	–

The cost of defined benefit commitments 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	
%	2014	2013	2014	2013	2014	2013
Discount rate	2.15	3.55	3.77	4.48	4.00	4.90
Future salary increases	0.00/2.00 [1]	0.00/2.00 [1]	3.50	3.50	– [3]	– [3]
Future pension increases	2.00	2.00	– [2]	– [2]	– [3]	– [3]
Turnover rates	4.60	4.60	2.88	2.88	–	–

[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:

%	2014	2013
Initial rate (health care cost trend rate assumed for next year)	7.50	7.75
Ultimate rate (health care cost trend rate assumed to reduce cost)	5.00	5.00
Year of ultimate	2024	2024

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

	2014		2013	
kEUR	Increase	Decrease	Increase	Decrease
Effect on the aggregate current service cost and interest expenses	80	-68	62	-53
Effect on the defined benefit obligation	924	-804	665	-584

The discount rate is seen as a significant indicator of the value of defined benefit obligation. A change to the discount rate of 0.75 percentage points would have the following effect on the amount of the defined benefit obligation:

	2014			
kEUR	Germany	USA	Canada	Total
Increase of Discount Rate + 0,75%	-1,705	-5,422	-1,471	**-8,598**
Reduction of Discount Rate - 0,75%	2,098	6,344	2,421	**10,864**

Future payments in connection with the defined benefit obligations are summarized in the following chart:

	2014				
kEUR	2015	2016–2019	2020–2024	2025 ff.	Total
Germany	433	1,810	2,274	17,515	**22,032**
USA	3,591	15,341	20,641	82,146	**121,718**
Canada	421	2,203	4,262	25,399	**32,284**
Total	**4,445**	**19,354**	**27,177**	**125,059**	**176,035**

	2013				
kEUR	2014	2015–2018	2019–2023	2024 ff.	**Total**
Germany	441	1,855	2,354	18,696	**23,346**
USA	3,055	13,352	18,388	54,133	**88,928**
Canada	384	2,154	4,312	22,586	**29,436**
Total	**3,880**	**17,361**	**25,054**	**95,415**	**141,710**

The weighted average duration of pension plans is described below:

	Germany	USA	Canada
Weighted Average Duration as at 12/31/2014	18	12	18
Weighted Average Duration as at 12/31/2013	17	11	15

6.11 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	Restructuring	Share based payment transactions	Other	**Total**
As of 01/01/2014	**5,794**	**678**	**775**	**1,484**	**1,281**	**1,423**	**1,155**	**12,590**
Additions	8,480	–	105	513	602	3,721	803	**14,224**
Utilized	7,820	41	104	573	820	750	254	**10,362**
Release	259	–	15	–	66	–	–	**340**
Interest effect from measurement	16	–	20	–	–	–	–	**36**
Foreign currency translation	190	–	84	192	4	–	315	**785**
As of 12/31/2014	**6,401**	**637**	**865**	**1,616**	**1,001**	**4,394**	**2,019**	**16,933**
Thereof in 2014								
Current	4,009	604	244	411	1,001	2,626	1,239	**10,134**
Non-current	2,392	33	621	1,205	–	1,768	780	**6,799**
Thereof in 2013								
Current	3,298	426	330	362	1,281	–	753	**6,450**
Non-current	2,496	252	445	1,122	–	1,423	402	**6,140**

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

On October 1, 2013, it was decided to integrate the Wörth am Main plant into the existing Keilberg and Frauengrund plants in Bessenbach. The plant consolidation is part of a package of measures to increase profitability of the Trailer Systems Business Unit. The transfer of production is to take place gradually from December 2013 to December 2015. This involved the conclusion of a reconciliation of interests including a redundancy plan with job security in October 2013. In addition, further measures in connection with the plant consolidation were decided upon in 2014.

Share-based payment transactions

__ Phantom share plan

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 has decreased in financial year 2014 by 40,000 phantom shares to 600,000 phantom shares and breaks down as follows:

Phantom shares outstanding at the beginning of the period	640,000
Phantom shares granted during the period	–
Phantom shares forfeited during the period	40,000
Phantom shares exercised during the period	–
Phantom shares expired during the period	–
Phantom shares outstanding at the end of the period	**600,000**
Phantom shares exercisable at the end of the period	600,000

In the reporting period, 40,000 phantom shares expired as a result of two employees leaving the company. The contractual term of the phantom shares as of December 31, 2014 is a maximum of 0.5 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:

Measurement date	12/31/2014	12/31/2013
Expected remaining contractual life (years)	0.50	1.50
Share price on measurement date (EUR)	11.18	10.81
Exercise price (EUR)	5.00	5.00
Expected volatility	25.15%	21.35%
Risk free interest rate	0.00%	0.12%

The weighted average of the fair value of phantom shares amounts to EUR 5.00 per phantom share as of December 31, 2014 (previous year: EUR 4.61).

In the reporting year, the vesting conditions for the phantom share program were updated by the Board of Directors. Reason for updating the vesting conditions was that long-term capital measures as well as the amount of restructuring expenses during the term of the phantom share program were not yet forseeable when the phantom share program was introduced in June 2010. If these circumstances had been kown at the time the phantom share program was introduced, the vesting conditions would have been determined accordingly under consideration of the upfront payment of kEUR 750 from the interim-PSU plan. A provision in the amount of EUR 2.3 million was recognized in the reporting year based on the updated vesting conditions and the expected level of target achievement. The expenses for the period are allocated to the relevant functional areas in the consolidated statement of comprehensive income.

__ Performance share unit plan

As part of the PSU plan, members of the Management Board and selected managers can receive cash awards depending on the achievement of certain performance targets. Since 2013, a PSU plan with a term of four years has been offered to each participant in the scheme. As a result of the new plan structures implemented in 2013, another "interim" PSU plan with a term of two years was offered to participants in 2013 and in 2014 in addition to the regular four-year PSU plan.

The goal of this plan 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 performance share unit plan takes into account both the performance of the company and the share price development and provides for a performance period of four/two years.

Participants receive virtual share units at the beginning of the performance period. The number of share units at the beginning of the performance period results from the division of the allowance value annually determined by the Board of Directors by the average market price in the last two months of the year preceding the allowance. Upon expiration of the performance period, the allowed number of share units is adjusted through multiplication with a target-achievement factor. The target-achievement factor is the ratio of average realized company performance (adjusted EBIT margin) during the performance period to average target value previously determined for the performance period.

The amount of the participants' payment claim is determined by multiplying the share units with the average market price during the last two months of the performance period and the target-achievement factor. There is no entitlement to shares of SAF-HOLLAND S.A.

Payment under the performance share unit plan is limited to 200% of the participant's gross annual salary at the time of payment.

The 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 of entitlement, has achieved on the average a minimum operating performance with regard to the performance indicator "Adjusted EBIT".

Early payments in the total amount of kEUR 750 were made to participants in the scheme from the "interim" PSU plan granted in 2013. The amount paid out under this PSU plan is offset against the payment claim from the phantom share plan.

On the balance sheet date the total of share units granted amounts to 490,039 and breaks down as follows:

	Performance share unit plan 2013–2014	Performance share unit plan 2014–2015	Performance share unit plan 2013–2016	Performance share unit plan 2014–2017
Share units outstanding at the beginning of the period	139,439	–	278,856	–
Share units granted during the period	–	70,394	–	140,789
Share units forfeited during the period	–	–	–	–
Share units exercised during the period	69,720	–	–	–
Share units expired during the period	69,719	–	–	–
Share units outstanding at the end of the period	**0**	**70,394**	**278,856**	**140,789**
Share units exercisable at the end of the period	–	–	–	–

The share units granted are classified and accounted for as cash-settled share-based payment transactions. The fair value of the share units 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:

	Performance share unit plan 2013–2016	Performance share unit plan 2014–2017	Performance share unit plan 2014–2015
Expected remaining contractual life (years)	2.00	3.00	1.00
Average share price on measurement date (EUR)	11.18	11.18	11.18
Expected volatility	26.16%	32.52%	25.12%
Risk free interest rate	-0.04%	0.00%	-0.03%

The fair value is expensed over the contract term with recognition of a corresponding liability. As of December 31, 2014, provisions for these performance plans amount to EUR 2.1 million (previous year: EUR 1.4 million). Expenses for the period in the amount of EUR 1.5 million (previous year: EUR 1.4 million) have been allocated to the relevant functional areas in the Consolidated Statement of Comprehensive Income.

6.12
INTEREST BEARING LOANS AND BONDS

	Non-current		Current		**Total**	
kEUR	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Interest bearing bank loans	8,178	60,216	–	7,059	**8,178**	**67,275**
Convertible bond	96,436	–	–	–	**96,436**	**–**
Bond	75,000	75,000	–	–	**75,000**	**75,000**
Financing costs	-1,931	-3,315	-505	-602	**-2,436**	**-3,917**
Bank overdrafts	–	–	–	4,084	**–**	**4,084**
Accrued interests	–	–	4,000	4,245	**4,000**	**4,245**
Other loans	114	93	48	83	**162**	**176**
Total	**177,797**	**131,994**	**3,543**	**14,869**	**181,340**	**146,863**

On September 12, 2014, SAF-HOLLAND S.A. issued an unsecured senior convertible bond with SAF-HOLLAND S.A. share conversion rights. The convertible bond has an original issue volume of kEUR 100,200, a term of six years (maturity: September 12, 2020) and an interest coupon of 1.0 % payable semi-annually.

The conversion right can generally be exercised at any time within the period of October 23, 2014 to September 3, 2020 in accordance with the "Bond terms and conditions" at a fixed conversion price in the amount of EUR 12.37 initially.

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

Upon initial recognition, the convertible bond was divided into a liability portion and an equity portion based on the substance of the contractual arrangements pursuant to IAS 32. The liability portion of the convertible bond was recognized at present value taking into account a market discount rate and increases by the interest portion of the respective period at each balance sheet date in accordance with the effective interest rate method. The compounding of interest resulting from the difference between the coupon interest rate and the effective interest rate amounted to kEUR 189 as of December 31, 2014. At the balance sheet date, the liability portion of the convertible bond was kEUR 96,436.

The proceeds from the emission of the convertible bond were used for repayment of existing bank loans.

In October 2014, an agreement for a credit line was furthermore signed with a new and narrowed consortium of banks that prematurely replaced the financing arrangement that had been in place since October 5, 2012 and ensures a long-term supply of short- and long-term finance for the Group until October 2019.

The early refinancing offers the following advantages compared to the financing agreement that was replaced:
- Halving of the inter est margin in a first step to 1.3%.
- Relaxation of the financial covenants due to the Group' s improved risk position.
- Extension of the maturity date by two years compared to the financing agreement that was replaced.

Transaction costs capitalized in 2014 in connection with the emission of the convertible bond and the new credit line amount kEUR 1,011. The effective interest rate is 1.14%.

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:

	12/31/2014			
kEUR	Amount drawn valued as of the period-end exchange rate	Agreed credit lines valued as of the period-end exchange rate	Cash and cash equivalents	Total liquidity
Facility A	5,822	85,000	–	79,178
Facility B	–	20,568	–	20,568
Other Facility	2,356	5,360 [1]	44,165	47,169
Total	**8,178**	**110,928**	**44,165**	**146,915**

[1] New bilateral credit line for the activities of the Group in China.

	12/31/2013			
kEUR	Amount drawn valued as of the period-end exchange rate	Agreed credit lines valued as of the period-end exchange rate	Cash and cash equivalents	Total liquidity
Facility A1	53,195	53,195	–	–
Facility A2	11,080	15,980	–	4,900
Facility B1	3,000	80,000	23,856	100,856
Facility B2	–	36,320	–	36,320
Total	**67,275**	**185,495**	**23,856**	**142,076**

The determination of overall liquidity has changed as compared to the Annual Report as of December 31, 2013. Overall liquidity is now calculated with reference to the period-end exchange rate. The management expects the changed calculation method to allow for better insight into the Company's financial position. The prior-year figures have been adjusted for reasons of comparability.

6.13 TRADE PAYABLES

Trade payables in the amount of kEUR 94,363 (previous year: kEUR 79,253) are non-interest bearing and are normally settled within two to six months.

6.14 OTHER LIABILITIES

	Current		Non-current	
kEUR	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Liabilities for salaries and social security contributions	11,191	9,254	–	–
Other taxes	3,241	1,208	–	–
Anniversary obligations	259	121	535	354
Other	3,723	2,732	150	303
Total	**18,414**	**13,315**	**685**	**657**

7 _ OTHER DISCLOSURES

7.1 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

	12/31/2014						
			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	44,165	44,165	–	–	–	44,165
Trade receivables	LaR	102,964	102,964	–	–	–	102,964
Other current assets	LaR	1,089	1,089	–	–	–	1,089
Other financial assets							
Derivates without a hedging relationship	FAHfT	234	–	–	234	–	234
Liabilities							
Trade payables	FLAC	94,363	94,363	–	–	–	94,363
Interest bearing loans and bonds	FLAC	181,340	181,340	–	–	–	202,067
Finance lease liabilities	n.a.	2,172	–	–	–	2,172	2,172
Other financial liabilities							
Derivates without a hedging relationship	FLHfT	45	–	–	45	–	45
Thereof aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	148,218	148,218	–	–	–	148,218
Financial liabilities measured at amortized cost	FLAC	275,703	275,703	–	–	–	296,430
Financial assets held for trading	FAHfT	234	–	–	234	–	234
Financial liabilities held for trading	FLHfT	45	–	–	45	–	45

kEUR	12/31/2013 Category in accordance with IAS 39	Carrying amount	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	23,856	23,856	–	–	–	23,856
Trade receivables	LaR	76,088	76,088	–	–	–	76,088
Other current assets	LaR	1,175	1,175	–	–	–	1,175
Other financial assets							
Derivates without hedging	FLHfT	15	–	–	15	–	15
Liabilities							
Trade payables	FLAC	79,253	79,253	–	–	–	79,253
Interest bearing loans and bonds	FLAC	146,863	146,863	–	–	–	156,125
Finance lease liabilities	n.a.	2,237	–	–	–	2,237	2,237
Other financial liabilities							
Derivates with a hedging relationship	n.a.	205	–	205	–	–	205
Thereof aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	101,119	101,119	–	–	–	101,119
Financial liabilities measured at amortized cost	FLAC	226,116	226,116	–	–	–	235,378
Financial liabilities held for trading	FLHfT	15	–	–	15	–	15

The following table shows the allocation of financial assets and liabilities measured at fair value to the three hierarchy levels of fair values:

kEUR	12/31/2014 Level 1	Level 2	Level 3	Total
Interest bearing loans and bonds	202,067	–	–	**202,067**
Derivative financial assets	–	234	–	**234**
Derivative financial liabilities	–	45	–	**45**

kEUR	12/31/2013 Level 1	Level 2	Level 3	Total
Interest bearing loans and bonds	156,125	–	–	**156,125**
Derivative financial assets	–	15	–	**15**
Derivative financial liabilities	–	205	–	**205**

Cash and cash equivalents 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 bonds 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 value of the bond and of the convertible bond reported under this item is determined on the basis of its market value on the balance sheet date. Derivatives valued using valuation techniques with market observable inputs are mainly interest rates swaps and foreign exchange forward contracts. The applied valuation techniques include forward pricing and swap models, using present value calculation.

The fair values of other financial assets and liabilities are calculated based on interest rates with matching maturities. In the balance sheet as of December 31, 2014, only derivatives of kEUR 189 (previous year: kEUR 190) were measured at fair value.

The fair value of the liabilities from interest bearing loans and bonds and derivative financial assets and liabilities – excluding the quoted bond - are 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 of the quoted bond is based on price quotations at the reporting date (Level 1). 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:

kEUR	From interest	From remuneration	At fair value	Currency translation	Impairment	Net result
	2014					
			From subsequent measurement			
Loans and receivables	-365	–	–	–	-762	**-1,127**
Financial assets held for trading	–	–	234	–	–	**234**
Financial liabilities measured at amortized cost	-10,445	-1,997	–	8,215	–	**-4,227**
Financial liabilities held for trading	–	–	-45	–	–	**-45**
Total	**-10,810**	**-1,997**	**189**	**8,215**	**-762**	**-5,165**

kEUR	From interest	From remuneration	At fair value	Currency translation	Impairment	Net result
	2013					
			From subsequent measurement			
Loans and receivables	140	–	–	–	-625	**-485**
Financial liabilities measured at amortized cost	-10,461	–	–	-3,608	–	**-14,069**
Financial liabilities held for trading	–	–	59	–	–	**59**
Total	**-10,321**	**–**	**59**	**-3,608**	**-625**	**-14,495**

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 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:

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
	12/31/2014			
Interest bearing loans and bonds	**181,340**	3,543	81,455	96,342
Finance lease liabilities	**2,172**	399	1,773	–
Trade payables	**94,363**	94,363	–	–
Other financial liabilities				
Derivates without a hedging relationship	**45**	45	–	–
Financial liabilities	**277,920**	**98,350**	**83,228**	**96,342**

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
	12/31/2013			
Interest bearing loans and bonds	**146,863**	14,869	57,147	74,847
Finance lease liabilities	**2,237**	350	1,887	–
Trade payables	**79,253**	79,253	–	–
Other financial liabilities				
Derivates with a hedging relationship	**205**	–	205	–
Financial liabilities	**228,558**	**94,472**	**59,239**	**74,847**

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

	12/31/2014								
	Cash flows 2015			Cash flows 2016			Cash flows 2017–2020		
kEUR	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest bearing loans and bonds	-6,177	-557	-48	-6,027	-557	-114	-8,522	-2,229	-108,343
Finance lease liabilities	-95	–	-399	-77	–	-454	-77	–	-1,319
Other financial liabilities									
Derivates without a hedging relationship	-45	–	–	–	–	–	–	–	–

	12/31/2013								
	Cash flows 2014			Cash flows 2015			Cash flows 2016–2019		
kEUR	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest bearing loans and bonds	-6,931	-195	-15,471	-5,609	-171	-11,982	-17,948	-249	-123,327
Finance lease liabilities	-65	–	-350	-56	–	-416	-58	–	-1,471
Other financial liabilities	–	–	–	–	–	–	–	–	–
Derivates with a hedging relationship	–	-201	–	–	48	–	–	274	–

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 in North America 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 interest rate risk was significantly reduced as a result of restructuring the corporate financing in September/October 2014. The existing liabilities to banks were for the most part repaid with the proceeds from the emission of a convertible bond in September 2014. The company is now almost exclusively financed at fixed interest rates through the corporate bond issued in October 2012 and the convertible bond issued in September 2014.

Before the restructuring of the Company's financing, the marked-induced interest rate risk in connection with floating-rate loans was countered with the conclusion of interest rate swaps in accordance with the Company's risk management. For this reason, an interest sensitivity calculation is not provided in the Notes to the Consolidated Financial Statements.

Foreign currency risk

The Group is exposed to foreign currency risks that arise from the international nature of its investing, financing, and operating activities. Financing of Group companies is conducted primarily by SAF-HOLLAND S.A. and SAF-HOLLAND GmbH. Loans granted to the international Group companies are generally in euros. Unrealized foreign exchange gains and losses may therefore result from the translation of intercompany loans at the closing rate. Unrealized foreign exchange losses amount to kEUR 8,680 as of the balance sheet date.

The following table shows the sensitivity of a 5% increase or decrease of the euro against the US dollar from the Group's perspective. The sensitivity analysis only includes outstanding monetary items that are denominated in a foreign currency and adjusts its translation at the end of the period by a 5% change in exchange rates.

	Change in Exchange rate USD/EUR	Effect on earnings before taxes	Effect on equity before taxes
2014	5%	2,851	3,529
	-5%	-3,152	-3,829
2013	5%	3,719	4,205
	-5%	-4,111	-4,597

7.2
EARNINGS PER SHARE

		2014	2013
Result for the period	**kEUR**	**32,643**	**24,365**
Weighted average number of shares outstanding	thousands	45,361	45,361
Basic earnings per share	**Euro**	**0.72**	**0.54**
Diluted earnings per share	**Euro**	**0.69**	**0.54**

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 diluted earnings per share are based upon the assumption that the outstanding debt instruments are converted into shares (convertible bond). The convertible bond is only considered in the calculation of the diluted earnings per share if it has a dilutive effect in the reporting period.

A dilutive effect of EUR 0.03 per share results from the emission of the convertible bond.

Diluted earnings per share are derived from basic earnings per share as follows:

kEUR	Overall potentially dilutive financial instruments 2014	Dilutive financial instruments used for the calculation 2014
Result for the period		
Numerator for undiluted earnings per share (attributable to the shareholders of the parent company)	32,643	32,643
Increase in profit equivalent to effect of convetible bond recognised in profit and loss	491	491
Numerator for diluted earnings	**33,134**	**33,134**
Number of shares		
Denominator for basic earnings per share (weighted average number of shares)	45,361	45,361
Convertible bond	2,430	2,430
Denominator for potentially diluted earnings per share	**47,791**	
thereof to be included for dilution (adjusted weighted average)		**47,791**
Basic earnings per share (EUR)		**0.72**
Diluted earnings per share (EUR)		**0.69**

The calculation of potentially dilutive shares which are included in the determination of diluted earnings per share is shown in the following table:

	Par value (EUR)	Number	Days	Weighted number
09/12/2014 – 12/31/2014	0.01	8,099,849	108	874,783,692
Total			**108**	**874,783,692**
Average		**2,429,955**		

7.3
STATEMENT OF CASH FLOWS

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

Operating lease liabilities

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	12/31/2014	12/31/2013
Remaining term of up to 1 year	4,635	4,354
Remaining term of more than 1 year and up to 5 years	6,003	8,462
Remaining term of more than 5 years	3,277	3,814
Total	**13,915**	**16,630**
Operate lease payments for the reporting period	7,572	7,146

Finance lease liabilities

The Group has finance lease agreements for various technical facilities as well as operational and business equipment. Future minimum lease payments under these finance leases and the reconciliation to the present value of net minimum lease payments are as follows:

	12/31/2014		12/31/2013	
kEUR	Lease payments	Present value including residual value and initial payments	Lease payments	Present value including residual value and initial payments
Remaining term of up to 1 year	524	399	393	350
Remaining term of more than 1 year and up to 5 years	1,909	1,773	2,175	1,887
Remaining term of more than 5 years	–	–	–	–
Total	**2,433**	**2,172**	**2,568**	**2,237**

7.5
CONTINGENT LIABILITIES

Legal disputes

A customer made out of court claims against a Group company as a result of supposedly defective equipment.

Legal proceedings have been filed by a former Managing Director of a subsidiary with regard to bonus payments and claims relating to a virtual share program.

Further, a consulting company has made claims with regard to consulting fees from 2009 that are supposedly still due.

Total contingent liabilities amount to around EUR 2.5 million.

As the Group's legal advisor considers it unlikely that the claims made would be successful, no provisions have been made for an obligation resulting from this legal dispute within these consolidated financial statements.

7.6 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	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 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.[1]	USA	100.0
SAF-HOLLAND Canada Ltd.	Canada	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
SAF-HOLLAND Verkehrstechnik GmbH	Germany	100.0
SAF-HOLLAND International de Mexico S. de R.L. de C.V.	Mexiko	100.0
SAF-HOLLAND International Services Mexico S. de R.L. de C.V.	Mexiko	100.0
SAF-HOLLAND Hong Kong Ltd.	Hong Kong	100.0
SAF-HOLLAND (Xiamen) Co., Ltd.	China	100.0
Corpco Beijing Technology and Development Co, Ltd[2]	China	80.0
OOO SAF-HOLLAND Russland[3]	Russia	100.0
SAF-HOLLAND India Pvt. Ltd.	India	100.0

[1] Effective December 31, 2014, SAF-HOLLAND International Inc., USA, and QSI Air Ltd. were merged with SAF-HOLLAND Inc, USA.
[2] On January 2, 2014, SAF-HOLLAND GmbH acquired 80% of the shares in Corpco Beijing Technology and Development Co., Ltd.
[3] On June 20, 2014, the company OOO SAF-HOLLAND Russland was founded.

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

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:

MANAGEMENT BOARD	
Detlef Borghardt	Chief Executive Officer (CEO)
Wilfried Trepels	Chief Financial Officer (CFO)
Jack Gisinger	President Powered Vehicle Systems Business Unit & Group Technical Services
Steffen Schewerda	President Trailer Systems Business Unit & Group Operations
Alexander Geis	President Aftermarket Business Unit

BOARD OF DIRECTORS	
Bernhard Schneider	Chairman of the Board of Directors
Sam Martin	Deputy Chairman of the Board of Directors
Detlef Borghardt	Member of the Board of Directors
Dr. Martin Kleinschmitt	Member of the Board of Directors
Anja Kleyboldt	Member of the Board of Directors
Martina Merz	Member of the Board of Directors
Richard Muzzy	Member of the Board of Directors

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, 2014, members of the Management Board directly or indirectly held ordinary shares of kEUR 6 (previous year: kEUR 9), while members of the Board of Directors directly or indirectly held ordinary shares of kEUR 3 (previous year: kEUR 17).

Moreover, as of balance sheet date, kEUR 2,347 has been accrued for appreciation rights granted to members of the Management Board (previous year: kEUR 961). Current provisions have a share of kEUR 886 in overall provisions.

The total remuneration of the members of the Management Board in the year under review was kEUR 2,370 (previous year: kEUR 2,593). The total remuneration of the Board of Directors was kEUR 320 (previous year: kEUR 276) and is recognized in profit or loss.

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

	Sales to related parties		Purchases from related parties	
kEUR	2014	2013	2014	2013
SAF-HOLLAND Nippon, Ltd.	1,297	912	–	–
Lakeshore Air LLP	–	–	–	64
FWI S.A.	–	–	32,140	26,705
Irwin Seating Company[1]	–	472	–	–
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.[2]	–	3	–	–
Total	**1,297**	**1,387**	**32,140**	**26,769**

[1] The Irwin Seating Company is a company in which a member of the Board of Directors of the SAF-HOLLAND Group helds a key management position until April 2013.
[2] The joint venture was terminated in May 2013.

kEUR	Amounts owed by related parties 12/31/2014	Amounts owed by related parties 12/31/2013	Amounts owed to related parties 12/31/2014	Amounts owed to related parties 12/31/2013
SAF-HOLLAND Nippon, Ltd.	537	185	207	–
Lakeshore Air LLP	–	–	–	183
FWI S.A.	–	–	1,419	382
Total	**537**	**185**	**1,626**	**565**

Outstanding balances as of December 31, 2014 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, 2014, 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.

7.7 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 is comprised of interest bearing loans and bonds less cash and cash equivalents.

	12/31/2014	12/31/2013
Interest bearing loans and bonds	181,340	146,863
Cash and cash equivalents	-44,165	-23,856
Net debt	**137,175**	**123,007**
Equity attributable to equity holders of the parent	**246,593**	**222,186**
Equity and net debt	**383,768**	**345,193**

Under the financing agreement signed on October 15, 2014, 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).

7.8 AUDITOR'S FEES

The following expenses were incurred in financial year 2014 for services provided by the auditors and related companies of the auditors:

kEUR	2014	2013
Auditing of financial statements	551	483
Tax accountancy services	207	299
Other services	59	80
Total	**817**	**862**

7.9 EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date.

Luxembourg, March 10, 2015

Bernhard Schneider
Chairman of the Board of Directors

Detlef Borghardt
Chief Executive Officer
of SAF-HOLLAND GmbH

SAF-HOLLAND S.A. Annual Financial Statements

INCOME STATEMENT OF SAF-HOLLAND S.A.[1)]

kEUR	2014	2013
Income from financial fixed assets	23,960	18,812
Income from financial current assets	1,402	1,943
Total income	**25,362**	**20,755**
Other external charges	-2,006	-1,536
Staff costs	-66	-60
Other operating charges	-545	-444
Interest and other financial charges	-5,555	-5,252
Other taxes	-160	-188
Result before tax	**17,030**	**13,275**
Income tax	-3	-3
Result for the period	**17,027**	**13,272**

[1)] Figures according to Luxembourg GAAP.

BALANCE SHEET OF SAF-HOLLAND S.A.[1)]

kEUR	12/31/2014	12/31/2013
Assets		
Non-current assets	**443,485**	**341,272**
Shares in affiliated undertakings	265,638	265,638
Amounts owed by affiliated undertakings	177,844	75,631
Own shares or own corporate units	3	3
Current assets	**38,823**	**35,509**
Amounts owed by affiliated undertakings	36,582	33,750
Other receivables	–	–
Cash at bank, cash in postal cheque accounts, cheques and cash in hand	92	52
Prepayments	**2,149**	**1,707**
Total assets	**482,308**	**376,781**
Equity and liabilities		
Equity attributable to equity holders of the parent	**302,335**	**297,556**
Subscribed share capital	454	454
Share premium	276,455	276,455
Legal reserve	45	22
Other reserve	436	436
Profit or loss brought forward	7,918	6,917
Profit or loss for the financial year	17,027	13,272
Non-current liabilities	**175,200**	**75,000**
Bonds	175,200	75,000
Current liabilities	**4,773**	**4,225**
Bonds	3,901	3,596
Trade payables	221	118
Amounts owed to affiliated undertakings	26	25
Tax and social security debts	305	210
Other creditors	320	276
Total equity and liabilities	**482,308**	**376,781**

[1)] Figures according to Luxembourg GAAP.

Mandates of the Board of Directors / Management Board

Bernhard Schneider

Member Board of Directors (Chairman), SAF-HOLLAND S.A.
(first election date: June 18, 2007; extended until April 2017; 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.

Sam Martin

Member Board of Directors, SAF-HOLLAND S.A.
(first election date: April 28, 2011; extended until April 2017, Vice chairman since April 25, 2013)
Member of the Board, Metal Flow Corporation

Detlef Borghardt

Member Board of Directors, SAF-HOLLAND S.A.
(first election date: October 1, 2011; extended until April 2017)
Managing Director, SAF-HOLLAND GmbH
Managing Director, D+MB GmbH
Member of the Advisory Board, ITAI Investment GmbH

Dr. Martin Kleinschmitt

Member Board of Directors, SAF-HOLLAND S.A.
(first election date: April 25, 2013 until April 2016)
Member of the Board, Noerr Consulting AG

Anja Kleyboldt

Member Board of Directors, SAF-HOLLAND S.A.
(first election date: April 26, 2012; extended until April 2016)
Director Logistics Strategy Projects & WFG Opel/Vauxhall
Member of the Board, Institut für angewandte Arbeitswissenschaften Düsseldorf

in front: Bernhard Schneider;
back, from left to right:
Martina Merz, Dr. Martin Kleinschmitt,
Richard Muzzy, Anja Kleyboldt,
Detlef Borghardt, Sam Martin

Martina Merz

Member Board of Directors, SAF-HOLLAND S.A.
(first election date: April 24, 2014 until April 2017)
Managing Director, Chassis Brakes International

Richard Muzzy

Member Board of Directors, SAF-HOLLAND S.A.
(first election date: June 18, 2007; extended until April 2015)
Member Supervisory Board, Paragon Tool & Die
Member Supervisory Board, Irwin Seating Holding Company

Wilfried Trepels

Managing Director and CFO, SAF-HOLLAND GmbH
Managing Director, Via Montana GmbH

Alexander Geis

Managing Director, SAF-HOLLAND GmbH

Jack Gisinger

Managing Director, SAF-HOLLAND GmbH

Steffen Schewerda

Managing Director, SAF-HOLLAND GmbH

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 (ANNUAL FINANCIAL STATEMENTS)

Following our appointment by the General Meeting of the Shareholders dated 24 April 2014, we have audited the accompanying consolidated financial statements of SAF-HOLLAND S.A., which comprise the consolidated balance sheet as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements.

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 accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these 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 31 December 2014, 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 consolidated management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Werner Weynand

Luxembourg, March 10, 2015

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.

Luxembourg, March 10, 2015
SAF-HOLLAND S.A.

Bernhard Schneider
Chairman of the Board of Directors

Financial Glossary

A

Actuarial gains and losses
Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

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.

B

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

C

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.

Clearing house
An institution connected to or integrated into a derivatives exchange, which offsets all exchange transactions and acts as counterparty to the buyer and the seller after each transaction.

Coverage
Analysts at renowned banks and investment houses regularly observe and evaluate the development of SAF-HOLLAND S.A.'s shares.

D

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)

E

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

Equity ratio
Equity / total assets x 100.

F

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

G

Gross margin
Gross profit / sales x 100.

H

Hybrid financial instrument
Financial instrument that, depending on its economic substance, contains both a liability and an equity component.

I

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.

J

Joint venture
A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

M

MDAX
The mid-cap-Dax (MDAX) comprises 50 companies that rank immediately below DAX securities in terms of market capitalization and order book volume.

N

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.

Non-recourse factoring
Factoring where the factor takes on the bad debt risk.

Novation
Cancellation of a contractual obligation and establishment of a new contractual obligation in place of the old one.

P

Personnel expenses per employee
Personnel expenses (not including restructuring and integration costs) / average number of employees (not including temporary employees)

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

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.

R

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.

S

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.

Structured entity
An entity has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

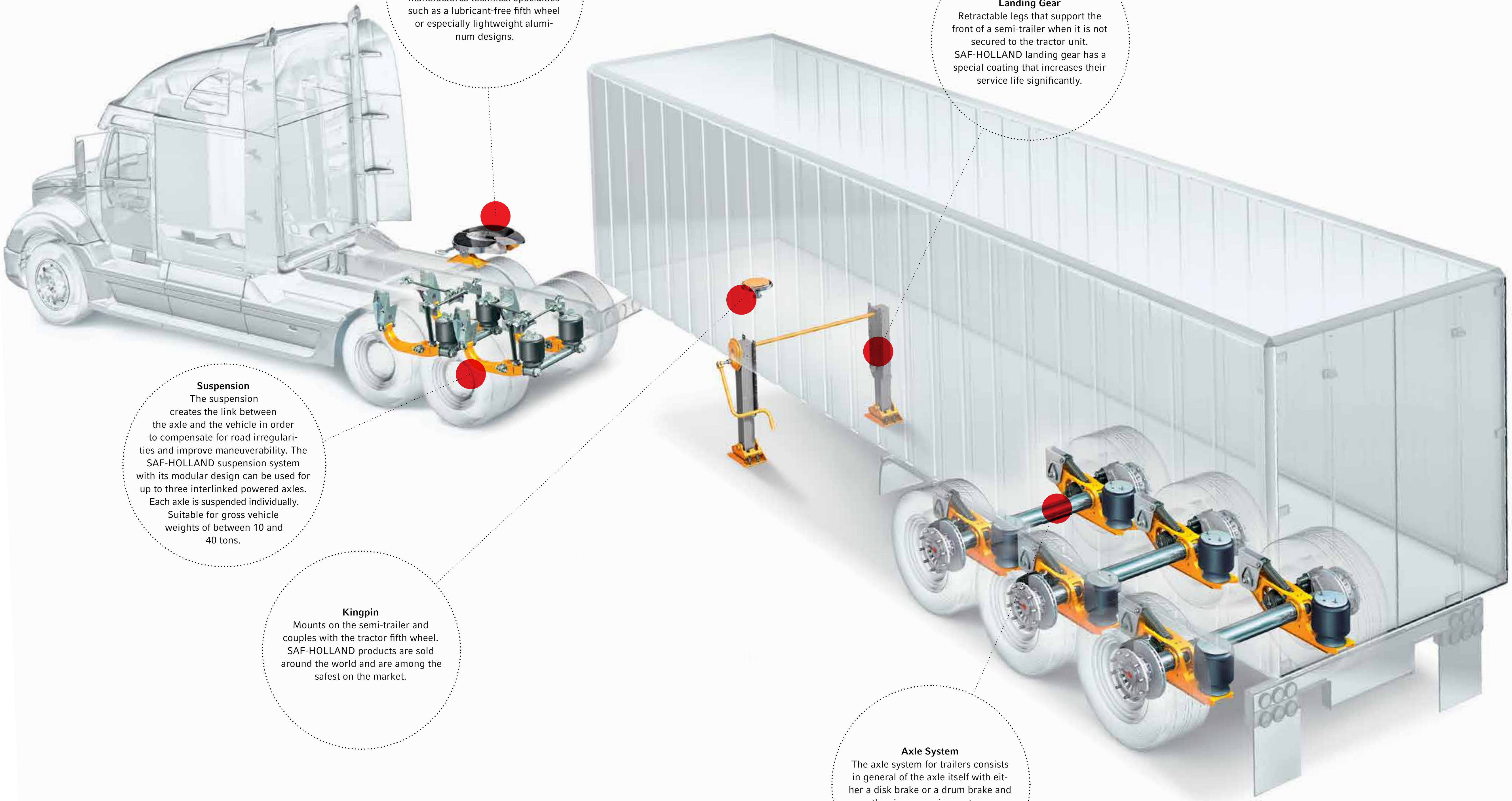
T

Total cost of ownership
Total cost relating to acquisition, operating and maintenance of an asset.

V

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.

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.

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.

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

A

APO	Advanced Planer & Optimizer (IT-System to utilize supply-chain-management)

B

BRIC	Brasil, Russia, India, and China
B.S.	Bachelor of Science (academic degree)

C

CAD	IT-System often used in engineering/ product development
Cap	Derivative to hedge against rising interest rates
CEO	Chief executive officer
CFO	Chief financial officer
COO	Chief operating officer

D

DAX	Deutscher Aktienindex (German stock index)
DBO	Defined Benefit Obligation
DIN	Deutsches Institut für Normung (German Institute for Standardization)

E

EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and depreciation/amortization
EURIBOR	Euro interbank offered rate

F

FAHfT	Financial assets held for trading
FEM	Finite element method; numerical technique for finding approximate solutions for partial differential equation; often used in industrial engineering
FLAC	Financial liabilities measured at amortized cost
FLHfT	Financial liabilities held for trading

G

GDP	Gross domestic product

I

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 organization)
ISIN	International securities identification number
ISO	International Organization for Standardization
IT	Information technology

K

kEUR	Thousand Euro

L

LaR	Loans and receivables
LIBOR	London interbank offered rate

M

MATS	Mid-America Trucking Show
MBA	Master of Business Administration
MDAX	Mid-cap-DAX
Mio.	Million
M.S.	Master of Science (academic degree)

N

n.a.	Not applicable

O

OEM	Original equipment manufacturer
OES	Original equipment service

P

PDM	Product data management
PIK	Pay-in-kind
PPA	Purchase price allocation
p.a.	per annum

R

ROI	Return on investment
R&D	Research and development

S

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

U

USD	US-Dollar
US	United States of America
USA	United States of America

V

VDA	Verband der Automobilindustrie (German Automotive Industry Association)

W

WACC	Weighted average cost of capital
WKN	Wertpapierkenn-Nummer (security identification number)
WpHG	Wertpapierhandelsgesetz (German Securities Trading Act)

Financial Calendar and Contact Information

Financial Calendar

April 23, 2015 Annual General Meeting
May 13, 2015 Report on Q1 2015 Results
August 6, 2015 Report on Half-year 2015 Results
November 5, 2015 Report on Q3 2015 Results

Contact

SAF-HOLLAND GmbH
Claudia Hoellen
Hauptstraße 26
63856 Bessenbach
Germany

Phone: +49 (0)6095 301-617
Fax: +49 (0)6095 301-102

Web: www.safholland.com
Email: claudia.hoellen@safholland.de

Imprint

Responsible:
SAF-HOLLAND S.A.
68–70, Boulevard de la Pétrusse
L-2320 Luxembourg
Luxembourg

Editorial deadline: March 11, 2015
Date of publication: March 12, 2015
Editorial office: blackpoint communications GmbH, Hagen, and SAF-HOLLAND GmbH, Bessenbach
Design and realization: wagneralliance Kommunikation GmbH, Offenbach am Main
Translated by: MBETraining & Translations, Wiesbaden
Photography: Bernd Bodtländer, Frankfurt am Main
David Alan Wolters, Spring Lake, Michigan
Corbis GmbH, Düsseldorf
Getty Images Deutschland GmbH, Munich
123RF Limited, Nidderau
Printed by: dygy GmbH, Frankfurt am Main

This report is also available in German.

Legal Disclaimer

This report contains certain statements that are neither reported financial results nor other historical information. This report contains forward-looking statements, which as such are based on certain assumptions and expectations made at the time of publication of the report. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future market and economic conditions, the behavior of other market participants, the achievement of anticipated synergies, and the actions of government regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this publication.
SAF-HOLLAND S.A. does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these materials.