

Efficiency

ANNUAL REPORT 2010



Key Figures

EUR million	2010	2009	2008
Sales	631.0	419.6	798.8
Cost of sales	-514.0	-351.4	-680.3
Gross profit	117.0	68.2	118.5
Adjusted result for the period	2.9	-15.6	13.4
Adjusted EPS in EUR ¹⁾	0.14	-0.75	0.69
Adjusted EBITDA	52.7	16.7	54.7
Adjusted EBIT	37.1	1.5	41.2
Operating cash flow ²⁾	46.0	48.3	41.9

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	2010	2009	2008
Europe	311.3	196.7	530.2
North America	279.2	198.9	239.7
Other	40.5	24.0	28.9
Total	631.0	419.6	798.8

Sales by Business Unit

EUR million	2010	2009	2008
Trailer Systems	322.8	175.1	527.9
Powered Vehicle Systems	127.5	98.3	102.3
Aftermarket	180.7	146.2	168.6
Total	631.0	419.6	798.8

Other Financial Information

	12/31/2010	12/31/2009	12/31/2008
Total assets (EUR million)	484.7	458.1	537.4
Equity ratio (%)	5.1	5.2	13.4
	2010	2009	2008
Employees (average)	2,619	2,320	2,799
Sales per employee (kEUR)	241.0	180.9	285.4



Annual Report 2010



Table of Contents

02	Foreword from the Management Board
04	Efficient Products
10	Interview Research & Development
18	Reportage Zizmann
22	Share
26	Report from the Board of Directors
30	Corporate Governance
34	Group Management Report
58	Consolidated Financial Statements
60	Consolidated Statement of Comprehensive Income
61	Consolidated Balance Sheet
62	Consolidated Statement of Changes in Equity
63	Consolidated Cash Flow Statement
64	Notes to the Consolidated Financial Statements
128	Mandates of the Board of Directors/Management Board
130	Independent Auditor's Report
132	Responsibility Statement
134	Management Board
136	Financial Glossary
138	Technical Glossary
140	List of Abbreviations
141	Financial Calendar and Contact Information
142	Imprint

Foreword from the Management Board

Ladies and Gentlemen,
Dear Shareholders,

SAF-HOLLAND once again finds itself on a growth path. In financial year 2010 we significantly increased both sales and earnings. We see this turnaround as motivation to continue to pursue our strategic objectives with tenacity and conviction.

Two factors played a decisive role in 2010's strong development: on the one hand, the markets are recovering well following their dramatic collapse. Globally, production of trucks and trailers is on the rise. On the other hand, SAF-HOLLAND has maintained its strategic direction and, as a result, is now benefiting from developments and is gradually expanding its market share. In the North American trailer market and the European fifth wheel business, for example, we are making excellent progress.

The fact that our company continued to pursue its growth objectives in a difficult business environment has paid off.

- We proceeded with the technology transfer between North America and Europe and launched our own axle production in the United States.
- We are continuing with the expansion of our production and sales activities, especially in the growth regions of Brazil and China.
- We are constantly adding innovative solutions to our product portfolio and thereby confirming our technological leadership. Our particular focus is on generating continuous improvements in efficiency for our customers.
- We are expanding our global service network for the Aftermarket Business Unit. In so doing, we also benefit from the increasing number of our own products on the market which, with a time delay, support sales in the spare parts business.

Our success as a supplier to the truck and trailer industry is based on our strong brand, which guarantees quality and innovation for our customers. In addition, our international sales network secures a direct exchange with both vehicle manufacturers and end customers such as trucking companies and rental agencies. With lean structures and optimal processes we have emerged from the crisis stronger than ever. All of this strengthens our market position. Alongside the global growth in transport volumes, SAF-HOLLAND is also benefiting from further growth potentials, giving us confidence in our ability to reach the goals we have set.

The guiding theme of this years' annual report is efficiency. For a number of reasons, efficiency is a key element of our current growth strategy: for our end customers, efficiency means the cost



Rudi Ludwig

effective operation of their vehicles. Factors such as quality, quick and reliable service as well as an attractive warranty program all contribute to efficiency. These are issues that SAF-HOLLAND has consistently offered improved solutions for. Among other things, we emphasize the reduction of weight in truck and trailer combinations. For the end customer, less weight means that he can either increase the load or use less fuel. We introduced new weight-reduced components at the leading international IAA commercial vehicles trade fair; there they were met with a very positive reception. One of the most important features of our product ideas is that they result in a quick pay-off for trucking companies. At the same time, the components have to be reliable and low-maintenance, because every day a truck spends in the repair shop is a day it generates costs instead of turnover. In a hard-fought market, the quality of our products is a decisive success factor for our customers.

In our internal structures, too, we pursue a strategy of continuous optimization, which contributes to a greater degree of efficiency. Processes have been streamlined, the level of cooperation among the individual locations has been improved and our materials management has been optimized. These advances are part of our earnings development in 2010.

SAF-HOLLAND is once again on the right track – and that is good news for our employees, too. In 2010 we created nearly 450 new jobs in Europe, North America and Asia. We brought crisis-related measures, such as shortened work hours in our German plants, to an end. I would like to take this opportunity to express my sincere thanks to all employees of the SAF-HOLLAND Group for their outstanding performance. Their commitment contributed significantly to the good results in the financial year.

Growth remains our objective, both now and in years to come. We will be counting on three main factors to achieve this: internationalism, product range and spare parts business. It is our mid-term goal to increase sales to EUR 1 billion while generating an adjusted EBIT margin of ten percent. Market researchers are forecasting dynamic growth in demand for commercial vehicles in 2011. On the basis of these forecasts, we are currently anticipating a sales increase of up to 20 percent for SAF-HOLLAND. Earnings will also improve noticeably, whereby the rate of increase will be significantly influenced by the structure of the product mix.

The development of the company is progressing well. With this in mind and on behalf of my colleagues on the Management Board and on the Board of Directors, I would like to thank our customers, shareholders and business partners for their confidence and support. The same applies to our approximately 2,800 employees and to the employee representatives around the world whose commitment and experience is key to the success of our company. We look forward to having you with us as we face the challenges of the future.

A handwritten signature in blue ink that reads "Rudi Ludwig". The signature is stylized with a large, flowing 'L' and a trailing flourish.

Rudi Ludwig
CEO

Reliable, safe, cost-effective

Systems and components from SAF-HOLLAND put trucks efficiently on the streets

The commercial vehicles market recovered faster than expected from the difficult crisis of 2008 and 2009. Fleet stocks are low and freight forwarders and Fleet operators are once again investing in their vehicle fleets. There is growth across the globe – with dynamic growth in emerging markets and clearly noticeable growth in Europe and North America. The challenges for the truck and trailer producers, however, remain because demanding customers require quality at competitive prices.

SAF-HOLLAND is positioned as a leader in innovation and technology with global activities. Born out of the merger of the German SAF Group and the American Holland Group in 2007, SAF-HOLLAND has been in the best of shape since its very outset to benefit from the opportunities offered by globalization. Nowadays SAF-HOLLAND holds, in addition to its locations in Europe and North America, strategically-important production facilities in Brazil and China – both of which are leading the pack among growing economies. Our worldwide service

and distribution network, which is continuously expanding in cooperation with nearly all leading truck manufacturers, ensures customers constant access to replacement parts and service.

The total cost of ownership is a crucial factor in the operation of commercial vehicles. This includes much more than the purchase price of trucks and trailers. Costs associated with routine maintenance and other operational costs should be kept as low as possible. At the same time, a high level of reliability and, of course, safety is also required. Because a truck that is placed in service by a customer can only earn money if it is on the road. Each minute a truck spends in the workshop, whether for maintenance or even a breakdown, has its costs. All of this takes place in an industry where competitive pressure remains high despite the current upswing in economic activity. Freight forwarders and fleet operators are excellently positioned to meet these high demands with components and systems from SAF-HOLLAND. We give our customers, among other things, a service guarantee of one million kilometers on certain axle-system components, which we even extend upon request.

Efficient Products >> 004-009

005





Axle systems from SAF-HOLLAND have always set industry standards. The same applies to fifth wheels, suspension systems and landing legs. Ever since the merger of SAF and Holland, product lines and regional markets have been growing together more and more each year. This allows us to provide our customers with access to expertise despite regional differences. One example is the spread of disc brakes for trailers. While these have become standard in Europe, fleets in the USA, South America and Asia are still dominated by trailers with higher maintenance drum brakes. We believe, however, that disc brakes will become more widespread in important markets due to legal regulations on the length of braking distances – thanks to our many years of experience in Europe, we are also well-equipped to meet demand in other regions.

Reduce fuel consumption and protect the environment

The most important trend of 2010 will continue for years to come; namely, weight reduction in trucks and trailers. Behind this lie two further developments: the reduction of fuel consumption and the corresponding reduction in emission. Both are politically and commercially endorsed goals. Society justifiably expects environmentally-friendly supply chains, and producers face the challenge of developing the necessary solutions. This goes hand in hand with fleet operators and freight forwarders' demands for reduced fuel consumption in order to save costs. Here, less weight is very important. Reduced curb weights in trucks also enable higher load capacities. The use of lighter components is particularly beneficial for fuel tankers and silo trucks. The vehicle's payload is thus increased and the forwarder can transport more per trip.

Trailers are up to 200 kilograms lighter

In cooperation with Swedish brake manufacturer Haldex, SAF-HOLLAND has developed a lighter-weight trailer disc brake. With an intelligent new design, it is up to six kilograms lighter than conventional systems. That means weight reductions of up to twelve kilograms per axle. Production is expected to start in the second quarter of 2011. A newly-developed wheel end reduces the weight of a trailer axle by another 20 kilograms, giving a total weight savings of up to 96 kilograms for a three-axle trailer. Aluminum rims mean even lighter vehicles – the truck trailer combination shedding a total of up to 204 kilograms. Important for the freight forwarder: the purchase costs pay for themselves within two years. In this way, total savings of 7.2 million liters of diesel and 18.8 million kilograms of CO₂ can be made annually in Europe (assuming 50,000 newly registered vehicles).

SAF-HOLLAND presented a weight-optimized fifth wheel for trucks at the leading international fair IAA in Hanover, Germany. The ductile iron model, tried and tested in Europe, is now up to 33 kilograms lighter than comparable products on the market. In addition, from the USA, comes the first and lightest series-produced aluminum fifth wheel. This alone makes the truck trailer combination up to 55 kilograms lighter and is also easy to maintain as it no longer needs to be greased.

Approximately 30 percent of fuel consumption in semi trucks is due to the rolling resistance of tires. Monitoring tire pressure is therefore a simple and efficient way to reduce the operating costs of vehicle fleets. To this end, SAF-HOLLAND is introducing a system, already proven in the USA, in the European market. If the tire pressure decreases, the system automatically raises it again to the pre-set level. This not only saves diesel, it also increases the lifespan of the tires and reduces the risk of failure.

Efficient products – efficiently produced

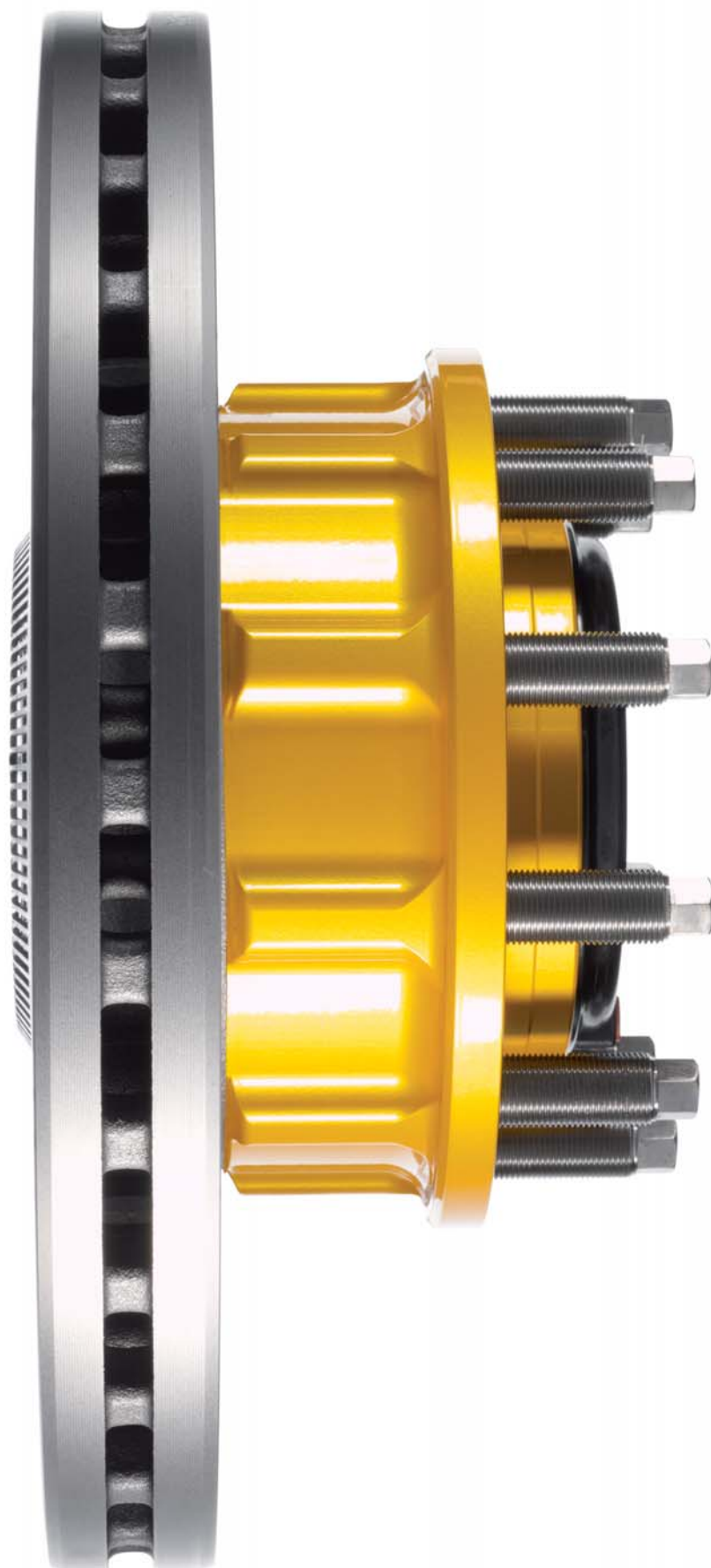
SAF-HOLLAND streamlined its business in the past crisis. We merged locations, re-designed processes to be more efficient and lowered overhead costs. As a result of these measures, the company is now stronger and more competitive than ever.

Over the course of the last two years we have not only significantly improved production processes. As part of a process to optimize net working capital, we are implementing a rolling planning process which forecasts the demand for vendor parts and compares this to inventory lists. This then serves as the basis for procurement planning. The information is constantly updated enabling us to significantly increase inventory management efficiency.

We are continuously optimizing our global production network that consists of 16 locations in Europe, North and South America as well as Asia. In order to react flexibly to the special needs of our customers, we produce locally in the respective regional markets. One example of this is our production facility in Xiamen, China. This location is very important for SAF-HOLLAND's expansion strategy. Centrally located in the growth center of the 21st century, we have expanded Xiamen for axle production in order to supply the entire Asian market.

The same principle applies to the service and distribution network at SAF-HOLLAND: global reach, local touch. In order to ensure the efficient use of our resources, we maintain cooperative agreements with nearly all leading truck manufacturers for our service and distribution network. Wherever freight forwarders may need service and replacement parts, we will provide them with components from SAF-HOLLAND.

Efficient Products >> 004-009



Dr. Stefan Wallmeier,
Vice President Engineering,
Trailer Systems



"New technologies have to pay off"

Research and development at SAF-HOLLAND always keeps the entire service life of products in focus

// "I'm never satisfied", says Dr. Stefan Wallmeier, Vice President of Engineering in the Trailer Systems Business Unit. Because technological leadership is not only a hard-earned position – it has to be defended and expanded every day. A talk with Dr. Wallmeier and Mark Molitor, Vice President of Engineering in the Powered Vehicle Systems Business Unit.

Freight forwarders and fleet operators expect efficient products – what does SAF-HOLLAND do to meet this customer expectation?

Wallmeier: First we have to ask ourselves what the term efficiency actually means. And our customers give us a clear answer. Efficient products are those that bring about the lowest operating costs over their entire service life. From purchase to maintenance or resale.

Molitor: Not only that, but our customers expect us to continuously improve our products – particularly regarding costs, quality, performance and service life.

Lighter trucks and trailers benefit the environment and companies equally: trucks consume less fuel and can transport higher payloads. This is particularly interesting for fuel tanker and silo truck operators as they are paid per kilogram of cargo load. Investments normally pay off within two years. The environment benefits as well: if 50,000 vehicles in Europe can reduce their weight by 200 kilograms each, an annual savings of up to 7.1 million liters of diesel and up to 18.8 million kilograms of CO₂ emissions can be achieved.

What role do environmental issues play for your customers?

Wallmeier: Freight forwarders, first and foremost, have to compete on price and quality. Environmental benefits and profitability go hand and hand here. If a truck consumes less diesel thanks to its lighter weight, that also helps the environment.

Molitor: In addition, more and more markets are either introducing emissions regulations or routinely tightening them. Environmental issues are something that we all have to deal with.

How do innovations come about at SAF-HOLLAND?

Wallmeier: Inspiration comes from all areas; from development, sales or product planning. Occasionally needs arise directly from our customers, which can get the innovation process rolling.

Molitor: But let's not forget that we still boast an intensive technology exchange among the individual regional markets. This allows us to transfer innovations that are already established in the USA to Europe and Asia and vice versa. The most recent example of this is our "Tire Pilot" system, which automatically regulates and sets tire pressure.

Gas-saving motors, better aerodynamics – truck manufacturers are responding to the challenges with a technological offensive – what can SAF-HOLLAND contribute?

Molitor: We are in close cooperation with truck manufacturers in many areas, and of course our innovations benefit them as well. For example, we are developing lighter components in the Powered Vehicle Systems Business Unit. They help reduce total weight. We recognized this trend some time ago and prepared ourselves at the right time. Today we have systems that are not only more resilient and reliable, they also weigh significantly less.

Wallmeier: It's a similar situation for trailers. The major topic of the past two years has been weight reduction. A truck-trailer combination that weighs less can transport a greater payload. This is particularly true in transports where weight plays a critical role, those that carry dry or liquid bulk cargo, for example. With low-density goods, lighter weight ensures less fuel consumption.

What are you doing to reduce the weight of trucks and trailers?

Wallmeier: Some might expect the use of new high-tech materials. But that's still far too expensive from today's point of view. We are concentrating on the intelligent design of components, which results in lower weight despite the use of conventional materials. It takes a whole range of individual measures. Let's take a standard trailer with three axles, for example. It starts with our new wheel end system, which is significantly smaller, but every bit as robust as conventional components. Our new disc brake reduces weight,



Disc brakes (left) or fifth wheels (below) – products from SAF-HOLLAND are always relevant to vehicle safety.



and finally additional weight can also be saved when our aluminum fifth wheel and aluminum rims are used. A total of 200 kilograms can currently be cut per trailer.

Is it even worth the investment for the forwarder?

Wallmeier: Now we're coming back to the topic of "total costs" – of course, fleet operators will only invest in our new technologies if it pays off. All of our innovations should serve this purpose. So the same goes here: a tanker can recover the additional costs for the previously mentioned optimizations within about two years.

Molitor: That's also true for our lightweight aluminum fifth wheel. It's not only lighter. It doesn't need maintenance because it doesn't require lubrication.

What other demands are coming from the market?

Molitor: All of our products are safety-relevant, we believe in safety first. Suspension, brakes, fifth wheels – none of these can afford even the slightest shortcoming.

Wallmeier: Our customers have to become more flexible, and we need to put them in the position to do so. For example, the same heavily loaded dump truck that passes through an uneven quarry at walking speed, must then be able to drive a 300 kilometer stretch on the highway. Those are totally different types of stress that our components must endure.

Critics continue to accuse road transport of being too much of a burden on the environment. Does the transportation of goods by truck still have a place in modern society?

Wallmeier: Road transportation is increasing like it always has – and there aren't any studies that predict a change in this trend within the foreseeable future. There's simply no alternative. It is therefore our job to make the traffic on the streets as efficient and environmentally friendly as possible.

Molitor: Additionally, there are many regions in the world that offer no options other than road transport, because there are no waterways or railroads. And it's in these regions where you often find the strongest growth in the global economy.

So far we have only spoken about product efficiency – can research and development also be more efficient?

Wallmeier: Why of course it can! Nowadays with the help of simulations, we can verify much earlier whether our designs are fit to carry loads. We have an eight channel servo-hydraulic testing unit, which we can use to put axles and other components through a real endurance test. This way we can simulate the stress from the test track in the laboratory and thereby save many kilometers on the road. We will never completely do away with pre-production runs and field trials to be sure. However, we do want to continually reduce the time to market.

SAF-HOLLAND is internationally positioned – what does that mean for new product development?

Molitor: Today's truck and trailer producers operate globally. That's why it is essential for SAF-HOLLAND to be internationally active. We have already successfully established an exchange of technology where products that were originally developed for the US market are transferred to Europe and vice versa. The same applies to the exchange with Asia. However, we must always be aware that every region, even individual states within a country, has different regulations. And even the truckers themselves handle their vehicles differently in North America than in Europe. We have to take all of this into account when developing new products.

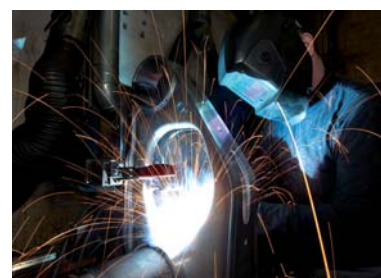
Let's venture a glance into the future – what will be the deciding factors of the future truck and trailer market?

Molitor: I believe the weight reduction trend will continue for some time. We still have a lot of ideas.

Wallmeier: Improving efficiency is and will remain the dominant topic – and that goes hand-in-hand with weight reduction. But the amount of electronics in trailers will also increase substantially in the future, for monitoring or intelligent vehicle maintenance, for example. That brings us new challenges.



Mark Molitor,
Vice President Engineering,
Powered Vehicle Systems

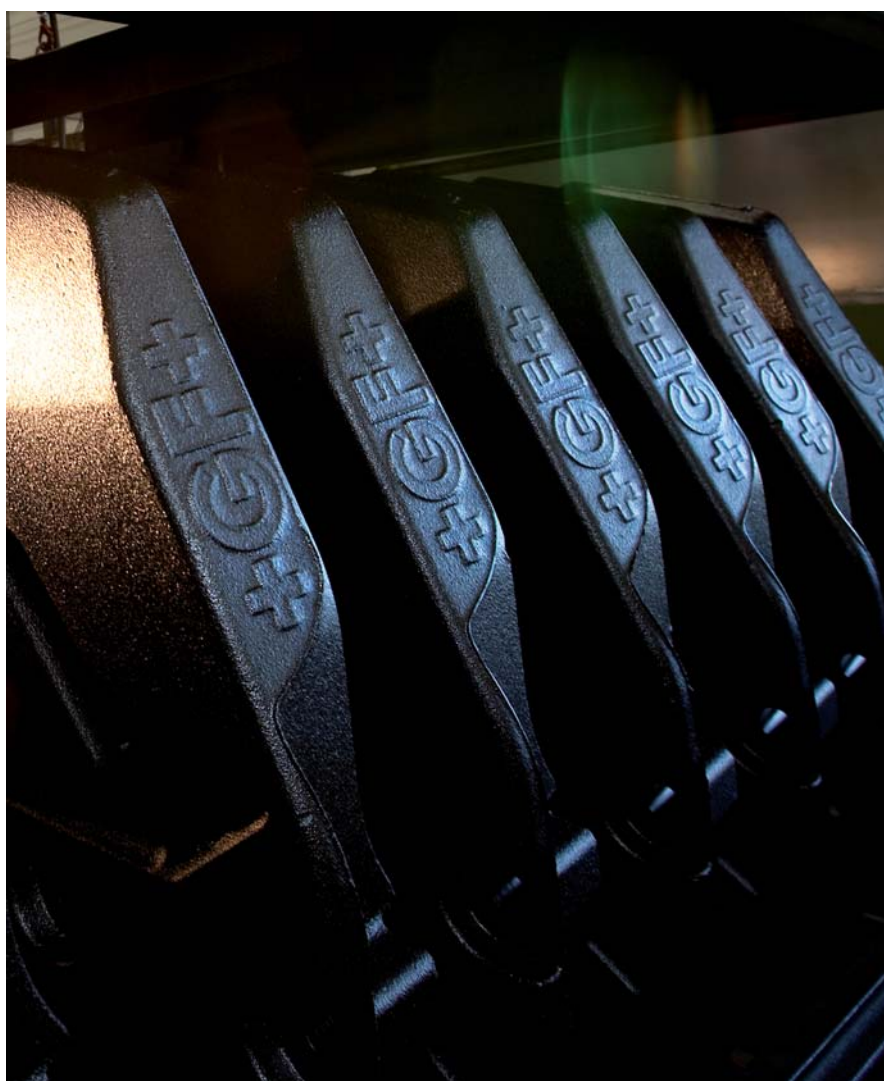


Efficient processes have led to a substantial increase in productivity at SAF-HOLLAND.





Precision in production:
components from SAF-HOLLAND
meet the highest quality
requirements.



"We have a thing about weight"

Safety, reliability, low weight, first-class service – expectations at Spedition Zizmann in Leimen, Germany, are high. And that is why Zizmann chose trailer axles from SAF-HOLLAND.

Hans Swoboda has pulled his truck into a line of tanker trucks. Next to the trucks, a nearly incomprehensible mass of cables, tanks and piping stretches out over the plant grounds of Haltermann Products in Speyer on the Rhine. Here, the subsidiary of chemicals giant Dow Chemical produces basic and intermediate products for nearly every industry. Now it is Hans Swoboda's turn. He moves ahead. 24 tons of light oil are pumped into his tanker trailer. Finally – the tank is full. Swoboda starts the truck and pulls out. Today's destination: a printing ink manufacturer in Lachen, Switzerland.

Hans Swoboda is one of the drivers at Spedition Zizmann of Leimen near Heidelberg in Germany. The mid-sized family business specializes in tanker transport. Apart from chemical transportation, the other mainstay of Zizmann is the gas station business. The specialized freight forwarder supplies gas stations in the entire southwest of Germany – from the Swiss boarder to the Main river. A business where trucks are almost constantly on the move. "The trucks' engines only have the chance to cool down from Saturday at 4 pm till Sunday at 10 pm," says Helmut Gürtler, one of the two Managing Directors at

Zizmann. "The rest of the time we're always on the go." The third business area is building materials. In addition to Dow Chemical, Zizmann's customer base includes Aral, Shell and Total as well as HeidelbergCement, Lafarge and Sika. "Our customers play leading roles in their respective markets. So we have to hold ourselves to the highest standards", says Gürtler.

Headed by Thorsten Zizmann, the forwarding company has been in the family for three generations, and has about 70 truck trailer combinations. The forwarder has its own workshop with three employees on company grounds in the Leimen industrial area. The less trucks and trailers are seen here, the better. Every three to four months a trailer needs to be serviced despite traveling distances of up to 220,000 kilometers a year. With tightly calculated freight rates, additional downtime should not happen: "An unplanned day at the workshop can cost us several hundred Euros", says Thorsten Zizmann. So, reliability is the highest priority. And that is precisely what gave SAF-HOLLAND an edge: "No other producer gave us a guarantee of one million kilometers when we made the investment", according to Helmut Gürtler. "In fact, we



Six days a week, 220,000 kilometers a year – the trucks of freight forwarder Spedition Zizmann are always on the road.



It's good that visits to the workshop are a rarity. Below: Helmut Gürtler (left) and Thorsten Zizmann.



could hardly believe it at first, but now we know that we can rely on it. And the service is really exemplary."

Safety is naturally the number one concern when transporting dangerous goods. Thorsten Zizmann's philosophy on safety is accordingly simple: "We buy everything the market has to offer for safety and security." This applies to both the electronic assistance systems and the braking system. "We chose axles from SAF-HOLLAND because we got disc brakes with a diameter of 22.5 inches. It was the best solution on the market", according to Zizmann. This is not only important for the health and safety of drivers. Environmental protection is also considered in the safety philosophy, and not least the image of the forwarder and its customers. "Accidents involving transporters of dangerous goods always generate a great deal of public attention. And when you can also see a large oil company's logo on a picture of an accident scene, the damage to that company's image is huge." Apart from using the best materials, Thorsten Zizman also relies on well-trained drivers, who regularly attend safety training, for example.

In the pursuit of safety, freight forwarders have to resolve a conflict of interests. Because larger disc brakes mean more weight, and more weight is what they want to avoid. "That's why we have a thing about weight", said Managing Director Helmut Gürtler, "because the market demands ever increasing payloads, and lighter trucks mean greater customer advantage." As a result, most of the tanker trailers have shiny aluminum rims. That which a car driver cherishes for its chic appearance gives the freight forwarder a signifi-

cant savings in weight. Thorsten Zizmann adds: "Our customers observe technical developments closely – and when weight reductions make larger payloads possible, they expect that from us." Freight forwarders who do not keep up with the latest technical developments will have a difficult time winning tenders.

The highest level of reliability, absolute safety, low weight – these demands, which at first glance seem contradictory, will become ever more important in the future. Thorsten Zizmann knows the appropriate response: "The best service, the best vehicle fleet, and the highest level of profitability." Zizmann has secured a good market position with these values since 1945 and wants to stay true to them in the future as well. And it helps to have the right partner you can count on.

Share gaining momentum

Market recovery lifts SAF-HOLLAND – share rises into the SDAX

Key share figures

WKN/ISIN	A0MU70/LU0307018795
Stock exchange code	SFQ
Number of shares	20,702,275
Designated Sponsor	Commerzbank AG, Cheuvreux
Highest/lowest price for the year	EUR 6.28 / EUR 1.97
Adjusted earnings per share ¹⁾	EUR 0.14

¹⁾ The average number of shares issued was 20,702,275 for 2010.

Continuous bustle, well-attended presentations, interesting discussions – the German Equity Forum in Frankfurt, Germany, in November 2010 proved once again to be a reliable indicator of the mood on the capital markets. It's good and has been getting better since February 2010. In the first months of 2010 discussions on high debt levels in several European countries contributed to a sense of insecurity on the markets. But thanks to the multi-billion Euro rescue fund from the EU and the IMF that was announced in May as well as the comprehensive bailout package for Ireland, the situation has now calmed down. Along the way, European stocks recorded a significant plus from an annual perspective. It was generally the conviction that most German companies had permanently overcome the consequences

of the crisis. In the full year, the DAX rose by nearly 16%, following a gain of 23% in the previous year. Development among small and mid-caps was even better: the MDAX climbed by 35%, and the SDAX recorded value growth of 45%.

The SAF-HOLLAND share benefited from the wind behind it and even exceeded the growth rates of the indices. "No traffic jams or obstructions" was the title of a report on SAF-HOLLAND published by analysts from Steubing Research in mid 2010. This succinct statement is good news not only for the truckers on the highway. For the commercial vehicle industry, too, it was clear at this point that indications of an upswing were reliable and promised more than just a brief boom. This was

confirmed by analysts from the Commerzbank: in December 2010 they forecast market growth of 20% for 2011, not including the entire supplemental investments that had been postponed during the crisis. The Commerzbank therefore confirmed the additional growth potential of the SAF-HOLLAND share.

Good news from the commercial vehicle industry gave the SAF-HOLLAND share further

The positive trend continued in the new year. At the beginning of 2011, the share price already climbed over the threshold of EUR 7.0.

In May of 2010, our former major shareholder, Pamplona Capital Partners sold its 34.5% stake in the company to 14 institutional investors from Germany, the United Kingdom and the United States. The free float thus increased substantially to its current level of 85.4%.

Performance (in %) SAF-HOLLAND share vs. DAX and SDAX



momentum. Based on a price level of EUR 2.57 at the beginning of 2010, it initially dropped to EUR 1.97 on March 31, 2010. By summer, the price had risen dramatically to EUR 6.28. Overall, the imagination of investors was buoyed by both the strong business development of the company as well as positive news from truck manufacturers. Until the end of the year, the share price hovered around the EUR 6.0 mark before closing at EUR 6.14 on December 30, 2010. Taken from a full-year perspective, the performance of the share was plus 139%.

The remaining shares are held by two members of the Board of Directors. By December 31, 2010, a total of five investors had exceeded the reporting threshold of five percent of voting rights.

A higher free float requires a stronger presence on the capital markets. In 2010, we participated in a number of road shows in London, Frankfurt, Zurich and Vienna. At the beginning of 2011, we traveled to meetings with investors in New York and Boston. In addition, we were involved

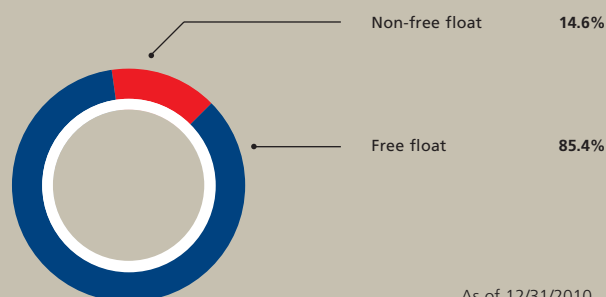
in presentations and discussions at a variety of investor conferences, mainly in Germany and Switzerland. Analysts and investors also took advantage of the opportunity to visit our production facilities and our stand at the IAA Commercial Vehicles, the main international trade fair in Hanover in September 2010 and, in this way, to familiarize themselves with SAF-HOLLAND.

Higher free float and a consistently rising price were also factors in the SAF-HOLLAND share being included in the Deutsche Börse's SDAX index on December 8, 2010. This quality index consists of the 50 largest companies by market capitalization and trading volumes in the classical industries below the MDAX stocks. For us, the SDAX qualification serves as both recognition and incentive.

By the end of 2010, four banks – Chevreux, Commerzbank, Steubing and Viscardi – were covering the SAF-HOLLAND share. They were joined by WestLB and Unicredit at the beginning of 2011. It is important for us to expand on the transparent, timely and credible dialogue we maintain with our investors.

At the end of the year, on December 14, 2010, SAF-HOLLAND called an Extraordinary General Meeting. At the meeting, shareholders approved an increase in authorized capital from EUR 112,000 to EUR 224,000. This corresponds to 22.4 million shares at a nominal value of EUR 0.01. Of that total, EUR 18,649 had already been used for a capital increase in 2008. SAF-HOLLAND now has the required flexibility to quickly strengthen the company's equity position should it become necessary.

Shareholder Structure Figures in %



As of 12/31/2010

A transparent dividend policy is also an important part of an attractive share. It therefore remains our objective to allow our shareholders to participate in the success of the company. This year, the management will nevertheless recommend the waiver of a dividend to the Annual General Meeting in order to put the entrepreneurial focus in the coming years on the further financial recovery and stabilization of SAF-HOLLAND.

Share » 022–025

025



SAF-HOLLAND was increasingly the focus of investors in 2010 – impressions of the German Equity Forum in Frankfurt am Main.

Report from the Board of Directors

Dear shareholders,
Ladies and gentlemen,

The commercial vehicles industry picked up speed in 2010 and was thus able to free itself from the most severe crisis since World War II. SAF-HOLLAND benefited tremendously from this positive trend. In financial year 2010, the Board of Directors conscientiously followed and supported the development of the company, exercising its due tasks in accordance with the law and the articles of incorporation. Our cooperation with the Management Board was characterized by an intensive and open exchange. In this vein the Management Board routinely provided us with information, both verbally and in writing, regarding in particular developments in the Business Units and the current situation of the Company, corporate planning, the profitability of the Company as well as the risk situation.

As with the previous year's task of handling a drastic collapse in demand, in 2010 many important strategic measures and topics provided the focus of our dialog. We intensively discussed the updated corporate strategy for the next five years. At the same time, we placed special focus on rapid and stable improvement in Group earnings in the context of the market upswing. The sustainability of our corporate goals and measures is important to us. We have therefore added a long-term component to the bonus regulations for members of the Management Board as well as for Vice Presidents in the Group.

Important Topics

There were seven meetings last year which were, in part, attended by individual or every member of the Management Board. The meetings focused on the following:

On February 3, 2010, the Board of Directors thoroughly addressed the medium-term planning until 2013. In addition, remuneration of the Management Board was discussed and a new bonus program for members of the Management Board as well as for all Vice Presidents of the Company was adopted. According to the recommendations of the German Corporate Governance Code, we expanded the bonus concept to include long-term incentives covering a period of three fiscal years. Additionally, the Board of Directors prepared the Annual General Meeting 2010 and approved the agenda.

On March 30, 2010, we extensively discussed and, in the end, approved the annual financial statements for the fiscal year 2009. The auditors presented the auditor's report for the 2009 annual financial statements. CEO Rudi Ludwig also reported on business development in the first quarter of 2010.



Bernhard Schneider

A further item on the agenda was succession planning in the Management Board and the Board of Directors as well as a remuneration system for upper Management with the goal of emphasizing long-term responsibility for the Company. We additionally agreed to discuss and adopt the corporate strategy once a year in a separate meeting of the Board of Directors.

On April 22, 2010, we gave special focus to the current state of business characterized by significant signs of market recovery. Topics included, among other things, the competitive environment. In addition, we discussed the preliminary interim financial report for the first quarter of 2010. Moreover, we looked at business developments in Brazil and examined various opportunities of how to proceed there.

On May 25, 2010, the Management Board presented the interim financial report for the first quarter of 2010 in full. Furthermore, the Management Board reported on the status of cooperative agreement discussions in progress. The Board of Directors approved various decisions regarding personnel at the management level. The agenda for the strategy meeting was also set.

The half-year report of 2010 was the focus at the Board of Directors meeting on August 22, 2010. We also discussed personnel issues and decided to implement a work group to address succession planning for departing members of the Management Board.

The annual strategy meeting took place on August 23, 2010. The most significant topic was future Group financing – with particular focus on strengthening equity. The Board of Directors discussed the expansion strategy in-depth as well as the necessary steps in areas such as research and development as well as marketing. A strategy for the creation of a global production network was also introduced and thoroughly discussed. In addition, individual strategies for the Trailer Systems, Powered Vehicle Systems and Aftermarket Business Units were discussed and approved.

On November 16, 2010, another regular meeting of the Board of Directors took place. At this meeting, we ultimately approved the new corporate strategy. An additional topic was the approval of the financial statements of the third quarter of 2010. At the same time we had an in-depth discussion on the current state of business. The resolution was made to call an Extraordinary General Meeting to decide on the creation of new authorized capital. The Board of Directors also discussed the current risk situation of the SAF-HOLLAND Group at this meeting.

At our meeting of December 8, 2010, we placed special focus upon the budget for 2011 as well as medium-term corporate planning.

There were also numerous telephone conferences in order to react quickly and flexibly to current developments.

The Board of Directors formed the Audit and Compliance Committee for the in-depth discussion and analysis of corporate figures as well as for extraordinary topics and tasks. Over the course of 2010, the Restructuring Committee was dissolved as the critical phase of Company realignment had come to an end. The Remuneration Committee was also dissolved effective December 31, 2010.

as, according to the German Corporate Governance Code, remuneration issues should be addressed by an entire supervisory board and not by a committee alone. With this move, SAF-HOLLAND follows the regulation on a voluntary basis.

The Board of Directors also discussed and monitored the long-term financing and risk management of the SAF-HOLLAND Group. The Company's development was monitored to the level of the Trailer Systems, Powered Vehicle Systems and Aftermarket Business Units in-depth and on a running basis. To this end, there was a regular exchange between the Management Board and the Board of Directors by way of written and verbal reporting.

Changes in Personnel

In financial year 2010, we announced several changes in the Management Board that went into effect at the beginning of 2011. Sam Martin, COO of the SAF-HOLLAND Group and President of the American subsidiary SAF-HOLLAND Inc., resigned from his operating activities at the end of 2010 at his own request. It is planned to recommend him for election to the Board of Directors of SAF-HOLLAND S.A. at the Annual General Meeting on April 28, 2011. His responsibilities in the Management Board were distributed and the Board has also been reduced in size. Jack Gisinger succeeded Sam Martin as President of SAF-HOLLAND Inc. on January 1, 2011. Detlef Borghardt has now assumed the position of Deputy Chief Executive Officer (CEO) of the Group, Rudi Ludwig. The Chief Operating Officer (COO) function has been dropped.

Sam Martin's decision to end his active career marks the departure of a strong leader who had a formative influence particularly on the American subgroup. The Board would like to thank Sam Martin, also on behalf of his colleagues and staff, for the outstanding work he has done. Jack Gisinger and Detlef Borghardt are recognized market experts who will continue to pursue our corporate strategy, and we are very pleased that they have taken on these new responsibilities.

A further change to the Management Board of SAF-HOLLAND involves the resignation of Dr. Martin Kleinschmitt as Chief Restructuring Officer (CRO) as of November 30th. Consistent with the completion of the Company's restructuring program that was introduced in the end of 2008, he has concluded his function of CRO as planned. He was appointed as an additional member of the Management Board on August 1, 2009 and played a crucial role in securing the Group's financing at the end of 2009. The Board of Directors would like to thank Dr. Kleinschmitt specifically for his dedication and his contribution to the current success of SAF-HOLLAND.

The Board of Directors consisted of the following members in fiscal year 2010: Bernhard Schneider (Chairman), Ulrich Otto Sauer (Vice Chairman), Dr. Siegfried Goll, Rudi Ludwig, Richard Muzzy and Gerhard Rieck. Dr. Siegfried Goll left the committee at his own request for personal reasons when his contract expired on June 18, 2010.

Annual and Consolidated Financial Statements 2010

It was agreed at the Annual General Meeting in 2010 to select Ernst & Young S.A., Luxembourg, as auditor for fiscal year 2010. The Board of Directors then gave the order to Ernst & Young S.A..

The auditors came to the conclusion that the consolidated financial statements give a true and fair view of the financial position of SAF-HOLLAND S.A. as of December 31, 2010, and of its financial performance and its cash flows for financial year 2010. The results of the audit were discussed at a meeting of the Board of Directors on March 16, 2011. The auditor attended and was available for questions.

SAF-HOLLAND proved in 2010 that the Company is able to react successfully under various conditions. The Board of Directors wishes to express its gratitude to the members of the Management Board, management staff, employee representatives and every employee for their personal achievements and their successful as well as dedicated role in another challenging year.

Luxembourg, March 2011

A handwritten signature in blue ink, appearing to read 'B. Schneider', with a stylized flourish at the end.

Bernhard Schneider
Chairman of the Board of Directors

Corporate Governance

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

The German Corporate Governance Code (the “Code”) – adopted by the Government Commission on February 26, 2002 and last amended on May 26, 2010 – contains essential statutory regulations for the management and supervision of German listed companies and includes internationally and nationally recognized standards for good and responsible corporate governance. While the recommendations of the Code are not mandatory, Section 161 of the German Stock Corporation Act (Aktiengesetz) requires that the executive boards and supervisory boards of companies listed on a stock exchange in Germany declare once a year that the Code’s recommendations have been and are being complied with or which of the Code’s recommendations have not been and are not being applied. This declaration of compliance shall be made available to shareholders.

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

The Board of Directors of SAF-HOLLAND S.A. declares that since the release of the last declaration of compliance it has complied, subject to the particularities of its legal structure, with the June 18, 2009 version of the recommendations of the Government Commission’s German Corporate Governance Code announced by the Federal Ministry of Justice on August 5, 2009, with the following exceptions:

- Clause 3.8 of the Code: The liability insurance policies taken out for the Board of Directors do not provide for a deductible. A deductible does not appear necessary to ensure that members of the Board of Directors act responsibly and solely in the interest of the Company.
- Clauses 3.10, 4.2.5, 5.4.6, 6.6 and 7.1.3 of the Code: The Company's annual report does not contain a separate corporate governance report (no. 3.10). As a result there is no section containing disclosures regarding the remuneration of members of the Board of Directors (no. 4.2.5 and 5.4.6) nor are stock option programs and similar securities-based incentive systems of the company listed (no. 7.1.3). Consequently, no disclosure is 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. 6.6). The expenses associated with creating a separate corporate governance report seem unreasonable. Shareholders' need for information is ensured by complete compliance with disclosures required by law. Considerations as to why the Company does not comply with individual recommendations of the code also stem from the reasons for the individual deviations already listed.

- Clause 4.2.3 (2 and 3) as well as clause 5.4.6 of the Code: With the exception of one member, the members of the Board of Directors do not receive performance-related compensation in addition to fixed compensation. The monetary components of remuneration of individual members of the Board of Directors therefore do not include, other than the aforementioned exception, variable components in addition to the fixed components (no. 4.2.3 (2 and 3)).
- Clause 4.2.3 (4) of the Code: Contracts for members of the Board of Directors have a term of two to four years, and as such, payments in the case of service in the boards ending prematurely will not exceed four years' compensation. As a result, the payments may exceed the severance cap of two years' compensation. This is primarily because existing contracts do not yet contain delimitation clauses. However, payments always relate to the remaining term of the employment contract.
- Clause 4.2.4 (5) of the Code: In the case of service in the Board of Directors ending prematurely as a result of a change in control, the contractual obligation of the Company may surpass 150% of the severance cap of two years' compensation. As in section 4, this is due to existing contracts which do not yet contain delimitation clauses.
- Clause 4.2.4 (6) of the Code: The Chairman of the Board of Directors will not inform the Annual General Meeting about the main features of the remuneration system and any changes to it.
- Clause 5.3.3 of the Code: The Nomination Committee of the Board of Directors was dissolved. Establishing a nomination committee no longer seems appropriate with the reduction of the Board of Directors from eight to five members.
- Clause 7.1.2 of the Code: Our Company's interim reports will, for the time being, not be made publicly accessible within 45 days of the end of the reporting period. It seems sufficient for these financial statements to be made available pursuant to the provisions of the Exchange Rules of the Frankfurt Stock Exchange, (quarterly reports within two months of the end of the reporting period), and as applicable the provisions of the German Securities Trading Act (Wertpapierhandelsgesetz).
- 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 does not seem sensible as it does not allow a sufficient conclusion based on the competence and performance of the member.

The Board of Directors of SAF-HOLLAND S.A. declares that it will continue to comply, subject to the particularities of its legal structure, with the May 26, 2010 version of the recommendations of the Government Commission's German Corporate Governance Code announced by the Federal Ministry of Justice, with the aforementioned and the following additional exception:

- 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.

Luxembourg, February 2011

A handwritten signature in blue ink, appearing to read 'B. Schneider', with a stylized flourish at the end.

Bernhard Schneider
Chairman of the Board of Directors

Group Management Report

36 I BUSINESS AND FRAMEWORK CONDITIONS

36 I.1 Organizational Structure

36 I.2 Origins

36 I.3 Segments

37 I.4 Management and Control, Remuneration Report

38 I.5 Legal and Economic Factors

38 I.6 Corporate Controlling

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

39 II OVERVIEW OF BUSINESS DEVELOPMENT

39 II.1 Overall Economic Environment

40 II.2 Major Events in the 2010 Financial Year

42 II.3 Earnings Development

45 II.4 Performance of the Business Units

47 II.5 Financial Position

49 II.6 Employees

50 II.7 Research and Development

51 II.8 Sustainability Report

51 III EVENTS AFTER THE BALANCE SHEET DATE**51 IV OPPORTUNITY AND RISK REPORT**

52 IV.1 Overview of Risks

55 IV.2 Opportunities Report

56 V OUTLOOK

I BUSINESS AND FRAMEWORK CONDITIONS

I.1 Organizational Structure

The consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries, hereinafter referred to as SAF-HOLLAND, the Group, or the Company, have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and in effect as of December 31, 2010. The financial year ends on December 31. Important product specific concepts are explained in the "Technical Glossary" in this annual report.

The Group is one of the world's leading manufacturers and providers of premium systems and components for commercial vehicles (trucks and trailers) as well as for buses and recreational vehicles. The product range encompasses axle and suspension systems, fifth wheels, coupling devices, kingpins, and landing legs. The Group, with its three Business Units – Trailer Systems, Powered Vehicle Systems, and Aftermarket – currently utilizes 16 production sites in Europe, North America, Brazil, Australia, China, and India. In addition, the Company operates a worldwide service and distribution network and has cooperative agreements with well-known manufacturers.

I.2 Origins

SAF-HOLLAND S.A. emerged in its current form in two stages: in March 2006, the SAF Group, Bessenbach, Germany, a European market leader in the development, manufacture, and distribution of axles and axle systems for the trailer industry, was acquired by Pamplona PE HOLDCO 3 S.A. in Luxembourg, today's SAF-HOLLAND S.A. In December 2006, the US-based Holland Group, a market leader in components and systems for the truck and trailer industry in North America, was acquired. Since July 26, 2007, the shares of SAF-HOLLAND S.A. have been traded on the Frankfurt Stock Exchange (Prime Standard). On December 8, 2010, the shares were additionally included in the SDAX index of Deutsche Börse. The shareholder structure is shown in the chapter entitled "Share" in this annual report.

I.3 Segments

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

- **Trailer Systems.** This Business Unit produces axle systems, suspension systems, kingpins, and landing legs for the trailer industry.
- **Powered Vehicle Systems.** This Business Unit generates its sales primarily with fifth wheels and air suspension systems for manufacturers in the truck industry.
- **Aftermarket.** Our third Business Unit covers the replacement parts business in which we rely on a worldwide service network, partly in cooperative agreements with truck manufacturers.

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

I.4 Management and Control, Remuneration Report

SAF-HOLLAND S.A.'s management is based on the Anglo-American board system. In addition to the Management Board, which is responsible for the operating activities, there is also a Board of Directors.

Except for Rudi Ludwig as CEO, no Member of Board of Directors also exercised an operative function within the SAF-HOLLAND Group during financial year 2010. Since March 27, 2009, Bernhard Schneider has been Chairman of the Board of Directors (previously member of the Board of Directors). Ulrich Otto Sauer is the Deputy Chairman. Members of the Board of Directors receive remuneration for their work, plus additional fees for special functions, such as chairing the Audit Committee or the Remuneration Committee. The CEO receives no remuneration for his work on the Board of Directors. Dr. Siegfried Goll left the Board of Directors at his request on June 18, 2010. Further information on the Board of Directors can be found in the chapter entitled "Mandates of the Board of Directors/Management Board" in this annual report.

In addition to the Board of Directors, a Management Board was appointed as part of the new organizational structure beginning on July 1, 2007. Rudi Ludwig was CEO in the reporting year. The Management Board also consisted of CFO Wilfried Trepels, COO Sam Martin, CRO Dr. Martin Kleinschmitt (until November 30, 2010), Steffen Schewerda as Group Operations President as well as the Business Unit Presidents Detlef Borghardt (Trailer Systems) and Jack Gisinger (Powered Vehicle Systems). Alexander Geis, President of the Aftermarket Business Unit, belonged to the Management Board as Deputy Member. At the turn of the year (2010/2011), the following changes were made: Sam Martin, COO, left the Management Board on December 31, 2010 and the position has not been filled; it is planned to recommend him for election to the Board of Directors at the Annual General Meeting. His position as President of the American subsidiary SAF-HOLLAND Inc. is filled by Jack Gisinger. Detlef Borghardt, in addition to his previous responsibilities, was appointed Deputy CEO effective January 1, 2011. This position was previously held by Sam Martin. Dr. Martin Kleinschmitt left the Management Board as the restructuring process is largely complete. He will be available to the Company for consultation in the future.

For executives at the four uppermost management levels (including the Management Board) a performance-based remuneration system underpinned by target agreements was introduced. Up to five personal targets and three enterprise level targets are defined. The higher the employee is in the corporate hierarchy, the greater the weighting of corporate performance as a whole.

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

SAF-HOLLAND has therefore established a 70:30 arrangement which has been valid from financial year 2010. In accordance with this arrangement, 30% of variable remuneration will be linked to medium-term objectives with a maximum range of three years. Remuneration is paid-out at the end of this period insofar as the objectives have been fulfilled and the fulfillment is confirmed by the Annual General Meeting. The remaining 70% of the variable remuneration relates, as before, to objectives within the financial year. Remuneration for these objectives is paid in the following year in accordance with the degree to which the objectives were fulfilled.

In financial year 2010, the Board of Directors approved an additional share-based payment system for upper management. It emphasizes management's responsibility for the Company's mid and long-term success.

I.5 Legal and Economic Factors

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

1. Economic cycle: in general, global economic trends are a key indicator of transport volume. Cost considerations in the companies can also lead to more outsourcing of production units to foreign regions and thus increase the demand for transport capacity.
2. Infrastructure: increasing globalization attracts investment in infrastructure, such as road networks. Conversely, inadequate infrastructure impairs the logistics sector.
3. Regulation: legal conditions in the target markets influence customers' buying decisions and can also function as growth drivers for the Company's sales. The legislative focus around the world is on the trend towards reducing emissions of heavy vehicles, which may lead to an increase in demand for energy-efficient and low-emission trucks. Stricter emission limits for trucks will apply in the European Union with the so-called Euro 5 standard since 2009 and the Euro 6 standard beginning in 2014. The development of safety standards such as shorter braking distances and securing the payload is an additional factor which can positively affect demand for new technologies and capabilities in trucks as well as trailers.

I.6 Corporate Controlling

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

The Company's key parameter for controlling is earnings before interest and taxes (EBIT) or adjusted EBIT. The reason for the adjustment is that in the course of the business combination of the former SAF and Holland, the refinancing negotiations, and restructuring, many costs were incurred that cannot be allocated to the operating business and would therefore lead to a distorted picture of the actual earnings position. EBIT is adjusted for the following factors: depreciation and amortization arising from the purchase price allocation (PPA), reversals of impairment of intangible assets, impairment of goodwill and intangible assets as well as restructuring and integration costs.

Particular emphasis is placed on cash flow management in order to generate funds to service debts via self-financing.

The second important key parameter for controlling is net working capital. Generally, SAF-HOLLAND seeks to gear its production to demand, combined with strict receivables and supplier management, a reduction of days of inventory and turnaround times, as well as efficient production.

Among SAF-HOLLAND's key parameters for controlling are delivery reliability and the quality of our products and, thus, customer loyalty and satisfaction.

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

- a) Information regarding paragraph a) of the law (structure of capital) can be found on page 24 of this report.
- b) There are no restrictions on the transfer of shares.
- c) In connection with the requirements of article 11 (1) c) of the Luxembourg law dated May 19, 2006, the shareholders holding significant shareholdings in SAF-HOLLAND S.A. are as follows:

	Shareholder name	Shares	% of voting rights
1) ASAF Verwaltungs GmbH is a controlled undertaking of Ulrich Otto Sauer.	ASAF Verwaltungs GmbH ¹⁾	1,884,775	9.10 %
	Luruna GmbH ²⁾	1,131,141	5.46 %

2) Luruna GmbH is a controlled undertaking of Rudi Ludwig.

- d) There are no shares granting special control rights to their holders.
- e) The control rights of any shares issued in connection with employee share plans are exercised directly by the respective employees.
- f) There are no restrictions on voting rights.
- g) As of December 31, 2010 there are no agreements with shareholders which are known to the Company that could result in restrictions on the transfer of shares or voting rights within the meaning of Directive 2004/109/EG (Transparency Directive).
- h) The members of the Board of Directors are appointed and may be dismissed by the General Meeting of the Shareholders duly convened with a simple majority of the shareholders present and voting (meaning 50% plus one vote) in accordance with article 18.12 of the articles of incorporation as well as article 67 (2) of the Luxembourg law of August 10, 1915 on commercial enterprises, as amended. There is no quorum requirement. Any vote of the General Meeting of the Shareholders on an item relating to an amendment of the articles of incorporation requires a quorum of at least 50% of the share capital eligible to vote and a majority of 66.67% of the votes cast at the meeting.
- i) The Board of Directors is equipped with wide-ranging powers for the execution of all administrative tasks in the interests of the company. Information regarding the powers of the Board of Directors to issue and buy back shares can be found on pages 49 and 101 of this annual report.
- j) There are no agreements between the Company and members of the Board of Directors providing for compensation to employees in the case of a takeover bid if the employment relationship is terminated without valid reason.

II OVERVIEW OF BUSINESS DEVELOPMENT

II.1 Overall Economic Environment

World Economy Growing Again

The global economic situation significantly improved in 2010. In leading industrial nations such as Germany, companies have turned the corner and are benefiting from rising demand.

For full year 2010, the world economy grew by 5.0% according to the analysis of the International Monetary Fund (IMF) from January 2011. Just one year earlier, the global gross national product fell by 0.6%. Germany in particular benefited from the global upswing. Here, economic output increased by 3.6% according to the IMF. The Euro zone achieved a plus of 1.8%. With a rise of 2.8%, the world's strongest economy, the USA, reversed the trend. According to the IMF, the growth engines of the global economy again included emerging economies: China's economy increased by 10.3%, India's by 9.7%. Brazil (plus 7.5%) and Russia (plus 3.7%) returned to a growth path after the setback in 2009. According to the German Automotive Industry Association (VDA), too, the commercial vehicle markets in the four BRIC countries continue to play a deciding role, especially China. World trade went up in the past year by 12%.

The commercial vehicle industry significantly benefited from the global economic recovery. According to the European Automobile Manufacturers' Association (ACEA) in January, around 21.4% more heavy trucks (over 16 tons) were newly registered in Germany in full year 2010 compared to 2009. Demand in the European Union (EU 27) recovered slightly with a plus of 8.4% with a high level of variation between individual countries. In 2009 demand had decreased by nearly half. The segment of vehicles over 3.5 tons increased across the EU by 6.4%. Demand for trailers was similar to the truck segment: following a dramatic collapse in 2009, the trailer market in Western Europe increased by approximately 11% according to an analysis by the market researcher Clear.

Following the economic recovery, more trucks and trailers were again sold in North America as well. In full year 2010, truck production (class 8) increased by 30.3% after a decrease of 42.4% in the previous year according to the initial estimates of market research institute ACT from February 2011. In the trailer area, deliveries (USA only) rose by 52.5% after a drop of 44.8% in the previous year.

II.2 Major Events in the 2010 Financial Year

SAF-HOLLAND turns the corner

SAF-HOLLAND benefited from the global rise in demand for commercial vehicles in financial year 2010 and has returned to a growth path. On the one hand, it was our comprehensive product range and our global presence that contributed to this. On the other hand, thanks to the restructuring measures, we have the strength and flexibility to fully participate in the positive market developments and quickly adjust our capacities.

In financial year 2010, our activities focused on the implementation of our global growth strategy, especially regarding the achievement of an increased presence in the dynamic BRIC countries and the expansion of our competences as a leader in technology. At the same time, proximity to the customer is important; from the original equipment manufacturers to the end customers. Our distribution structures are accordingly aligned to the various target groups; we regularly participate in trade fairs around the world and operate a close-meshed global service network. The high level of awareness of our brands based on innovative, high-quality products has contributed to strong positioning in strategically important markets. Thanks to these strengths, we were able to achieve above-average benefits from the increasing demand.

In full year 2010, Group sales rose by 50.4% to EUR 631.0 million (previous year: EUR 419.6 million). All regions in which SAF-HOLLAND is active contributed to this growth: Europe, North America and, increasingly, South America and Asia. All three Business Units significantly improved sales and

earnings over the course of the reporting period. An encouraging rise in incoming orders over the last weeks of 2010 also points to a continuation of the trend in 2011. Against this background, we have already initiated discussions with our suppliers to ensure quotas of supplier materials in the coming months as well.

Adjusted operating earnings before interest and taxes (EBIT) continued to improve, amounting to EUR 37.1 million (previous year: EUR 1.5 million). The utilization of our European and North American production sites was at an average of 60% at the end of the year, thereby providing sufficient potential for a further increase in production volumes. In addition, our restructuring measures are already having a significant effect. Since the end of 2008, SAF-HOLLAND has realized savings measures of around EUR 75 million; in 2010 these amounted to about EUR 10 million. This includes sustainable process improvements and increased productivity. We are making huge advances in inventory management: we have already improved our target of 45 days inventory outstanding consolidated at Group level to 43 days. This correlates to a reduction in reach by 25% as compared to the previous year.

The global economic rebound is buoyed to a large extent by the rising economies of China, Brazil and India. SAF-HOLLAND is represented in these regions with production sites and has invested in the local expansion of capacities in particular in 2010.

At our Chinese location in Xiamen, we have begun with the production of axle systems and will rapidly expand the business there. The location will be a central hub for our Asian business, which currently includes the production and distribution of landing legs for trailers in addition to axle systems. Taking a still small contribution to total Group sales into account, we expect significant growth rates in the next four years. Among other things, one contributing factor will include product developments which are oriented on price and quality standards of the Asian market while at the same time staying true to our quality demands.

Brazil shows high growth rates in the commercial vehicle industry. This goes along with the continual expansion of infrastructure in the country and increasing transport and freight volumes as well. SAF-HOLLAND currently produces axle systems and fifth wheels for the Brazilian trailer industry. We optimized the production processes in 2010.

As a result of positive sales developments and a trend of rising demand, SAF-HOLLAND increased the number of people it employs. In North America alone, about 300 new employees were hired during the year. In Germany, we expanded work shifts in production and hired 86 employees in the process. In China, staff increased by 38. Since the beginning of the new year we have again started to prepare for increasing work shifts in production and will hire further employees as a consequence.

SAF-HOLLAND is seen as an innovative quality supplier in its markets. Therefore it is important for us to offer our customers product solutions that reduce their total cost of ownership – that is, procurement and operational costs over the entire useful life – and thus increase efficiency for the end user. To that end, quality and reliability play as much of a role as quick availability of services. Above all, SAF-HOLLAND has established itself as the leading supplier of weight-reduced components for the truck and trailer industry. The axle system INTRADISC plus and the aluminum fifth

wheel are only two examples. SAF-HOLLAND once again presented a range of new products at the IAA in Hanover, Germany, an international trade fair for commercial vehicles. These included a weight-reduced wheel end as well as a new SAF-HOLLAND brake caliper, which was born out of cooperation with our supplier Haldex. The use of both products as part of an SAF-HOLLAND axle system reduces the weight of a common European trailer by up to 96 kilograms. With the combined use of aluminum rims, a trailer can shed up to about 200 kilograms of weight. The new products will come to market over the course of 2011.

The Group has made good progress with the business for axle and suspension systems in North America. After initiating production of our own axle systems in February, 2009, the number of axles sold in 2010 had already more than tripled compared to the previous year. Our goal is to double our market share in the Business Unit Trailer Systems in North America in the medium term.

We are continually expanding our aftermarket service network in parallel. We have already opened distribution warehouses in Russia with more planned for other regions. The replacement parts business is of great strategic importance for us.

II.3 Earnings Development

Income statement

EUR million	2010		2009	
Sales	631.0	100.0%	419.6	100.0%
Cost of sales	-514.0	-81.5%	-351.4	-83.7%
Gross profit	117.0	18.5%	68.2	16.3%
Other income	1.3	0.2%	1.3	0.3%
Selling expenses	-42.2	-6.7%	-36.3	-8.7%
Administrative expenses	-36.7	-5.8%	-35.0	-8.3%
Research and development costs	-13.7	-2.2%	-11.0	-2.6%
Impairment of goodwill and intangible assets	—	—	-16.9	-4.0%
Reversals of impairment of intangible assets	5.2	0.8%	—	—
Operating profit	30.9	4.9%	-29.7	-7.1%
Finance result	-35.4	-5.6%	-26.1	-6.2%
Share of net profit of investments accounted for using the equity method	0.4	0.1%	-0.1	0.0%
Result before tax	-4.1	-0.6%	-55.9	-13.3%
Income tax	-4.2	-0.7%	7.0	1.7%
Result for the period	-8.3	-1.3%	-48.9	-11.7%
Number of shares ¹⁾	20,702,275		20,702,275	
Earnings per share in EUR¹⁾	-0.40		-2.36	

1) Weighted average number of ordinary shares (see Note 25)

Rising demand enables sales growth of 50.4 percent

In financial year 2010, SAF-HOLLAND generated Group sales of EUR 631.0 million (previous year: EUR 419.6 million). Of that amount, EUR 311.3 million (previous year: EUR 196.7 million) was attributable to Europe and EUR 279.2 million (previous year: EUR 198.9 million) was attributable to North America, while the remaining regions accounted for EUR 40.5 million (previous year: EUR 24.0 million). Adjusted for exchange rate effects, Group sales in the reporting period totaled EUR 616.7 million. The average US dollar to Euro exchange rate for the fiscal year was 1.32471 (previous year: 1.39051).

The rise in sales of 50.4% resulted from the global recovery of the transport and logistics industry and along with it the commercial vehicles industry. Our development here reflects a continual rise in demand throughout the year. Despite seasonal fluctuation stemming from plant closures in the summer and November/December, all three Business Units participated in the growing volumes.

Sales Development by Region

EUR million	2010		2010 (exchange rate-adjusted)		2009	
Europe	311.3	49.4%	311.3	50.5%	196.7	46.9%
North America	279.2	44.2%	266.1	43.1%	198.9	47.4%
Other	40.5	6.4%	39.3	6.4%	24.0	5.7%
Total	631.0	100.0%	616.7	100.0%	419.6	100.0%

Profitability Significantly Improved

SAF-HOLLAND recorded positive earnings developments. Our gross margin rose to 18.5% compared to 16.3% in the previous year. Gross profit, as a result of higher business volumes, increased to EUR 117.0 million (previous year: EUR 68.2 million).

As a result of higher sales, selling expenses increased by 16.3% to EUR 42.2 million (previous year: EUR 36.3 million). Administrative expenses rose by 4.9% to EUR 36.7 million (previous year: EUR 35.0 million). Research and development costs were EUR 13.7 million (previous year: EUR 11.0 million). Other income remained unchanged at EUR 1.3 million (previous year: EUR 1.3 million).

Investment income improved to EUR 0.4 million (previous year: EUR -0.1 million) thus also reflecting the recovery trend. The finance result amounting to EUR -35.4 million (previous year: EUR -26.1 million) highlights the increase in interest expenses resulting from the refinancing agreement of 2009.

In the current financial year, reversals of impairment of intangible assets in the amount of EUR 5.2 million were carried out, whereas in the previous year impairment of goodwill and intangible assets in the amount of EUR 16.9 million were recorded. This was due to improved sales and earnings forecasts for the Group resulting from the recovery of the truck and trailer markets in 2010 and, consequently, the improved prospects in relation to further developments in the markets.

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

In the reporting year, income tax amounted to EUR -4.2 million (previous year: EUR 7.0 million). The tax rate was -100.63% (previous year: 12.57%). The group income tax rate of 30.8% deviated from the tax rate in 2010 and can be attributed, for the most part, to unrecognized loss carry-forwards and interest carry-forwards as well as income taxes relating to other periods.

Reconciliation Statement for Adjusted Figures

EUR million	2010	2009	
Result for the period	-8.3	-48.9	
Income tax	4.2	-7.0	
Finance result	35.4	26.1	
Depreciation and amortization from PPA ¹⁾	6.7	7.5	1) Purchase price allocation (PPA) from the acquisition of the SAF Group and Holland Group in 2006 as well as Austin-Westran Machinery Co., Ltd. and the current SAF-HOLLAND Verkehrstechnik GmbH in 2008.
Impairment of goodwill and intangible assets	-	16.9	
Reversals of impairment of intangible assets	-5.2	-	
Restructuring and integration costs	4.3 ²⁾	6.9	2) Thereof depreciation in the amount of 0.5 Mio. EUR
Adjusted EBIT	37.1	1.5	
as a percentage of sales	5.9	0.4	
Depreciation and amortization	15.6	15.2	
Adjusted EBITDA	52.7	16.7	
as a percentage of sales	8.4	4.0	
Depreciation and amortization	-15.6	-15.2	
Finance result	-35.4	-26.1	
Restructuring and integration costs	2.4	2.8	
Adjusted result before taxes	4.1	-21.8	
Income tax expenses/income ³⁾	-1.2	6.2	3) A uniform rate of 30.8% (previous year: 28.59%) was assumed for the adjusted result for the period.
Adjusted result for the period	2.9	-15.6	
as a percentage of sales	0.5	-3.7	
Number of shares ⁴⁾	20,702,275	20,702,275	4) Weighted average number of shares outstanding as of reporting day.
Adjusted earnings per share in EUR	0.14	-0.75	

At EUR 37.1 million (previous year: EUR 1.5 million), adjusted EBIT again recovered significantly. As expected, the restructuring measures in connection with the rising business volumes immediately contributed to improved profitability.

In 2010, SAF-HOLLAND achieved a result for the period of EUR -8.3 million (previous year: EUR -48.9 million); the adjusted result for the period was EUR 2.9 million compared to EUR -15.6 million in 2009.

Adjusted earnings per share totaled EUR 0.14 (previous year: EUR -0.75), assuming unchanged annual weighted average number of shares for the full year 2010 of 20,702,275.

In view of the overall economic conditions characterized by caution regarding further economic development despite the upswing, the Board of Directors proposes to the Annual General Meeting that no dividend be distributed for fiscal year 2010. The focus will continue to be on recovering the Company's profitability and reducing financial liabilities. We must first create all the conditions necessary to provide the Company a solid and sustainable basis for the future.

II.4 Performance of the Business Units

Significant growth in all three Business Segments

Overview of the Business Units

	Business Unit Trailer Systems		Business Unit Powered Vehicle Systems		Business Unit Aftermarket		Adjustments/ Eliminations		Total	
EUR million	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Sales	322.8	175.1	127.5	98.3	180.7	146.2	–	–	631.0	419.6
Cost of sales	-301.7	-178.2	-97.4	-77.4	-112.2	-92.9	-2.7	-2.9	-514.0	-351.4
Gross profit	21.1	-3.1	30.1	20.9	68.5	53.3	-2.7	-2.9	117.0	68.2
as a percentage of sales	6.5	-1.7	23.6	21.2	37.9	36.4	–	–	18.5	16.3
Other income and expense	-30.1	-23.9	-7.7	-6.2	-42.6	-35.6	0.5	-1.0	-79.9	-66.7
Adjusted EBIT	-9.0	-27.0	22.4	14.7	25.9	17.7	-2.2	-3.9	37.1	1.5
as a percentage of sales	-2.8	-15.4	17.6	14.9	14.3	12.1	–	–	5.9	0.4

II.4.1 Trailer Systems

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

In 2010, the Trailer Systems Business Unit generated sales of EUR 322.8 million (previous year: EUR 175.1 million), corresponding to 51.2% of total Group sales. Adjusted for exchange rate effects, the Business Unit's sales totaled EUR 318.2 million. After reporting the strongest slumps in sales during the crisis in 2009, the Business Unit experienced more significant gains in the reporting year than the other two segments. Sales experienced continual growth without hesitation throughout the year. Good incoming orders over the last weeks of 2010 lead to the assumption that this trend will continue into the new year. This applies to Europe as well as North America.

Nevertheless, earnings developments in the segment were influenced by underutilization of capacities up to the end of the year. With further growth in production volumes and accompanying measures to increase productivity, we expect continual improvement of the gross margin. The gross margin rose from -1.7% to 6.5%. The Trailer Systems Business Unit thus achieved an adjusted EBIT of EUR -9.0 million (previous year: EUR -27.0 million). The adjusted EBIT margin for the Business Unit amounted to -2.8% (previous year: -15.4%).

The in-house axle production commenced in February 2009 in the USA is making good progress. As a first step, we are eliminating the need to purchase competitors' axles in the USA. We have more than tripled our axle production in 2010 compared to last year and are thereby expanding our market share on a continual basis. We assume, in addition, that we will benefit in North America from our experience as the European market leader for axle systems with integrated disc brake technology. New regulations in the USA for shortening the braking distances of commercial vehicles can also increase demand for disc brake technology for trailers in coming years.

II.4.2 Powered Vehicle Systems

The Powered Vehicle Systems Business Unit supplies the truck industry with fifth wheels and suspension systems. We are the market leader in the area of fifth wheels in North America. By acquiring SAF-HOLLAND Verkehrstechnik GmbH, the number two in the European market in 2008, we have already increased our market share for fifth wheels in particular and strengthened our international position. After having shown a downward trend already since 2007, the American commercial vehicles market recorded, in sum, a steady upward trend over the course of 2010. However, this positive development goes hand in hand with shifting the product mix. That means that the share of lower-margin, high-volume orders will continue to grow. To balance this out, we nevertheless see good opportunities to expand our business in the area of suspension systems and to occupy the niche markets more fully. Indications for 2011 remain positive at the outset of the new year, allowing us to assume further market growth. Compared to the previous year, sales increased to EUR 127.5 million (previous year: EUR 98.3 million), which corresponds to a 20.2% share of Group sales. Adjusted for exchange rate effects, Group sales amounted to EUR 122.4 million. The gross margin amounted to 23.6% (previous year: 21.2%). Adjusted EBIT increased to EUR 22.4 million (previous year: EUR 14.7 million). Accordingly, the adjusted EBIT margin was 17.6% (previous year: 14.9%).

II.4.3 Aftermarket

The Aftermarket Business Unit supplies replacement parts to manufacturers, dealers, workshops, trucking companies and fleet operators. This Business Unit's success is centered on a close-meshed globally established service network that promptly provides end customers with reliable replacement parts and service. In the reporting period, the Business Unit continued the expansion of its distribution and service activities in Russia. We expanded two local distribution warehouses in order to reduce order and delivery times for customers. With the brand "Sauer Quality Parts", launched in 2010, the Business Unit strengthened its position against competitors' products. At the same time it offers consumers the option to choose among various price structures. The Business Unit has recorded considerable success in the Middle East, in particular, where it has markedly built up its business volume. Our growth potential in the Aftermarket segment is a result of the ongoing global expansion of distribution and service activities as well as growth in the installed base of our SAF-HOLLAND products. Even in the mid-term, the Business Unit is expected to contribute 30% of the Group's total sales.

The Aftermarket business generally reacts more moderately to changing economic cycles. This held true in 2009, with more stable development despite falling demand for trucks and trailers, and in 2010 as well.

For the full year 2010, the Business Unit generated an increase in sales of 23.6% reaching EUR 180.7 million (previous year: EUR 146.2 million). The share of Group sales amounted to 28.6%. Adjusted for exchange rate effects, the Business Unit's sales totaled EUR 176.1 million. The gross margin increased moderately to 37.9% (previous year: 36.4%), based on a changed product-customer mix. As a result of increased sales, the adjusted EBIT climbed to EUR 25.9 million (previous year: EUR 17.7 million). The adjusted EBIT margin was 14.3% (previous year: 12.1%).

II.5 Financial Position

Stable basis for growth path

Over the past year, we have been concentrating on financing our growth path and stabilizing the financial strength of the Group.

II.5.1 Financing

The Company has sufficient financial strength for the planned growth path. The existing credit line (since 2008) of over EUR 316.6 million was extended until September 2014 in November 2009. Planned Repayments have been suspended until February 2012. The agreement takes into account the changed market and risk situation at the time of the agreement regarding the repayment of interest and principal.

Bank loans from existing credit lines amounted to EUR 295.0 million (previous year: EUR 314.3 million) on the balance sheet date; interest payments were made according to plan. A variable base interest rate (Euribor or Libor) plus a margin of 5.95% is paid on the credit line. The interest payments will, however, be deferred in part until the end of the loan term in September 2014. Therefore the cash-effective margin amounted to 1.6% in the period to September 2010. It rose as of October 2010 to 3.0%. The deferred interest payments of 4.35% or 2.95% will be reported as liabilities. As of March 2012, the entire margin of 5.95% will be due. A so-called success fee in the amount of EUR 2.3 million a year will also be deferred and is due at the end of the period of the credit line. Accrued interest totaled EUR 13.3 million (previous year: EUR 0.1 million). At the beginning of financial year 2011, an agreement was reached with the banking syndicate on an amendment to the credit agreement. Further information on this is described in the events after the balance sheet date' section on page 51.

A customer loan of over EUR 4.5 million that was agreed upon in the first quarter of 2009 was settled as planned by the Group in August and September 2010. The credit agreement with the Management and Board of Directors with a volume of EUR 1.4 million on the balance-sheet date, however, will be in place until October 1, 2014. The loan is due in full on maturity at normal market interest rates and is unsecured.

Further, interest-bearing loans and borrowings include other loans in the amount of EUR 8.1 million from the financing of the extension options for interest rate swaps due in March 2010.

SAF-HOLLAND's off-balance sheet obligations totaled EUR 9.4 million (previous year: EUR 8.1 million). This primarily relates to operating leases for buildings as well as vehicles and machinery.

II.5.2 Investments

In fiscal year 2010, the Group invested a total of approximately EUR 8.4 million (previous year: EUR 8.1 million). We have concentrated on increasing our sales potential in the high-growth countries of Brazil and China and primarily apply funds in these two countries. For example, we set up axle production in China, which started in the third quarter of 2010 and serves both the domestic and international markets. Capital expenditures are not to exceed EUR 11 million in 2011. The main focus includes investments for expansion and replacements at the most important production locations worldwide.

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

In the context of the acquisition of a welding facility we are currently involved in legal proceedings. The facility was not accepted due to deficiencies, and a damages suit was filed against the supplier Claas Fertigungstechnik GmbH to claim repayment and damages. Advance payments made in the previous year of approximately EUR 2.6 million are therefore reported as receivable under other current assets.

II.5.3 Liquidity

In fiscal year 2010, we concentrated on stabilizing our financial strength despite significant sales growth. Cash and cash equivalents amounted to EUR 8.5 million (previous year: EUR 20.7 million) on the balance sheet date. On December 31, 2010, overall liquidity as the sum of available credit lines valued as at the borrowing date exchange rate minus cash and cash equivalents amounted to EUR 37.4 million (previous year: EUR 25.5 million).

For the full year we generated cash flow from operating activities before income tax paid in the amount of EUR 46.0 million (previous year: EUR 48.3 million). Cash flow from investing activities amounted to EUR -7.2 million (previous year: EUR -7.5 million). Cash flow from financing activities is influenced by interest payments, loan repayments and the lower utilization of the revolving credit lines and amounted to EUR -45.3 million (previous year: EUR -28.4 million).

Initiated in 2009, the restructuring measures continued in the reporting period and contributed to stable financial development of the Group. Our primary concern was to keep the need for net working capital as small as possible despite increasing sales. The most important influence in this was efficient inventory management. Due to greater business volumes, inventories did rise to EUR 68.1 million (previous year: EUR 55.5 million). At the same time we managed to significantly improve days of inventories to 43 days (previous year: 57 days) in the full year – we thereby achieved and even bettered our mid-term goal of 45 days. Net working capital thus amounted to EUR 62.7 million (previous year: EUR 52.7 million), which makes up 9.1% of sales (previous year: 12.8%). Our goal is below 10%. As a rule, the Company only produces after an order has been placed or based upon a concrete sales forecast. We only set up a supply of finished products for the Aftermarket Business Unit in order to ensure delivery to customers worldwide. This strategy not only reduces the amount of capital tied up in inventories, but also reduces the risk of not

meeting customer needs with our products. We also take the active management of our payables to suppliers into account in the optimization of net working capital.

Our strict receivables management also contributes to improving the Company's financial strength and reducing the risk of failure. Days of sales outstanding was 42 days (previous year: 50 days) in financial year 2010. In order to limit the risk of failure, there are individual insurance or house limits for every customer. As soon as these are breached, further deliveries are generally canceled.

II.5.4 Assets

Along with the growth in sales, total assets rose to EUR 484.7 million (previous year: EUR 458.1 million). The rise results primarily from higher inventories as well as trade receivables.

Non-current assets totaled EUR 317.9 million (previous year: EUR 318.1 million); current assets totaled EUR 166.1 million (previous year: EUR 140.0 million). Inventories increased due to good business development to EUR 68.1 million (previous year: EUR 55.5 million). Trade receivables rose to EUR 80.4 million (previous year: EUR 57.2 million).

At the end of 2010, equity amounted to EUR 24.9 million (previous year: EUR 23.8 million), the equity ratio was 5.1% (previous year: 5.2%).

In December 2010, an Extraordinary General Meeting approved the Company's proposal of raising SAF-HOLLAND S.A.'s authorized share capital from the current amount of EUR 112,000 to EUR 224,000 consisting of 22,400,000 shares with a par value of EUR 0.01 each. From the authorize share capital, EUR 18,649 or 1,864,900 shares were used on September 4, 2008 for the acquisition of today's SAF-HOLLAND Verkehrstechnik GmbH. The right to new shares can be completely or partially ruled out. The Board of Directors recommended this move in order to provide the Company with more flexibility and the ability to react swiftly when the market environment is favorable to the issue of new shares. This should attract new and motivate existing investors as well as strengthen the Company's equity base. SAF-HOLLAND S.A. currently holds 20,702,275 ordinary shares and a subscribed share capital of EUR 207,022.75.

Non-current liabilities totaled EUR 362.4 million (previous year: EUR 364.7 million); current liabilities totaled EUR 97.4 million (previous year: EUR 69.6 million). Pension provisions amounted to EUR 14.5 million (previous year: EUR 14.3 million). Trade payables rose to EUR 69.9 million (previous year: EUR 40.9 million). Interest bearing loans and borrowings amounted to EUR 310.7 million (previous year: EUR 310.0 million) while net debt (interestbearing loans and borrowings minus cash and cash equivalents) amounted to EUR 302.1 million (previous year: EUR 289.3 million).

II.6 Employees

Upswing creates new jobs

Due to a significant increase in demand, SAF-HOLLAND once again hired new employees in the past year. Including temporary employees, the number of employees was 2,774 at the end of the year (previous year: 2,331), with an average for the year of 2,619 (previous year: 2,320).

The number of employees in Germany rose to 868 (previous year: 782) on the balance sheet date. We employed 122 people in the rest of Europe (previous year: 119), 1,440 in North and South America (previous year: 1,133) and 281 in Asia (previous year: 244). The remaining employees work in Australia and South Africa.

For the full year, personnel expenses (excluding restructuring and integration costs) were EUR 119.3 million (previous year: 93.1), or EUR 46,661 per employee (previous year: 40,955). Sales per employee were approximately kEUR 241.0 (previous year: approximately kEUR 180.9).

In Germany, the Group hired 83 industrial employees in response to good business development at the beginning of the third quarter. In the process former employees were primarily re-hired. After temporary closing in 2009, the Frauengrund plant resumed operations. In one plant, production re-commenced dual shift operations in order to quickly process received orders. Short-time work in production had already been ended at the beginning of April, in administration in June. For employees who are not part of the collective bargaining agreement, voluntary salary reductions ended at the beginning of January. Employees were also hired for production and inventory at SAF-HOLLAND Verkehrstechnik GmbH as a result of greater demand. In addition the company had 20 new trainees in Germany or hired them upon completion of their training. At the end of the year 62 young people (previous year: 67) were in training in Germany. The vocational training rate of 7.7% (previous year: 7.8%) is higher than average.

The number of employees in North America, mainly in the industrial area, also increased significantly. 295 new employees were hired in the USA and Canada. The wage reductions of crisis year 2009 were discontinued. At our important Holland, Michigan location, a new collective bargaining agreement was reached, which will enable additional sustainable cost savings.

II.7 Research and Development

Strong customer benefits, rapid market success

Research and development at SAF-HOLLAND focuses on projects that create an immediate customer benefit and can therefore achieve rapid market success. High quality and innovative products should always create a significant customer advantage. The main focus includes reducing weight, increasing energy efficiency and reducing costs over the entire product's service life.

The dominant issue for freight forwarders and fleet operators is the improvement of efficiency in their fleets, as even after the crisis, price pressure and intensity of competition remain high. While vehicle manufacturers focus on fuel efficiency, weight reduction is at the top of SAF-HOLLAND's agenda. The positive reception at the IAA Commercial Vehicles trade fair in September 2010 demonstrated that this is exactly what our customers need. Our products help end users work more efficiently. With lighter trucks and trailers, they can either increase load capacities or reduce their operational costs. Our new wheel end system was met with particular interest due to its lighter weight achieved by means of a reduced diameter that does not compromise performance or stability. SAF-HOLLAND's new brake caliper, developed in cooperation with Haldex, was also well received.

An additional focus of research and development includes the transfer of technology between our core markets in Europe and North America. In 2011 we wish to offer a complete package for trailers in North America so as to achieve the same positioning in the local market as in Europe. We are additionally building up the kingpin and fifth wheel business in Europe, in which we can call on the experience of SAF-HOLLAND Verkehrstechnik GmbH as well as the expertise of our US-based Units.

In November 2010, SAF-HOLLAND applied for research funding from the Bavarian Ministry of Economics in the amount of kEUR 599.0 and has already received approval to start the project as of January 1, 2011. The exact volume of the funding will be determined within the scope of further discussions with the Ministry, presumably in the first quarter of 2011.

In financial year 2010, R & D costs amounted to EUR 13.7 million (previous year: EUR 11.0 million). The R&D ratio was thus 2.3% (previous year: 2.9%). Development costs in the amount of EUR 0.6 million (previous year: EUR 1.0 million) were capitalized.

II.8 Sustainability Report

Innovative products conserve natural resources

Continuously improving our products with regard to weight reduction, lower maintenance requirements and improved energy efficiency, is an important contribution towards reducing road traffic's negative environmental impact. The conservation of natural resources is another important objective when manufacturing our products. We continually work towards reducing noise, dust, and exhaust emissions produced during manufacturing. In addition, we continually optimize logistics internally as well as with our suppliers and customers, which also serves to relieve the environment. The Company's facilities in North America and SAF-HOLLAND Verkehrstechnik GmbH in Germany have Environmental Management Systems certified to ISO 14001.

III EVENTS AFTER THE BALANCE SHEET DATE

SAF-HOLLAND S.A. announced on February 24, 2011 that it had reached an agreement with its bank syndicate on an adjustment to the existing EUR 316.6 million credit facility. The amendment agreement includes, among other things, a significant reduction in the interest margin, initially by a level of 1.45 percentage points. Further reductions in the interest margin will take effect depending on the development of the company's key debt figures. In addition, the banking syndicate has waived the opportunity of a simplified liquidation of securities in the course of the most recent adjustment to the credit agreement. The adjustment to credit conditions is subject to the execution of a capital increase with a volume of at least EUR 90 million by the end of October 2011. In accordance with the loan regulations, 85% of gross proceeds from the issuance of EUR 90 million as well as 50% of gross proceeds for any amount above EUR 90 million shall be used for the proportionate repayment of the loans. COMMERZBANK and UniCredit Bank were appointed joint bookrunners to carry out the preparation and execution of the capital measure.

IV. OPPORTUNITY AND RISK REPORT

As a player in the global economy, SAF-HOLLAND is exposed to a large number of risks of a general nature. It was made clear in the recent financial and economic crisis that the Group is exposed to general market risks and can be negatively affected by a more restrictive lending policy on the part of banks. These are risks over which the Company naturally has no influence. In the financial year 2010, however, the Group was able to significantly benefit from the upturn in the market.

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

IV.1 Overview of Risks

IV.1.1 General Business Risks

Generally, actual business development may deviate from plans.

In order to evaluate business development, a budget and medium-term plan with a five year planning horizon are drawn up annually. The budget is prepared on a monthly basis. In the context of current business developments, a monthly "rolling forecast" is prepared for the respective fiscal year. Adherence to key figures is monitored using the reporting system. Despite the recovery of the markets, the risk exists that actual business development may deviate from planning to date. SAF-HOLLAND is affected by global economic and associated transportation cycles. Management considers this risk in both the flexible corporate structures as well as the corporate planning. Accordingly, the Company was also able to react very quickly to the market collapse in the economic crisis of 2008 and 2009.

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

IV.1.2 Financing Risks

In November 2009, the Company reached a financing agreement with its banks, which is valid until 2014 and provides the Company with sufficient flexibility and liquidity.

Based on the loan agreement, we are required to maintain certain Group key figures (financial covenants). We monitor adherence to these key figures on an ongoing basis.

IV.1.3 Customer Structure

The principal risks include dependence on individual customers. At SAF-HOLLAND, sales distribution by customer roughly corresponds to the customers' market shares. Ten major customers around the world account for approximately 46% of the OEM business. There are also a large number of small and mid-sized customers who are highly significant in their respective niches or markets.

SAF-HOLLAND also increased its presence among this group of customers in particular over the past two years with the development of new applications. With its positioning in Europe and North America, the Company has improved its risk profile significantly and is an international partner of the commercial vehicle industry. The Aftermarket business is a stabilizing factor within the Group with a share of sales that has upward potential. This Business Unit in particular is independent of investment cycles and large customers and improves the risk position of the entire Group significantly.

Modern receivables management also helps keep default risks to a minimum. In Europe, this is done in close cooperation with Atradius Kreditversicherungs AG, Cologne, Germany, which provides insurance coverage against default for the majority of existing third-party receivables via credit limits. In North America, opportunities to insure against the risk of default that make economic sense are currently being investigated. That is why the Company currently operates with so-called house limits in the USA, in place of the credit limits through which the Company has insurance coverage in Europe.

There are also financing risks on the customer side, particularly if – as in the last two years – banking institutions provide less credit or the conditions become less favorable. Nevertheless, a continual upswing in Europe has been once again observed since the end of 2010. It is apparent, after two years of caution, that many end customers are once again investing in modernizing their vehicles.

IV.1.4 Procurement Risks

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

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

IV.1.5 Personnel Risks

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

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

IV.1.6 Production Risks

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

IV.1.7 Information Technology Risks

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

IV.1.8 Interest Rate Risks

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

SAF-HOLLAND has concluded interest rate swaps and interest rate caps to hedge against interest rate fluctuations. As of December 31, 2010, approximately 82% of existing base interest rate commitments was covered in this way. Swaps provide for the Company paying a fixed interest rate, the swap rate, to the bank in return for a floating reference rate (Euribor/Libor). In this way, a floating rate is economically converted into a fixed rate (for more detailed information please see chapter 24 of the Notes to the consolidated financial statements).

The interest rate hedging transactions are recorded in the balance sheet at their fair values as of December 31, 2010 and cover the risk of future interest rate fluctuations in line with current market expectations.

IV.1.9 Exchange Rate Risks

Risks associated with exchange rate fluctuations arise only in connection with consolidation as a result of the translation of annual financial statements for companies outside of the Euro zone. During the period under review, the Company generated 44.2% of its sales in North America.

Exchange rate effects play only a minor role in the operating business. The Group's strategy is to buy and manufacture in its regional sales markets, thereby achieving real hedging.

IV.1.10 Quality Risks

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

SAF-HOLLAND is comprehensively certified according to the international DIN ISO 9001 quality standard. The Company has begun certifying all six of the Company's Powered Vehicle Systems facilities to ISO/TS 16949. The Trailer Systems Business Unit's European facilities are certified to ISO 3834-2.

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

IV.1.11 Legal and Regulatory Risks

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

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

IV.1.12 Conclusion

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

IV.2 Opportunities Report

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

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

- Sustainable growth in haulage.
- Development of new products and further development of the existing product range.
- Two-way technology transfer between North America and Europe.
- Expanding the market position in growth countries such as China due primarily to rising investment in infrastructure.

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

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

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

V. OUTLOOK

The economic recovery is expected to continue in 2011. According to a forecast from the International Monetary Fund (IMF) from January 2011, global economic output will increase by 4.4%. In the two core markets for SAF-HOLLAND, the USA and the Euro zone, the IMF expects increases of 3.0% and 1.5% respectively. In Germany, economic output should grow by 2.2%. As in the previous year, the global economy will be driven by the BRIC countries. In both Brazil and Russia, economic growth of 4.5% is anticipated. According to current analyses, the global leaders will once again be India with an increase of 8.4% and China with a jump of 9.6%. According to IMF forecasts, global trading volumes will grow by 7.1%.

Lifted by the good economic expectations, global demand for trucks and trailers should continue to expand. In the view of the German Automobile Association (VDA) the upward trend on the German commercial vehicles industry will continue. And according to the forecast from December 2010, production in Germany should rise by 25% in 2011 to 137,000 heavy trucks. The judgment from the market research institute ACT is similar: production of heavy trucks (class 8) in North America will rise by 58.1% in 2011. In its prognosis for Europe from the third quarter of 2010, JD Powers expects an increase in the production of heavy trucks to increase by 27% in 2011.

In the trailer market too, the upward trend persists: for 2011 in the multiple-axle trailer segment, the VDA calculates a slight increase in domestic volume of 4% and a plus of 22% for semi-trailers. In December 2010, the research institute Clear predicted growth of 18% for Europe for 2011. According to its assessment from December 2010, the US-based market research institute FTR anticipates an increase in North American trailer production of about 29% to 170,000 trailers in 2011. In the view of market observers, the trailer market in Europe will return to the levels of 2008 in two to three years.

SAF-HOLLAND is well-equipped to participate fully in the market upswing and in the global markets. We have strong brands with innovative products and we are well-positioned with vehicle manufacturers as well as trucking companies and fleet operators. Our broad product program for trucks and trailers in combination with our international service network secures competitive advantages for our company and creates a foundation for further growth. Especially in the regions of China and Brazil, we will continue to expand our production and strengthen our sales activities. In our core markets of North America and Europe, we have the potential to further grow our market share.

Against the background of the developments described above and subject to the impact of the recent events in Japan, SAF-HOLLAND expects an improvement in sales as compared to the previous year of up to 20%. This growth will be reflected positively in our earnings development. It should be considered, however, that a return to a normal market volume is linked to a shift in the product and customer mix in favor of lower margin standard products. This affects our OEM business in the Powered Vehicle Systems and Trailer Systems Business Units in particular. Based on the currently positive outlooks from the market research institutes, we expect that our Group will grow further in 2012.

Luxembourg, March 16, 2011



Bernhard Schneider
Chairman of the Board of Directors



Rudi Ludwig
Chief Executive Officer of
SAF-HOLLAND GROUP GmbH

Consolidated Financial Statements

- 60 **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
- 61 **CONSOLIDATED BALANCE SHEET**
- 62 **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
- 63 **CONSOLIDATED CASH FLOW STATEMENT**
- 64 **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
- 64 **1 CORPORATE INFORMATION**
- 64 **2 ACCOUNTING AND VALUATION PRINCIPLES**
 - 64 2.1 Basis of Preparation
 - 64 2.2 Significant Accounting Judgments, Estimates, and Assumptions
 - 67 2.3 Summary of Significant Accounting Policies
 - 80 2.4 Changes in Accounting Policies
 - 81 2.5 Future Changes in Accounting Policies
- 82 **3 SCOPE OF CONSOLIDATION**
- 84 **4 SEGMENT INFORMATION**
- 88 **5 COST OF SALES**
- 88 **6 OTHER REVENUES AND EXPENSES**
 - 88 6.1 Other Income
 - 88 6.2 Selling Expenses
 - 89 6.3 Administrative Expenses
 - 89 6.4 Research and Development Costs
 - 89 6.5 Financial Result
 - 90 6.6 Employee Benefit Expenses
 - 90 6.7 Depreciation and Amortization
 - 91 6.8 Reversals of impairment of intangible assets and impairment of goodwill and intangible assets

91	7	INCOME TAXES
94	8	GOODWILL AND INTANGIBLE ASSETS
97	9	PROPERTY, PLANT, AND EQUIPMENT
98	10	INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
99	11	OTHER NON-CURRENT ASSETS
99	12	INVENTORIES
99	13	TRADE RECEIVABLES
100	14	OTHER CURRENT ASSETS
101	15	CASH AND CASH EQUIVALENTS
101	16	NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE
101	17	EQUITY
102	18	PENSIONS AND OTHER SIMILAR BENEFITS
107	19	OTHER PROVISIONS
110	20	INTEREST BEARING LOANS AND BORROWINGS
112	21	FINANCE LEASE LIABILITIES
113	22	TRADE PAYABLES
113	23	OTHER LIABILITIES
114	24	FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
122	25	EARNINGS PER SHARE
122	26	CASH FLOW STATEMENT
122	27	OTHER FINANCIAL COMMITMENTS
123	28	RELATED PARTY DISCLOSURES
126	29	CAPITAL MANAGEMENT
127	30	AUDITORS' FEES
127	31	EVENTS AFTER THE BALANCE SHEET DATE
128		MANDATES OF THE BOARD OF DIRECTORS/MANAGEMENT BOARD

Consolidated Statement of Comprehensive Income

kEUR	Notes	2010	2009
Result for the period			
Sales	(4)	631,053	419,618
Cost of sales	(5)	-514,023	-351,371
Gross profit		117,030	68,247
Other income	(6.1)	1,298	1,226
Selling expenses	(6.2)	-42,228	-36,265
Administrative expenses	(6.3)	-36,663	-35,005
Research and development costs	(6.4)	-13,704	-11,013
Impairment of goodwill and intangible assets	(6.8)	–	-16,903
Reversal of impairment of intangible assets	(6.8)	5,171	–
Operating result	(4)	30,904	-29,713
Finance income	(6.5)	640	3,487
Finance expenses	(6.5)	-36,139	-29,618
Share of net profit of investments accounted for using the equity method	(10)	453	-99
Result before tax		-4,142	-55,943
Income tax expenses/income	(7)	-4,168	7,030
Result for the period		-8,310	-48,913
Other comprehensive income			
Exchange differences on translation of foreign operations	(17)	11,460	2,557
Changes in fair values of derivatives designated as hedges, recognized in equity	(17)	-2,798	2,259
Income tax effects on items recognized directly in other comprehensive income	(17)	819	-4,217
Other comprehensive income, net of tax		9,481	599
Comprehensive income for the period, net of tax		1,171	-48,314
Attributable to equity holders of the parent		1,171	-48,314
Basic and diluted earnings per share in EUR	(25)	-0.40	-2.36

Consolidated Balance Sheet

061

kEUR	Notes	12/31/2010	12/31/2009
Assets			
Non-current assets		317,864	318,096
Goodwill	(8)	45,822	44,251
Intangible assets	(8)	140,886	137,651
Property, plant, and equipment	(9)	100,630	108,625
Investments accounted for using the equity method	(10)	7,744	6,804
Other non-current assets	(11)	3,375	4,079
Deferred tax assets	(7)	19,407	16,686
Current assets		166,056	140,002
Inventories	(12)	68,082	55,508
Trade receivables	(13)	80,336	57,210
Income tax assets		731	821
Other current assets	(14)	8,361	5,721
Cash and cash equivalents	(15)	8,546	20,742
Non-current assets classified as held for sale	(16)	738	–
Total assets		484,658	458,098
Equity and liabilities			
Equity attributable to equity holders of the parent	(17)	24,927	23,756
Subscribed share capital		207	207
Share premium		106,454	106,454
Legal reserve		21	21
Retained earnings		-77,911	-69,601
Accumulated other comprehensive income		-3,844	-13,325
Non-current liabilities		362,410	364,732
Pensions and other similar benefits	(18)	11,730	12,364
Other provisions	(19)	4,089	4,736
Interest bearing loans and borrowings	(20)	306,917	304,500
Finance lease liabilities	(21)	40	171
Other financial liabilities	(24)	5,758	9,006
Other liabilities	(23)	273	260
Deferred tax liabilities	(7)	33,603	33,695
Current liabilities		97,321	69,610
Pensions and other similar benefits	(18)	2,732	1,914
Other provisions	(19)	5,748	8,156
Interest bearing loans and borrowings	(20)	3,758	5,530
Finance lease liabilities	(21)	131	336
Trade payables	(22)	69,938	40,874
Income tax liabilities		2,449	3,129
Other liabilities	(23)	12,565	9,671
Total equity and liabilities		484,658	458,098

Consolidated Statement of Changes in Equity

kEUR	2010					Total equity
	Attributable to equity holders of the parent					
	Subscribed share capital (Note 17)	Share premium (Note 17)	Legal reserve (Note 17)	Retained earnings (Note 17)	Accumulated other comprehensive income (Note 17)	
As of 01/01/2010	207	106,454	21	-69,601	-13,325	23,756
Comprehensive income for the period	–	–	–	-8,310	9,481	1,171
As of 12/31/2010	207	106,454	21	-77,911	-3,844	24,927

kEUR	2009					Total equity
	Attributable to equity holders of the parent					
	Subscribed share capital (Note 17)	Share premium (Note 17)	Legal reserve (Note 17)	Retained earnings (Note 17)	Accumulated other comprehensive income (Note 17)	
As of 01/01/2009	207	106,454	19	-20,686	-13,924	72,070
Comprehensive income for the period	–	–	–	-48,913	599	-48,314
Appropriation to legal reserve	–	–	2	-2	–	–
As of 12/31/2009	207	106,454	21	-69,601	-13,325	23,756

Consolidated Cash Flow Statement

kEUR	Notes	2010	2009
Cash flow from operating activities			
Result before tax		-4,142	-55,943
- Finance income	(6.5)	-640	-3,487
+ Finance expenses	(6.5)	36,139	29,618
-/+ Share of net profit of investments accounted for using the equity method	(10)	-453	99
+ Amortization, depreciation, impairment of intangible assets and property, plant, and equipment	(6.7) / (6.8)	22,808	39,558
- Reversal of impairment of intangible assets	(6.8)	-5,171	-
+ Allowance of current assets		2,082	3,658
+ Loss on disposal of property, plant, and equipment		103	605
+ Dividends from investments accounted for using the equity method		11	705
Result before change of net working capital		50,737	14,813
- Change in other provisions and pensions	(18) / (19)	-4,396	-7,299
-/+ Change in inventories	(12)	-9,868	31,200
-/+ Change in trade receivables and other assets	(13) / (14)	-20,461	27,050
+/- Change in trade payables and other liabilities	(22) / (23)	30,056	-17,452
Cash flow from operating activities before income tax paid		46,068	48,312
- Income tax paid		-6,630	-51
Net cash flow from operating activities		39,438	48,261
Cash flow from investing activities			
+ Acquisition of subsidiaries net of cash acquired	(3)	-	757 ¹⁾
- Purchase of property, plant, and equipment	(9)	-6,398 ²⁾	-6,533
- Purchase of intangible assets	(8)	-1,297	-2,288
- Purchase of investments accounted for using the equity method		-85	-70
+ Proceeds from sales of property, plant, and equipment		495	519
+ Interest received		108	155
Net cash flow from investing activities		-7,177	-7,460
Cash flow from financing activities			
+ Proceeds from Management and Board of Directors loan	(20)	-	1,244
- Repayments of Management and Board of Directors loan	(20)	-109	-
- Payments for finance lease	(21)	-280	-456
- Interest paid		-15,011	-25,999
- Reduction of current and non-current financial liabilities	(20)	-30,396	-322,380
+ Proceeds from current and non-current financial liabilities	(20)	484	319,169
Net cash flow from financing activities		-45,312	-28,422
Net decrease/increase in cash and cash equivalents		-13,051	12,379
Net foreign exchange difference		855	-194
Cash and cash equivalents at the beginning of the period	(15)	20,742	8,557
Cash and cash equivalents at the end of the period	(15)	8,546	20,742

1) Cash inflow in the amount of kEUR 1,103 generated from the Jinan SAF AL-KO Axle Co., Ltd. and SAF AL-KO Vehicle Technology Yantai Co., Ltd. share transfer. In addition, payments of kEUR 346 in connection with the acquisition in 2008 of SAF-HOLLAND Verkehrstechnik GmbH are included.

2) The additions to property, plant, and equipment include capital expenses of kEUR 584 which were not yet cash effective and are reported as trade payables.

Notes to the Consolidated Financial Statements

For the period January 1 to December 31, 2010

1 CORPORATE INFORMATION

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

The consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries (the "Group") as of December 31, 2010 were authorized for issue in accordance with resolution of the Board of Directors on March 16, 2011. Under Luxembourg law, the financial statements must be approved by the shareholders.

2 ACCOUNTING AND VALUATION PRINCIPLES

2.1 Basis of Preparation

The consolidated financial statements of SAF-HOLLAND S.A. have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and in effect as of December 31, 2010.

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

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

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

2.2 Significant Accounting Judgments, Estimates, and Assumptions

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

balance sheet date that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below.

Impairment of goodwill and intangible assets with indefinite useful lives

The Group determines whether goodwill or other intangible assets with indefinite useful lives are impaired on at least an annual basis or in the case of corresponding indications. The Group's impairment testing as of October 1, 2010 is based on calculations of the recoverable amount and the application of the discounted cash flow method. The cash flows are derived from the financial planning for the next five years. Cash flows beyond the planning period are extrapolated using individual growth rates. The recoverable amount is strongly dependent on the discount rate used in the discounted cash flow method, expected future cash inflows and outflows, and growth rates used for purposes of extrapolation.

The assumptions are based on currently available information. In particular, expectations regarding business development reflect current conditions as well as realistic assessments of the future development of the global and industry-specific environment. The main assumptions for this planning are based on projected unit volumes for the truck and trailer market as determined by market research companies and discussions with the Group's major customers. Although management believes that the assumptions used to calculate the recoverable amount are appropriate, unforeseen changes in these assumptions could lead to an impairment charge, which could negatively impact the financial position and financial performance. The basic assumptions for determining the recoverable amount of the various cash-generating units as well as intangible assets with indefinite useful lives, including a sensitivity analysis, are discussed in more detail in Note 8. As of December 31, 2010, the carrying amounts of goodwill totaled EUR 45.8 million (previous year: EUR 44.3 million) and intangible assets with indefinite useful lives amounted to EUR 27.9 million (previous year: EUR 22.1 million).

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

Measurement of property, plant, and equipment and intangible assets with finite useful lives involves the use of estimates for determining the fair value at the acquisition date, in particular in the case of such assets acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of fair values and useful lives of assets and impairment testing in the case of indications of impairment is based on management's judgment. As of December 31, 2010, the carrying amounts of property, plant, and equipment totaled EUR 100.6 million (previous year: EUR 108.6 million) and intangible assets with finite useful lives amounted to EUR 113.0 million (previous year: EUR 115.6 million). Further details are given in Notes 8 and 9.

Deferred tax assets

At each balance sheet date, the Group evaluates whether or not obtaining future tax advantages is sufficiently probable for the recognition of deferred tax assets. This requires management to, among other things, assess the tax advantages arising from the available tax strategies and future taxable income and to take into account additional positive and negative factors. This assumption is based on expected taxable income as assessed in the corporate planning. The reported amount

of deferred tax assets could decline if estimates are lowered for projected taxable income and for tax advantages achievable through available tax strategies, or if changes in current tax legislation restrict the timing or amount of potential tax advantages.

Deferred tax assets are recognized for all unused tax loss carry-forwards to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Deferred tax assets for all unused interest carry-forwards are recognized to the extent that it is probable that they can be used in the future to reduce taxable income. As of December 31, 2010, the carrying amount of deferred tax assets for tax loss carry-forwards amounted to EUR 7.1 million (previous year: EUR 6.8 million). Unrecognized tax loss carry-forwards amounted to EUR 33.6 million (previous year: EUR 57.1 million). In addition, as of December 31, 2010 the carrying amount of recorded deferred tax assets for interest carry-forwards was EUR 14.0 million (previous year: EUR 10.5 million) and the amount of unrecognized taxable interest carry-forwards was EUR 34.8 million (previous year: EUR 30.3 million). Further details are given in Note 7.

Pensions and other similar benefits

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

Due to the long-term nature of the pension plans, such estimates are subject to significant uncertainty. As of December 31, 2010, the carrying amount of pensions and similar obligations was EUR 14.5 million (previous year: EUR 14.3 million). Overfunded pension plans were recognized in the amount of EUR 2.1 million (previous year: EUR 2.0 million). Further details are given in Note 18.

Other provisions

The recognition and measurement of other provisions is based on an estimate of the probability of the future outflow of benefits, supplemented by past experience and the circumstances known as of the balance sheet date. As such, the actual outflow of benefits may differ from the amount recognized under other provisions.

As of December 31, 2010, other provisions amounted to EUR 9.8 million (previous year: EUR 12.9 million). Further details are given in Note 19.

Share-based payment transactions

The Group initially measures the costs of phantom shares (appreciation rights) granted to members of the Management Board and certain managers with 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 fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including, in particular, the expected life of the phantom shares, the volatility of the share price and the expected dividend yield. The expected life of the phantom shares is based on current management expectations with regard to the exercising behavior of the participants and does not necessarily correspond to the actual exercising behavior of the beneficiaries. The expected volatility is based on the assumption that, future trends can be derived from the historical volatility of a peer group for a time frame similar to the expected life of the phantom shares, so that the actual volatility can deviate from the assumptions made. Due to the recent restructuring measures in the Group, the actual historical volatility of the Group has not been used because, in the view of the management of the company, this is not representative of the future share price development.

The carrying amount of obligations from share-based payment transactions is kEUR 63 (previous year: kEUR 0). Further details are given in Note 19.

Derivative financial instruments

Where the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be derived from active markets, it is determined using valuation methods. The data input into these models is taken from observable markets where possible. If it is not possible, determining the fair values requires a certain degree of judgment on parameters such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. As of December 31, 2010, the carrying amount of financial liabilities from derivative financial instruments amounted to EUR 5.8 million (previous year: EUR 9.0 million). Further details are given in Note 24.

2.3 Summary of Significant Accounting Policies**Basis of consolidation**

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

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

Business combinations

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

Business combinations after January 1, 2009, are accounted for using the purchase method, in accordance with IFRS 3 (revised 2008). According to this method, the cost of an acquisition is measured as the aggregate of the consideration transferred measured at fair value at the time of acquisition and any non-controlling interest in the acquiree. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Costs incurred in the business combination are recognized as an expense. The contingent consideration agreed is recognized at fair value at the time of acquisition. Subsequent changes in the fair value of the contingent consideration, which represents an asset or liability, are recognized either in profit or loss or in accumulated other comprehensive income. A contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity. In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, in profit or loss.

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

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

Investments in associates and joint ventures

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

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

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

Accounting for investments in associates and joint ventures in the consolidated financial statements using the equity method ends when the Group no longer exercises significant influence or no longer participates in joint control. Whenever the Group conducts transactions with an associate or joint venture, the resulting profits or losses are eliminated to the extent of the Group's interest in the associated company or joint venture.

A comprehensive list of the Group's shareholdings is provided under Note 28.

Foreign currency translation

The consolidated financial statements are presented in Euro, 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. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the period-end exchange rate. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing on the balance sheet date. As of the balance sheet date, the assets and liabilities of foreign operations are translated into Euro at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to equity. On disposal of a foreign entity, the cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss. Translation differences on borrowings, which qualify as part of a net investment in a foreign operation, are recognized directly in equity until disposal of the net investment, at which time they are recognized in profit or loss. Deferred taxes resulting from such translation differences on those borrowings are also recognized directly in equity.

The most important functional currencies for foreign operations are the US dollar (USD) and the Canadian dollar (CAD). The exchange rates for these currencies as of the balance sheet date were EUR/USD = 1.32521 (previous year: 1.43328) and EUR/CAD = 1.32503 (previous year: 1.50353), respectively. The weighted average exchange rates for these currencies were EUR/USD = 1.32471 (previous year: 1.39051) and EUR/CAD = 1.36457 (previous year: 1.58479), respectively.

Goodwill

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

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

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

Intangible assets

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

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

Research costs are recognized as an expense when incurred. Development costs for internally generated intangible assets are only capitalized as intangible assets if the Group can demonstrate the following:

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

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

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

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

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

Intangible assets with indefinite useful lives are not amortized but are tested at least once a year for impairment. 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 support and develop the acquired brands, brands are assumed to have indefinite useful lives. However, a finite useful life is assumed for acquired intangible assets such as technology and customer relationship.

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

	Customer relationship	Technology	Capitalized development cost	Brand	Service net	Licenses and software
Amortization method used	Amortized on a straight line basis over the useful life	Amortized on a straight line basis over the useful life	Amortized on a straight line basis over the useful life	No amortization	Amortized on a straight line basis over the useful life	Amortized on a straight line basis over the useful life or over the period of the right
Useful life	25–40 years	10–18 years	8–10 years	Indefinite	20 years	3–7 years
Remaining useful life	20–36 years	5–14 years	8–10 years	Indefinite	15–16 years	1–7 years

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

Property, plant, and equipment

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

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

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

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

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

Depreciation is generally based on the following useful lives:

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

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

Borrowing costs

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

Leases

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

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

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

Investments accounted for using the equity method

Under the equity method, investments in associates and joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the investment. The result for the year reflects the Group's share of the profit or loss of operations of the associate or joint venture separately. Where there has been a change recognized in equity of the associate or joint venture, the Group recognizes its share of any changes and discloses it, when applicable in other comprehensive income. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment in the associates or jointly controlled entities and is not amortized or separately tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in its associates and joint ventures. The Group determines at each balance sheet date whether there is any objective evidence that investments in associates or joint ventures are impaired. If this is the case, the Group calculates the amount of the impairment as being the difference between the fair value of the investment and the carrying amount of this investment and recognizes the amount in profit or loss.

Impairment of non-financial assets

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

Impairment is recognized 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 cost to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model based on discounted cash flows is used. To ensure objectivity, these calculations are corroborated by valuation multiples, quoted stock prices for shares in publicly traded companies, or other available fair value indicators.

If the reason for impairment recognized in prior years no longer exists, the carrying amount of the asset (the cash-generating unit), except for goodwill, is increased to the new estimate of the reco-

verable amount. The increase in the carrying amount is limited to the value that would have been determined had no impairment loss been recognized for the asset (the cash-generating unit) in prior years. Such reversal is recognized through profit or loss.

Financial assets and liabilities

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

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

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

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

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

With the exception of derivative financial instruments, as of the balance sheet date financial investments were neither classified as "financial assets measured at fair value through profit or loss" or as "held-to-maturity investments", nor were financial liabilities classified as "financial liabilities measured at fair value through profit or loss."

Primary financial instruments

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

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale and are not classified in another category. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses net of deferred taxes recognized in other comprehensive income. At the date on which the investment is derecognized or

determined to be impaired, the accumulated gain or loss previously recognized in equity is recognized in profit or loss. For financial assets that are actively traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices on the balance sheet date. For investments where there is no active market, fair value is measured on the basis of valuation methods. If there is no active market and the fair value cannot be reliably determined, the investment is carried at amortized cost.

Financial liabilities and interest bearing loans are measured at amortized cost using the effective interest method. Amortization as well as derecognized liabilities are recognized in profit or loss.

Derivative financial instruments

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

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

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

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

Hedge relationships which function as cash flow hedges and which meet the strict criteria for hedge accounting are accounted for as follows: The effective portion of the gain or loss on the hedging instrument, taking into account deferred taxes, is recognized directly in equity, while the ineffective portion is recognized in profit or loss. The amounts taken to equity are recognized in profit or loss in the period in which the hedged transaction affects profit or loss, such as when the hedged financial income or expense is recognized or when a forecast purchase or sale occurs. If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss.

Derivative financial instruments which do not meet the criteria for hedge accounting must be classified as held for trading and thus recognized at fair value in profit or loss. Up to the point that they were exercised in the financial year, neither the prolongation options for the interest rate swaps nor the newly concluded interest rate caps met these criteria.

Impairment of financial assets

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

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

Derecognition of financial assets and liabilities

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

Inventories

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

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

Raw materials and supplies – Cost of purchase on a weighted average cost basis

Finished goods and work in progress	– Cost of direct materials and labor, a proportion of manufacturing overheads based on normal operating capacity of the production plants (but excluding borrowing costs), and production related administrative expenses
-------------------------------------	---

Cash and cash equivalents

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

Non-current assets classified as held for sale

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

Other provisions

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

Share-based payment transactions

Members of the Management Board and certain other managers in the Group receive remuneration for rendered services in the form of share-based payments (share appreciation rights), which 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 effect on profit or loss.

Pensions and other similar benefits

Defined benefit plans and similar obligations

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized as income or expense if the net cumulative unrecognized actuarial gains and losses for each individual plan at

the end of the previous reporting period exceeded the higher of 10% of the defined benefit obligation or of the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining years of service of the employees participating in the plans.

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

The amount of a defined benefit asset or liability is comprised of the present value of the defined benefit obligation less the fair value of plan assets from which the obligations are to be settled directly, less past service cost not yet recognized and plus or minus actuarial gains and losses not yet recognized. The value of any asset is limited to the sum of any past service cost not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Insofar as, in connection with fund assets, payment obligations exist as a result of minimum funding requirements for payments 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 under consideration of the minimum funding yet to be paid.

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

Defined contribution plans

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

Other post-employment benefit plans

The Group grants its employees in Europe the option of concluding phased retirement agreements. The so-called block model is used. A provision is recognized in profit or loss for the full amount of the obligation resulting from the phased retirement model amounting to the present value of expected payments from concluded phased retirement agreements.

Other long-term employee benefit plans

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

Taxes

Current income tax

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

Deferred income tax

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

- deferred tax liabilities from the initial recognition of goodwill and deferred tax assets and liabilities from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- deferred taxes from temporary differences associated with investments in subsidiaries, associates, and interests in joint venture, which are not to be recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Deferred income tax relating to items recognized directly in equity is recognized in accumulated other comprehensive income and not in profit or loss for the period.

Revenue recognition

Revenue is generally recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or other duties. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods. Interest revenue is recog-

nized as interest accrues (using the effective interest method). Dividends are recognized when the Group's right to receive payment is established.

2.4 Changes in Accounting Policies

The accounting principles adopted are consistent with those of the previous financial year, with the following exceptions:

As of January 1, 2010, the following standards and interpretations are generally applicable for the first time or were early adopted in the Group's consolidated financial statements:

- IFRS 2 Share-based payment – Group cash-settled share-based payment transactions, effective January 1, 2010
- IFRIC 17 Distribution of non-cash assets to owners, effective July 1, 2009
- IFRIC 18 Transfer of assets from customers, effective July 1, 2009
- Improvements to IFRS 2009

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

IFRS 2 Share-based Payment

In June 2009, the IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of January 1, 2010. It did not have any significant impact on the financial position or performance of the Group.

Improvements to IFRS 2009

In April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendment resulted in a change in presentation.

IFRS 8 Operating Segments

It has been clarified that segment assets and segment liabilities need only be disclosed when these assets and liabilities are regularly reported to the chief operating decision maker. As the Management Board does not monitor the development of assets and liabilities at segment level, the Group no longer discloses segment assets as reported in previous years in Note 4.

The remaining new regulations in Improvements to IFRS 2009 did not result in any significant impact on the Group's accounting policies and the presentation of its financial position or performance.

2.5 Future Changes in Accounting Policies

During financial year 2010, the International Accounting Standards Board (IASB) issued additional standards which are relevant for the business operations of the Group but are not yet mandatory to apply in the reporting period or have not yet been endorsed by the European Union. The Group has decided not to early adopt the following standards, which have already been published. They will be implemented at latest in the year their application becomes mandatory.

IAS 24 Related Party Disclosures (revised)

The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance.

IFRS 9 Financial Instruments: Recognition and Measurement

In November 2009, the IASB issued IFRS 9 "Financial Instruments" and introduced new requirements for classifying and measuring financial assets as the first step in its project for the comprehensive revision of accounting for financial instruments. Accordingly, financial assets, depending on their characteristics and considering the business model for the administration of the financial assets, are to be accounted for either at amortized cost or at fair value with an effect on profit or loss. Equity instruments are to be measured at fair value, changes in fair value of equity instruments may, however, be recognized in other comprehensive income insofar as this option was elected at the initial recognition. The standard must be applied for annual periods beginning on or after January 1, 2013. In October 2010, the IASB issued the second part of IFRS 9 with new requirements on the classification and measurement of financial liabilities. These requirements amend only the treatment of financial liabilities measured at fair value through profit or loss. All other requirements relating to the classification and measurement of financial liabilities are transferred unchanged from IAS 39 into the new IFRS 9. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. In further phases, the IASB intends to deal with the accounting of hedge instruments and impairment methodology. Completion of the project is expected in mid 2011. The application of the revision of IFRS 9 will have an impact on the Group's classification and measurement of financial instruments. The Group will quantify the effects in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 7 Financial Instruments: Disclosures (amended)

In October 2010, the IASB issued amendments to IFRS 7. The amendments are to be applied for the first time for financial years which begin on or after July 1, 2010. The amendments allow users of financial reports a better insight into transactions with the purpose of transferring assets (such as securitizations) including an insight into the possible impact of risks which remain with the transferring company. With these changes, additional disclosures are required when a disproportionately large share of transfers occurs around the end of a reporting period. This will have no effect on the consolidated financial statements.

IAS 12 Income Tax: Deferred Tax: Recovery of Underlying Assets (amended)

The amendments to IAS 12 were issued in December 2010 and become effective for annual periods beginning on or after January 1, 2012. The amendment states that deferred tax assets and deferred tax liabilities relating to an asset can be measured based on the assumption that the carrying amount of these assets can be fully realized through sale. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (amended)

The amendment to IFRIC 14 is effective for annual periods beginning on or after January 1, 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group. The amendment was issued on November 26, 2009.

Improvements to IFRS 2010

In May 2010, the IASB issued an additional omnibus of amendments to various IFRS standards with the primary goal of eliminating inconsistencies and clarifying terminology. The application of these amendments becomes mandatory for annual periods beginning on or after July 1, 2010 or January 1, 2011. The Group does not, however, anticipate any impact on its financial position or performance as a result of the application of these amendments.

3 SCOPE OF CONSOLIDATION**Business Combinations****Acquisitions 2010**

There were no business combinations in the reporting year.

Acquisitions 2009

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

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

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

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

The fair value of trade receivables amounted to kEUR 5,288. The gross amount of trade receivables amounted to kEUR 5,667. From the entire contractual amount, the amount of kEUR 379 was not collected.

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

Cash inflow as a result of the acquisition:

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

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

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

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

Companies Founded

On October 18, 2010, SAF HOLLAND Otomotiv Sanayi ve Ticaret Limited Sirketi, Turkey was founded and included in the consolidated financial statements for the first time.

Deconsolidations

SAF-HOLLAND Slovakia s.r.o., Slovakia, was liquidated and has therefore been deconsolidated as of April 1, 2010. The profit from deconsolidation in the amount of kEUR 149 is recognized in other income.

4 SEGMENT INFORMATION

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

Trailer Systems

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

Powered Vehicle Systems

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

Aftermarket

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

Management monitors the operating results of its Business Units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on adjusted operating profit. Thus, the determination of operating profit may deviate to a certain extent from the consolidated financial statements since it does not take into account any special items, such as depreciation and amortization of property, plant, and equipment and intangible assets from the purchase price allocation (PPA), impairment 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	2010	2009
Operating result	30,904	-29,713
Share of net profit of investments accounted for using the equity method	453	-99
EBIT	31,357	-29,812
Additional depreciation and amortization from PPA	6,654	7,489
Impairment of goodwill and intangible assets	–	16,903
Reversal of impairment of intangible assets	-5,171	-
Restructuring and integration costs	4,290	6,900
Adjusted EBIT	37,130	1,480

Segment information for the period January 1 to December 31:

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

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

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

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

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

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

		2009				
		Business Units				
	kEUR	Trailer Systems	Powered Vehicle Systems	Aftermarket	Adjustments/ eliminations	Consolidated
	Sales	175,126	98,311	146,181	–	419,618
1) Expenses from the termination of employment agreements (kEUR -1,639), expenses from the temporary closing of locations (kEUR -925) as well as expenses for restructuring consulting (kEUR -286) are part of the restructuring and integration costs and not allocated to a Business Unit.	Cost of sales	-178,181	-77,424	-92,916	-2,850 ¹⁾	-351,371
	Gross profit	-3,055	20,887	53,265	-2,850	68,247
	Gross margin	-1.7%	21.2%	36.4%	–	16.3%
	Selling and administrative expenses, research and development costs, other income, share of net profit of investments accounted for using the equity method, and impairment	-41,399	-10,639	-38,078	-7,943 ²⁾	-98,059
2) Restructuring consulting (kEUR -2,296) as well as expenses from the termination of employment agreements (kEUR -1,754) are part of the restructuring and integration costs and not allocated to a Business Unit. Further, effects from the Holdings (kEUR -3,254), and the share of net profit of investments accounted for using the equity method (kEUR -639) are not allocated to a segment.	Adjustments	17,498 ³⁾	4,422 ³⁾	2,472 ³⁾	6,900 ⁴⁾	31,292
	Adjusted EBIT	-26,956	14,670	17,659	-3,893	1,480
	Adjusted EBIT margin	-15.4%	14.9%	12.1%	–	0.4%
	Depreciation, amortization, impairment	-27,564	-7,236	-4,758	–	-39,558
	thereof impairment	-13,963	-2,658	-282	–	-16,903

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

Business in the European region includes the manufacture and sale of axles and suspension systems for trailers and semi-trailers. In this region the Group also provides replacement parts to the aftermarket for all trailer systems and commercial vehicles. As a result of the acquisition of SAF-HOLLAND Verkehrstechnik GmbH, business in Europe also includes the manufacture and sale of fifth wheels. In North America, the Group manufactures and sells key components for the semi-trailer, trailer, truck, bus, and recreational vehicle industries. In this region, the Group provides suspension systems, fifth wheels, kingpins and landing legs as well as coupling devices. In North America, the Group also provides replacement parts for the trailer and powered vehicle industry.

The following table presents information by geographical region:

kEUR	2010	2009
Revenues from external customers		
Europe	311,358	196,698
North America	279,172	198,913
Other	40,523	24,007
Total	631,053	419,618

kEUR	12/31/2010	12/31/2009
Non-current assets		
Europe	165,765	174,513
North America	116,507	111,125
Other	14,078	13,769
Total	296,350	299,407

Non-current assets consist of goodwill, intangible assets, property, plant, and equipment, investments accounted for using the equity method, and other non-current assets which do not arise from the financing of post-employment benefit obligations. In the reporting year as well as in the previous year, no customer reached a sales share of 10% of total sales.

5 COST OF SALES

The cost of sales consists primarily of cost of materials of kEUR 407,620 (previous year: kEUR 256,270), personnel expenses of kEUR 74,950 (previous year: kEUR 57,450), depreciation of property, plant, and equipment of kEUR 12,159 (previous year: kEUR 12,781), repair and maintenance expenses of kEUR 5,859 (previous year: kEUR 3,706), warranty expenses of kEUR 2,700 (previous year: kEUR 3,036), and restructuring and integration costs of kEUR 2,671 (previous year: kEUR 2,850).

6 OTHER REVENUES AND EXPENSES

6.1 Other Income

Other income consists primarily of income not allocable to the functional areas from reimbursements in the amount of kEUR 371 (previous year: kEUR 317), income from the deconsolidation of SAF-HOLLAND Slovakia s.r.o. in the amount of kEUR 149 and insurance compensations in the amount of kEUR 139 (previous year: kEUR 86).

6.2 Selling Expenses

Selling expenses consist primarily of personnel expenses of kEUR 18,616 (previous year: kEUR 16,565), expenses for distribution of kEUR 4,896 (previous year: kEUR 1,924), expenses for advertising and sales promotion of kEUR 5,251 (previous year: kEUR 3,431), amortization of intangible assets of kEUR 3,323 (previous year: kEUR 3,297) and commissions of kEUR 1,682 (previous year: kEUR 2,150). Restructuring and integration costs of kEUR 206 (previous year: kEUR 455) are recognized in selling expenses.

6.3 Administrative Expenses

Administrative expenses consist primarily of personnel expenses of kEUR 18,312 (previous year: kEUR 13,583), legal and consulting expenses of kEUR 3,048 (previous year: kEUR 3,708), expenses for office and operating supplies of kEUR 3,080 (previous year: kEUR 2,790), depreciation of property, plant, and equipment of kEUR 2,099 (previous year: kEUR 2,165), and restructuring and integration costs of kEUR 1,406 (previous year: kEUR 3,545).

6.4 Research and Development Costs

Research and development costs consist primarily of personnel expenses of kEUR 7,401 (previous year: kEUR 5,473) and amortization of intangible assets of kEUR 2,391 (previous year: kEUR 1,878). Restructuring and integration costs of kEUR 7 (previous year: kEUR 50) were recognized in research and development costs. In the financial year, development costs of kEUR 625 (previous year: kEUR 967) were capitalized.

6.5 Financial Result

The decrease in the finance income is attributed primarily to one-time effects in the previous year from the reciprocal sale of shareholdings in associates SAF AL-KO Vehicle Technology Yantai Co., Ltd. and Jinan SAF AL-KO Axle Co., Ltd. (kEUR 1,886) as well as from changes in the value of the ineffective portion of interest rate swaps used as hedging instruments (kEUR 952).

Finance expenses consist of the following:

kEUR	2010	2009
Interest expenses due to interest bearing loans and borrowings	-28,053	-21,388
Transaction costs	-479	-2,798
Amortization of transaction costs	-2,100	-482
Finance expenses due to pensions and other similar benefits	-754	-1,261
Finance expenses due to derivatives	-3,097	-2,317
Other	-1,656	-1,372
Total	-36,139	-29,618

The increase in interest expenses and in amortization of transaction costs results from the refinancing agreement concluded on November 29, 2009 (see Note 20). The amortization of transaction costs in the amount of kEUR 2,100 (previous year: kEUR 482) represents the contract closing fees recognized as expenses in the period in accordance with the effective interest method.

Transaction costs recognized in the previous year of kEUR 2,798 consist primarily of consulting costs, waiver costs and costs of the standstill agreement in connection with the refinancing negotiations.

Finance expenses in connection with derivatives include expenses in the amount of kEUR 1,593 from changes in the values of prolongation options for interest rate swaps held until March 2010, expenses from the disposal of interest rate swaps designated as hedges in the previous year of kEUR 857 as well as expenses of kEUR 647 from the ineffective portion of the newly concluded interest rate swaps in the current year (see Note 24).

6.6 Employee Benefit Expenses

Employee benefit expenses consist of the following:

kEUR	2010	2009
Wages and salaries	-103,364	-82,010
Social insurance contributions	-14,595	-10,009
Pension expenses	-1,914	-1,052
Termination benefits	-131	-3,393
Total	-120,004	-96,464

Expenses for pensions arising in connection with the freezing of pension plans in Canada (kEUR 725), are part of the restructuring and integration costs. In the previous year, the expenses related to termination benefits were reported in full as restructuring and integration costs.

Social insurance contributions include expenses from defined contribution plans in the amount of kEUR 4,788 (previous year: kEUR 5,228).

6.7 Depreciation and Amortization

Depreciation and amortization expenses by functional areas:

kEUR	Depreciation of property, plant, and equipment		Amortization of intangible assets		Total	
	2010	2009	2010	2009	2010	2009
Cost of sales	-12,675 ¹⁾	-12,781	-137	-130	-12,812	-12,911
Selling expenses	-637	-564	-3,323	-3,297	-3,960	-3,861
Administrative expenses	-2,099	-2,165	-974	-1,203	-3,073	-3,368
Research and development costs	-572	-637	-2,391	-1,878	-2,963	-2,515
Impairment of goodwill and intangible assets	–	–	–	-16,903	–	-16,903
Total	-15,983	-16,147	-6,825	-23,411	-22,808	-39,558

1) Impairments of kEUR 516 resulting from the merger of locations are classified as restructuring and integration costs.

Depreciation and amortization of property, plant, and equipment, and intangible assets arising from the purchase price allocation amount to kEUR 6,654 (previous year: kEUR 7,489).

6.8 Reversals of impairment of intangible assets and impairment of goodwill and intangible assets

In the current year, reversals of impairment of intangible assets with indefinite useful lives were recorded in the amount of kEUR 5,171. In the previous year impairment of goodwill of kEUR 11,122 was reported for the cash-generating unit "Trailer Systems", as well as impairment of kEUR 5,781 for intangible assets with indefinite useful lives. More details are illustrated in Note 8.

7 INCOME TAXES

The major components of income taxes are as follows:

kEUR	2010	2009
Current income taxes	-5,792	-1,905
Deferred income taxes	1,624	8,935
Income tax reported in the result for the period	-4,168	7,030

The effective income tax rate for the Group for the year ended December 31, 2010 is -100.63% (previous year: 12.57%). The following table reconciles the actual to the expected income tax for the Group, calculated by applying the Group's corporate income tax rate of 30.80% (previous year: 28.59%). The increase in the income tax rate for the Group is attributed to the increase in taxable income at the North American subgroup. For German entities, as in the previous year, a corporate income tax rate of 27.10% was used, which consisted of corporation tax of 15.83% (including solidarity surcharge) and trade income tax of 11.27%. For the North American subgroup, the income tax rate remained unchanged from the previous year and included a federal tax rate of 35.00% and a state tax rate of 1.10%.

kEUR	2010	2009
Result before income tax	-4,142	-55,943
Income tax based on Group's income tax rate of 30.80% (previous year: 28.59%)	1,276	15,994
Unused interest carry-forwards	-1,228	-5,124
Unused tax loss carry-forwards	-3,198	-1,232
Use of previously not recognized tax loss carry-forwards	201	20
Impairment of goodwill	—	-3,180
Income taxes resulting from previous year	-698	—
Other	-521	552
Income tax based on effective income tax rate of -100.63% (previous year: 12.57%)	-4,168	7,030

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

kEUR	Consolidated balance sheet		Consolidated result for the period	
	12/31/2010	12/31/2009	2010	2009
Inventories	1,396	1,232	85	-230
Pensions and other similar benefits	3,939	4,396	-769	187
Other financial liabilities	2,479	916	762	-107
Other provisions	1,292	1,535	-372	343
Tax loss carry-forwards	7,082	6,785	163	3,739
Interest carry-forwards	13,971	10,517	2,595	2,280
Other	2,274	2,498	-822	234
Deferred tax assets	32,433	27,879		
Intangible assets	-33,775	-31,483	-1,228	2,539
Property, plant, and equipment	-10,262	-10,349	486	851
Inventories	-18	-8	-11	11
Investments accounted for using the equity method	-370	-390	10	-27
Other assets	-315	-475	199	119
Interest bearing loans and borrowings	-788	-921	125	-921
Other	-1,101	-1,262	401	-83
Deferred tax liabilities	-46,629	-44,888		
Deferred tax income			1,624	8,935

As of the balance sheet date, deferred tax assets and liabilities of kEUR 13,026 (previous year: kEUR 11,193) were offset, having fulfilled the prerequisites for offsetting. The balance sheet thus includes deferred tax assets of kEUR 19,407 (previous year: kEUR 16,686) and deferred tax liabilities of kEUR 33,603 (previous year: kEUR 33,695).

The Group has tax loss carry-forwards of kEUR 57,564 (previous year: kEUR 79,761) 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 elsewhere in the Group. Deferred tax assets have not been recognized with respect to tax loss carry-forwards of kEUR 33,619 (previous year: kEUR 57,129) due to insufficient taxable profits or possibilities for offsetting within the individual companies or other Group companies.

Unrecognized tax loss carry-forwards expire as follows:

kEUR	12/31/2010	12/31/2009
Expiry date		
Infinite	29,636	52,516
Within 5 years	1,063	–
Within 10 years	2,920	4,613
Total	33,619	57,129

In addition to tax loss carry-forwards, the Group has interest carry-forwards of kEUR 74,481 (previous year: kEUR 59,552), which are available indefinitely to various Group companies for use in the future as a tax deduction. Interest carry-forwards result from the interest barrier rules introduced by the corporate tax reform in Germany as well as a comparable regulation in North America. As a result of insufficient opportunities for using interest carry-forwards in the future, no deferred tax assets were recognized for interest carry-forwards of kEUR 34,824 (previous year: kEUR 30,292).

As of December 31, 2010, deferred income taxes relating to changes in the fair value of cash flow hedges amounting to kEUR 819 (previous year: kEUR -739) were recognized directly in equity. In addition, in the previous year, deferred income taxes relating to foreign currency translation of intercompany monetary items which are part of the net investment of kEUR -3,478 were recognized directly in equity.

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

8 GOODWILL AND INTANGIBLE ASSETS

kEUR	Customer relation- ship	Tech- nology	Develop- ment costs	Brand	Service net	Licences and software	Intan- gible assets	Goodwill
Historical costs								
As of 12/31/2008	101,503	20,507	–	31,153	3,370	7,925	164,458	70,280
Additions from initial consolidation	–	–	–	–	–	–	–	1,541
Additions	–	–	967	–	–	1,321	2,288	–
Foreign currency translation	-976	155	–	-191	125	133	-754	-452
As of 12/31/2009	100,527	20,662	967	30,962	3,495	9,379	165,992	71,369
Additions	–	–	625	–	–	672	1,297	–
Disposals	–	–	–	–	–	13	13	–
Foreign currency translation	2,778	420	–	887	–	174	4,259	2,177
As of 12/31/2010	103,305	21,082	1,592	31,849	3,495	10,212	171,535	73,546
Accumulated amortization								
As of 12/31/2008	4,994	4,411	–	3,038	481	3,213	16,137	15,996
Additions	2,906	1,877	5	5,781	175	1,545	12,289	11,122
Foreign currency translation	-55	-35	–	–	–	5	-85	–
As of 12/31/2009	7,845	6,253	5	8,819	656	4,763	28,341	27,118
Additions	2,959	1,893	85	–	175	1,713	6,825	–
Disposals	–	–	–	–	–	13	13	–
Reversal impairment	–	–	–	5,171	–	–	5,171	–
Foreign currency translation	229	71	–	323	–	44	667	606
As of 12/31/2010	11,033	8,217	90	3,971	831	6,507	30,649	27,724
Carrying amount 12/31/2009	92,682	14,409	962	22,143	2,839	4,616	137,651	44,251
Carrying amount 12/31/2010	92,272	12,865	1,502	27,878	2,664	3,705	140,886	45,822

No significant capital expenditures were made in the current year. Development costs of kEUR 625 (previous year: kEUR 967) were capitalized. The additions of goodwill in the previous year resulted from the initial consolidation of Jinan SAF AL-KO Axle Co., Ltd. (see Note 3).

Impairment testing of goodwill and intangible assets with indefinite useful lives

The Group carries out its annual impairment tests of goodwill and intangible assets with indefinite useful lives as of October 1, 2010. In the previous year, the Group had carried out an impairment test as of September 30, 2009 due to existing indications of impairment.

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

kEUR	Trailer Systems		Powered Vehicle Systems		Aftermarket		Total	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Goodwill	16,913	16,698	–	–	28,909	27,553	45,822	44,251
Brand	22,878	19,804	4,633	1,999	367	340	27,878	22,143

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 2016, 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. The cash flows from the perpetual annuities, as in the previous year, were each extrapolated using a growth rate of 1.0%.

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

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

The results of the impairment testing 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.

Cash-generating unit “Trailer Systems”

The pre-tax discount rate used for the calculation of the recoverable amount as of October 1, 2010 is 12.65% (September 30, 2009: 13.25%). In 2010 the impairment test that was carried out did not lead to any further goodwill impairment (September 30, 2009: kEUR 11,122), because the recoverable amount was slightly above the carrying amount of the cash-generating unit. In the previous year the impairment was recorded through profit or loss.

Cash-generating unit "Powered Vehicle Systems"

The Goodwill of the cash-generating unit "Powered Vehicle Systems" had already been impaired in full as the result of the impairment test as of December 31, 2008.

Cash-generating unit "Aftermarket"

The pre-tax discount rate used for the calculation of the recoverable amount is 13.56% (September 30, 2009: 14.37%) as of October 1, 2010. On the basis of the test carried out, management did not identify any impairment for this cash-generating unit.

Sensitivity to changes in assumptions

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

For the cash-generating unit "Trailer Systems", the estimated recoverable amount is slightly above the carrying amount. A negative change in a key assumption would consequently lead to an impairment loss. If the pre-tax discount rate used of 12.65% increased by 100 base points, the recoverable amount would decrease by EUR 13.8 million. A reduction in the pre-tax discount rate of 100 base points would lead to an increase in the recoverable amount of EUR 16.4 million.

Brands

The recoverable amount for the "SAF", "Holland", and "Trilex" brands was determined on the basis of fair value (less cost to sell) using the relief from royalty approach. Basis for the calculation are the sales from the five-year planning established by management under consideration of a licensing rate of 0.5%.

Brand "SAF"

The discount rate used for the calculation of the recoverable amount is 9.11% (September 30, 2009: 10.27%) as of October 1, 2010. The impairment test led to a reversal of impairment of kEUR 2,700 (September 30, 2009: impairment of kEUR 2,841/December 31, 2008: impairment of kEUR 2,027).

Brand "Holland"

The discount rate used for the calculation of the recoverable amount is 9.20% (September 30, 2009: 10.06%) as of October 1, 2010. The impairment test led to a reversal of impairment of kEUR 2,471 (September 30, 2009: impairment of kEUR 2,000/December 31, 2008: impairment of kEUR 1,011).

Brand "Trilex"

The discount rate used for the calculation of the recoverable amount is 9.10% (September 30, 2009: 10.29%) as of October 1, 2010. The impairment test did not lead to a reversal of impairment (September 30, 2009: impairment of kEUR 940).

Impairments of the brands in 2008 and 2009 were primarily attributable to unfavorable sales expectations from the sales collapse as a result of the financial crisis. The recovery of the truck and trailer market in 2010 as well as improved outlook with regard to future market developments have led to an adjustment in the sales and earnings forecast for the Group and thus to reversals of impairment of brands. The reversals of impairment were recognized in profit or loss; thereof, kEUR 2,700 was allocated to the "Trailer Systems" Business Unit and kEUR 2,471 was allocated to the "Powered Vehicle Systems" Business Unit.

There are no indications that would lead to impairment of intangible assets with definite useful lives.

9 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 12/31/2008	60,298	71,028	10,388	7,487	149,201
Additions from initial consolidation	2	824	45	–	871
Additions	248	3,293	532	2,460	6,533
Disposals	136	1,519	689	42	2,386
Transfers	106	4,556	50	-4,712	–
Foreign currency translation	288	86	22	156	552
As of 12/31/2009	60,806	78,268	10,348	5,349	154,771
Additions	173	1,864	1,212	3,733	6,982
Disposals	140	1,247	699	14	2,100
Reclassifications	-1,902 ¹⁾	-34 ¹⁾	–	-2,589 ²⁾	-4,525
Transfers	99	3,023	409	-3,531	–
Foreign currency translation	2,367	4,307	347	271	7,292
As of 12/31/2010	61,403	86,181	11,617	3,219	162,420
Accumulated depreciation					
As of 12/31/2008	4,811	21,719	4,927	–	31,457
Additions	3,032	11,546	1,569	–	16,147
Disposals	32	793	405	–	1,230
Foreign currency translation	-56	-200	28	–	-228
As of 12/31/2009	7,755	32,272	6,119	–	46,146
Additions	2,263	12,113	1,607	–	15,983
Disposals	33	827	591	–	1,451
Reclassifications	-1,183 ¹⁾	-15 ¹⁾	–	–	-1,198
Foreign currency translation	365	1,729	216	–	2,310
As of 12/31/2010	9,167	45,272	7,351	–	61,790
Carrying amount 12/31/2009	53,051	45,996	4,229	5,349	108,625
Carrying amount 12/31/2010	52,236	40,909	4,266	3,219	100,630

1) Reclassification of the carrying amount of an investment property in the amount of kEUR 738 to non-current assets classified as held for sale (see Note 16).

2) Reclassification of a claim of repayment of purchase price from supplier (kEUR 2,589) to other current assets (see Note 14).

The carrying amount of plant and equipment held under finance leases as of December 31, 2010 is kEUR 117 (previous year: kEUR 423). No additions of plant and other equipment held under finance leases were recorded during the financial year or in the previous year. Depreciation during the year amounted to kEUR 235 (previous year: kEUR 388).

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following investments were accounted for using the equity method:

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

The following table summarizes financial information of the Group's share of investments in associates and joint ventures accounted for using the equity method:

kEUR	Investments in associates		Investments in joint ventures	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Current assets	6,227	4,057	1,060	737
Non-current assets	3,269	3,553	413	326
Current liabilities	-391	-359	-90	-19
Non-current liabilities	-2,618	-1,499	–	–
Foreign currency translation	-41	–	-85	8
Net assets = Carrying amount of the investment	6,446	5,752	1,298	1,052
Sales	11,014	5,265	481	191
Result for the period	520	-604	-67	-35

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

11 OTHER NON-CURRENT ASSETS

kEUR	12/31/2010	12/31/2009
Defined benefit asset	2,107	2,003
VAT reimbursement claims	813	1,437
Workers' compensation and health insurance premiums	218	428
Other	237	211
Total	3,375	4,079

Further details on the assets from defined benefit obligations are included in Note 18.

12 INVENTORIES

kEUR	12/31/2010	12/31/2009
Raw materials	27,919	24,482
Work in progress	14,534	9,845
Finished goods	22,017	18,603
Goods in transit	3,612	2,578
Total	68,082	55,508

Included in the cost of sales are allowances for inventories of kEUR 709 (previous year: kEUR 1,835).

13 TRADE RECEIVABLES

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

kEUR	Carrying amount	Of which: neither impaired nor past due on the reporting date	Of which: impaired on the reporting date	Of which: not impaired on the reporting date and past due in the following periods					More than 360 days
				Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 120 days	Between 121 and 360 days	
Trade receivables as of 12/31/2010	80,336	63,948	1,104	9,377	1,913	1,333	255	642	1,764
Trade receivables as of 12/31/2009	57,210	42,078	1,568	5,989	1,857	1,666	698	2,413	941

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

kEUR	Allowance account
As of 12/31/2008	1,301
Charge for the year	1,846
Utilized	348
Released	23
As of 12/31/2009	2,776
Charge for the year	1,832
Utilized	1,926
Released	459
Foreign currency translation	153
As of 12/31/2010	2,376

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

14 OTHER CURRENT ASSETS

kEUR	12/31/2010	12/31/2009
Claim of repayment of purchase price from supplier	2,589	–
VAT receivables	2,574	2,076
Prepaid expenses	839	1,400
Insurance premiums	800	901
Refund claim short-time work	–	320
Other	1,559	1,024
Total	8,361	5,721

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

15 CASH AND CASH EQUIVALENTS

kEUR	12/31/2010	12/31/2009
Cash at banks and on hand	7,121	7,387
Short-term deposits	1,425	13,355
Total	8,546	20,742

16 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In January 2011, the Group sold a property with building in the USA (Holland, Michigan). The building had been used for the production of fifth wheels. Due to the reallocation of production to other locations, the property as well as the building were no longer needed. The Group has therefore reclassified the assets previously reported in property, plant, and equipment to non-current assets classified as held for sale (see also Note 9).

As of the balance sheet date, the assets were measured at the lower of the carrying amount and the fair value less cost to sell. This did not result in any profit or loss in the current year 2010.

17 EQUITY**Subscribed share capital and share premium**

As of December 31, 2010, the Company's subscribed share capital of EUR 207,022.75 is unchanged from the previous year. This consists of 20,702,275 ordinary shares with a par value of EUR 0.01 and is fully paid-in.

At an Extraordinary General Meeting on December 14, 2010, shareholders authorized the Company's proposal to increase the SAF-HOLLAND S.A.'s authorized share capital from its current amount of EUR 112,000 to EUR 224,000 consisting of 22,400,000 shares with a par value of EUR 0.01 each. From the authorized share capital, EUR 18,649 or 1,864,900 shares were used already to finance the acquisition of the present SAF-HOLLAND Verkehrstechnik GmbH on September 4, 2008. The authorization is limited to a period of five years and begins with the publication of the certificate.

The share premium includes the premiums from the issue of shares. Directly attributable transaction costs less associated income tax are deducted from the share premium. As of December 31, 2010, the share premium of kEUR 106,454 is unchanged from the previous year.

Legal reserve

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

Retained earnings

The retained earnings include the result for the period of kEUR -8,310 (previous year: kEUR -48,913) and the respective retained earnings from the previous years.

Dividend

No dividend payment is proposed for financial year 2010, as for financial year 2009.

Change in accumulated other comprehensive income

kEUR	2010			2009		
	Before tax amount	Tax income	Net of tax amount	Before tax amount	Tax expenses	Net of tax amount
Exchange differences on translation of foreign operations	11,460	–	11,460	2,557	-3,478	-921
Changes in fair values of derivatives designated as hedges, recognized in equity	-2,798	819	-1,979	2,259	-739	1,520
Total	8,662	819	9,481	4,816	-4,217	599

The cumulative amount of changes in fair value of derivatives designated as hedges recognized in equity (net of income tax) is kEUR -3,543 (previous year: kEUR -1,564).

18 PENSIONS AND OTHER SIMILAR BENEFITS

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

In North America, the Group has several defined benefit and defined contribution plans covering essentially all employees. The benefits paid under the defined benefit plans depend on either years of service or the employee's compensation over the last several years of credited service. On July 1, 2010, two Canadian plans were frozen for credited service. Since the previous year, new entry of hourly non-bargaining employee's into one of the US plans is no longer possible. Only one plan remains open to new participants.

In addition, the North American subgroup provides post-employment medical benefits to certain employees.

Defined benefit assets and liabilities as of December 31:

kEUR	Benefit assets		Pension and other similar benefits	
	2010	2009	2010	2009
Recognized in balance sheet as of the beginning of the period	-2,003	-1,249	14,278	14,555
Net benefit expenses	932	273	1,736	2,040
Benefits/contributions paid	-766	-846	-2,066	-2,217
Foreign currency translation	-270	-181	514	-100
Recognized in balance sheet as of the end of the period	-2,107	-2,003	14,462	14,278

kEUR	Pension plans						Post employment medical	
	German plan		US plan		Canadian plan		2010	2009
	2010	2009	2010	2009	2010	2009		
Defined benefit obligation	8,333	8,079	41,687	35,008	11,131	7,994	7,363	5,998
Fair value of plan assets	–	–	-30,942	-25,619	-11,966	-9,278	–	–
	8,333	8,079	10,745	9,389	-835	-1,284	7,363	5,998
Unrecognized actuarial gains (+)/losses (-)	-134	71	-9,544	-7,786	-1,997	-719	-2,294	-1,453
Unrecognized past service cost	-7	-15	–	-5	–	–	–	–
Amount not recognized as an asset because of the limit in IAS 19.58(b)	–	–	–	–	206	–	–	–
Additional liability recognized due to minimum funding requirements (IFRIC 14)	–	–	–	–	519	–	–	–
Benefit assets/liabilities	8,192	8,135	1,201	1,598	-2,107	-2,003	5,069	4,545

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

The Canadian pension plan was overfunded by kEUR 2,107 as of December 31, 2010 (previous year: kEUR 2,003). The defined benefit asset is recognized in other non-current assets.

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

kEUR	Pension plans						Post employment medical	
	German plan		US plan		Canadian plan		2010	2009
	2010	2009	2010	2009	2010	2009		
Defined benefit obligation as of the beginning of the period	8,079	7,448	35,008	32,201	7,994	5,401	5,998	5,412
Interest expenses	423	435	2,189	2,073	595	476	345	362
Current service cost	52	40	236	240	253	260	137	105
Benefits paid	-439	-414	-2,047	-1,829	-341	-207	-390	-415
Unrecognized actuarial losses	210	562	3,442	3,015	1,553	1,278	784	623
Past service cost	8	8	4	4	–	–	–	–
Gains on curtailment	–	–	–	-157	–	–	–	–
Foreign currency translation	–	–	2,855	-539	1,077	786	489	-89
Defined benefit obligation as of the end of the period	8,333	8,079	41,687	35,008	11,131	7,994	7,363	5,998

Pension payments totaling kEUR 2,783 are anticipated for the reporting period January 1 to December 31, 2011 (2010: kEUR 2,177).

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

kEUR	US plan		Canadian plan	
	2010	2009	2010	2009
Fair value of plan assets as of the beginning of the period	25,619	21,151	9,278	6,472
Expected return on plan assets	2,154	1,621	644	464
Employer contribution	1,233	1,388	765	845
Actuarial gains	1,889	3,640	369	761
Benefits paid	-2,043	-1,829	-340	-206
Foreign currency translation	2,090	-352	1,250	942
Fair value of plan assets as of the end of the period	30,942	25,619	11,966	9,278

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

%	North American plans	
	2010	2009
Equities	67.00	64.00
Bonds	28.00	32.00
Cash and money market	2.00	2.00
Real estate	3.00	2.00
	100.00	100.00

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

kEUR	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Defined benefit obligation	68,514	57,079	50,462	50,102	52,590
Fair value of plan assets	-42,908	-34,897	-27,623	-37,048	-36,808
Benefit liabilities	25,606	22,182	22,839	13,054	15,782

The following table summarizes the components of net benefit expenses:

kEUR	Pension plans						Post employment medical	
	German plan		US plan		Canadian plan			
	2010	2009	2010	2009	2010	2009	2010	2009
Current service cost	52	40	236	240	253	260	137	105
Interest expenses	423	435	2,189	2,073	595	476	345	362
Expected return on plan assets	–	–	-2,154	-1,621	-644	-464	–	–
Amortization actuarial gains (-)/losses (+)	5	-7	430	521	3	1	61	37
Past service cost	8	8	4	4	–	–	–	–
Gains on curtailment	–	–	–	-157	–	–	–	–
Effect of the limit in IAS 19.58 (b)	–	–	–	–	206	–	–	–
Effect of the impact of the additional liability due to IFRIC 14	–	–	–	–	519	–	–	–
Net benefit expenses	488	476	705	1,060	932	273	543	504
Actual return on plan assets	–	–	4,044	5,261	1,013	1,226	–	–

Expenses for defined benefit commitments are included in the functional areas and in the financial result. The interest expenses and the expected return on plan assets are recorded in the finance expenses.

The limitation on new entries into one of the US plans in the previous year led to a curtailment of the pension plan in 2009.

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

%	German plan		US plan		Canadian plan	
	2010	2009	2010	2009	2010	2009
Discount rate	5.30	5.40	5.50	6.00	5.50	6.50
Expected rate of return on plan assets	—	—	8.00	8.00	6.00	6.00
Future salary increases	0.00/2.00 ¹⁾	0.00/2.00 ¹⁾	6.00	4.00	— ³⁾	4.00 ³⁾
Future pension increases	2.00	2.00	— ²⁾	— ²⁾	—	—
Turnover rates	3.00	4.60	4.22	4.22	— ³⁾	4.22 ³⁾

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 salary and wage increases up to retirement are considered in determining the defined employee benefits for these plans.

3) Changes as compared to the previous year relate to the partial closure of pension plans in Canada.

Health care inflation:

%	2010	2009
Initial rate (health care cost trend rate assumed for next year)	8.00	8.00
Ultimate rate (health care cost trend rate assumed to reduce cost)	5.00	5.00
Year of ultimate	2016	2012

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

kEUR	2010		2009	
	Increase	Decrease	Increase	Decrease
Effect on the aggregate current service cost and interest expenses	42	-57	32	-45
Effect on the defined benefit obligation	554	-478	453	-391

19 OTHER PROVISIONS

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

kEUR	Product warranty	Partial retirement	Environ-mental issues	Workers' compensation and health insurance benefits	Restruc-turing	Other	Total
As of 01/01/2010	6,011	613	984	1,091	3,063	1,130	12,892
Additions	3,456	15	284	34	156	659	4,604
Utilized	3,922	319	208	205	2,111	445	7,210
Release	649	56	88	–	–	133	926
Foreign currency translation	168	2	114	99	19	75	477
As of 12/31/2010	5,064	255	1,086	1,019	1,127	1,286	9,837
Thereof in 2010							
Current	2,924	124	271	476	974	979	5,748
Non-current	2,140	131	815	543	153	307	4,089
Thereof in 2009							
Current	3,650	228	246	558	2,463	1,011	8,156
Non-current	2,361	385	738	533	600	119	4,736

Product warranty

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

Partial retirement

In Germany, the Group offers phased retirement plans to employees taking early retirement. The model used is the so-called block model, dividing partial retirement into two periods. 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 made in connection with environment-related obligations based on past events which are probable and can be estimated reliably.

Workers' compensation and health insurance benefits

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

Restructuring

In 2008, the Group made a provision for the expected redundancy payments, layoff phases, and payments to the created employment company. The restructuring measures have been concluded as planned. The employment company created in Germany within the scope of the social compensation plan and the redundancy plan was closed in fall 2010 according to the agreement.

Share-based payment transactions

Other non-current provisions include the carrying amount of the liabilities from phantom shares of kEUR 63 (previous year: kEUR 0).

On July 9 and on December 1, 2010, a phantom share plan for members of the Management Board and certain other managers of the Group was approved by the Company. The purpose of this plan, with 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 corporate value. The plan includes variable remuneration in the form of phantom shares, a virtual share each of which is based on the value of shares of SAF-HOLLAND S.A. At the commencement of the plan, each plan participant receives a specific number of phantom shares which gives rise to a payment claim on certain conditions at the end of the term of this plan. There is no entitlement to shares of SAF-HOLLAND S.A. In financial year 2010 there were no cancellations or modifications to the plan.

In financial year 2010 a total of 640,000 phantom shares were issued, which developed as follows:

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

No phantom shares were forfeited, exercised or expired in the reporting period. The contractual term of the phantom shares as of December 31, 2010 is a maximum of 4.5 years. The phantom shares may only be exercised after a waiting period of four years and must be exercised after five years at the latest. The participant is free to determine the exercising date within this one-year settlement period. Phantom shares which are not exercised within this one-year settlement period are forfeited without any substitute.

At the time of cashing, the participant receives the difference between the settlement price and the basic price multiplied by the number of the participant's phantom shares. The settlement price is the average price of the SAF-HOLLAND S.A. share in the three months preceding the cashing of the phantom shares, but, not more than the price applicable on the day after the exercise. The base price is uniform at EUR 5.00. An amount equal to double the respective stake 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 a 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	12/31/2010
Expected remaining contractual life (years)	3.50
Share price on measurement date (EUR)	6.14
Exercise price (EUR)	5.00
Expected volatility	70.68%
Risk free interest rate	1.36%

The weighted average of the fair value of phantom shares granted in the reporting period amounts to EUR 0.99 per phantom share as of December 31, 2010.

The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. As of December 31, 2010 the expenses recognized are kEUR 63 (previous year: kEUR 0). The expenses for the period are allocated to the relevant functional areas in the consolidated statement of comprehensive income.

20 INTEREST BEARING LOANS AND BORROWINGS

kEUR	Non-current		Current		Total	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Interest bearing collateralized bank loans	294,572	313,969	424	379	294,996	314,348
Transaction costs	-9,684	-11,033	–	–	-9,684	-11,033
Bank overdrafts	92	178	127	519	219	697
Success fee	2,310	47	–	–	2,310	47
Accrued interests	12,082	–	1,166	132	13,248	132
Management and Board of Directors loans	1,358	1,339	–	–	1,358	1,339
Other loans	6,187	–	2,041	4,500	8,228	4,500
Total	306,917	304,500	3,758	5,530	310,675	310,030

On November 29, 2009, an agreement was signed with a banking syndicate that restructures the financing existing up to this point, extends the existing credit lines until September 2014 and ensures supply of short and long-term finance. The agreed credit line has a volume of EUR 316.6 million. It consists of a Euro tranche (Facility A1), a US dollar tranche (Facility A2), a multi-currency revolving credit line (Facility B) and a credit line in China which is separately collateralized. The interest rates for the facilities are based on Euribor or Libor plus a margin of 5.95%.

The increase in accrued interest results from the agreed PIK structure, which means that a portion of the interest is not payable until a later point.

The management and Board of Directors loans of kEUR 1,358 have a term until October 1, 2014. The interest rate amounts to 10% and is payable at the end of the term. No collateral was provided for the loans. The management loan of Dr. Beutel was repaid including interest due to his resignation.

The decrease in other current loans of kEUR 4,500 results from the scheduled repayment of the customer loan granted in 2009.

Other loans in the amount of kEUR 8,228 result primarily from the financing of the prolongation options for interest rate swaps which were due in March 2010 (see Note 24). The loan is stated at amortized cost since the initial recognition of kEUR 9,420.

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

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

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

kEUR	12/31/2009				
	Amount drawn valued as at the period-end exchange rate	Amount drawn valued as at the borrowing date exchange rate	Agreed credit lines valued as at the borrowing date exchange rate	Cash and cash equivalents	Total liquidity
Facility A1	71,911	71,911	71,911	–	–
Facility A2	57,770	55,200	55,200	–	–
Facility B	184,288	184,288	188,800 ¹⁾	20,742	25,254
Bank overdraft China	379	379	614	–	235
Total	314,348	311,778	316,525	20,742	25,489

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

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

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

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

kEUR	Carrying amount of assets pledged as collateral	Carrying amount of assets not pledged as collateral	Total
Intangible assets	45,984	94,902	140,886
Property, plant, and equipment	87,600	13,030	100,630
Inventories	47,353	20,729	68,082
Trade receivables	58,425	21,911	80,336
Cash and cash equivalents	2,872	5,674	8,546
Total	242,234	156,246	398,480

In the context of the planned capital increase, the Group negotiated significant changes in the loan agreement with the banking syndicate. The new agreements take effect under the suspensive condition that a certain amount of proceeds is achieved from the capital increase. Further details are given in Note 31.

21 FINANCE LEASE LIABILITIES

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

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

kEUR	12/31/2010		12/31/2009	
	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	131	131	293	336
Remaining term of more than 1 year and up to 5 years	30	40	161	171
Remaining term of more than 5 years	–	–	–	–
Total	161	171	454	507

kEUR	12/31/2010	12/31/2009
Present value including residual value and initial payments	171	507
Present value of initial payments	–	-73
Present value of residual value	-13	-60
Present value of minimum lease payments excluding initial payments and residual value	158	374
Interest portion	3	80
Minimum lease payments	161	454
Lease payments of the period	280	456

22 TRADE PAYABLES

Trade payables in the amount of kEUR 69,938 (previous year: kEUR 40,874) are non-interest bearing and are normally settled within two to six months.

23 OTHER LIABILITIES

kEUR	Current		Non-current	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Liabilities for salaries and social contributions	8,922	5,662	–	–
Other taxes	2,003	2,476	–	–
Anniversary obligations	68	62	229	224
Other	1,572	1,471	44	36
Total	12,565	9,671	273	260

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

12/31/2010							
kEUR	Category in accordance with IAS 39	Carrying amount	Amounts recognized in balance sheet according to IAS 39			Amounts recognized in balance sheet according to IAS 17	Fair value
			(Amortized) cost	Fair value recognized in equity	Fair value recognized in profit or loss		
Assets							
Cash and cash equivalents	LaR	8,546	8,546	–	–	–	8,546
Trade receivables	LaR	80,336	80,336	–	–	–	80,336
Other current assets	LaR	2,589	2,589	–	–	–	2,589
Liabilities							
Trade payables	FLAC	69,938	69,938	–	–	–	69,938
Interest bearing loans and borrowings	FLAC	310,675	310,675	–	–	–	320,592
Finance lease liabilities	n.a.	171	–	–	–	171	171
Other financial liabilities							
Derivates with a hedging relationship	n.a.	5,758	–	5,111	647	–	5,758
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	91,471	91,471	–	–	–	91,471
Financial liabilities measured at amortized cost	FLAC	380,613	380,613	–	–	–	390,530

12/31/2009							
kEUR	Category in accordance with IAS 39	Carrying amount	Amounts recognized in balance sheet according to IAS 39			Amounts recognized in balance sheet according to IAS 17	Fair value
			(Amortized) cost	Fair value recognized in equity	Fair value recognized in profit or loss		
Assets							
Cash and cash equivalents	LaR	20,742	20,742	–	–	–	20,742
Trade receivables	LaR	57,210	57,210	–	–	–	57,210
Liabilities							
Trade payables	FLAC	40,874	40,874	–	–	–	40,874
Interest bearing loans and borrowings	FLAC	310,030	310,030	–	–	–	310,030
Finance lease liabilities	n.a.	507	–	–	–	507	507
Other financial liabilities							
Derivates without a hedging relationship	FLHfT	7,529	–	–	7,529	–	7,529
Derivates with a hedging relationship	n.a.	1,477	–	1,152	325	–	1,477
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	77,952	77,952	–	–	–	77,952
Financial liabilities measured at amortized cost	FLAC	350,904	350,904	–	–	–	350,904
Financial liabilities held for trading	FLHfT	7,529	–	–	7,529	–	7,529

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

The fair values of interest bearing loans and borrowings are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and a credit spread curve for specific currencies.

The fair values of other financial liabilities are calculated based on interest rates with matching maturities. In the balance sheet as of December 31, 2010, only derivatives of kEUR 5,758 (previous year: kEUR 9,006) were measured at fair value.

The fair value of the liabilities from interest bearing loans and borrowings and derivative financial liabilities is measured on the basis of factors, which can be observed directly (e.g., prices) or indirectly (e.g., derived from prices). This fair value measurement can therefore be allocated to level 2 of the measurement hierarchy according to IFRS 7. The fair value hierarchy levels are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Information other than quoted market prices that are observable either directly (e.g., from prices) or indirectly (e.g., derived from prices), and

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

Net result by category is as follows:

	2010					
			From subsequent measurement			
KEUR	From interest	From remuneration	At fair value	Currency translation	Impairment	Net result
Loans and receivables	-153	–	–	–	-1,373	-1,526
Financial liabilities measured at amortized cost	-30,453	-479	–	-497	–	-31,429
Financial instruments held for trading	–	–	-1,593	–	–	-1,593
Total	-30,606	-479	-1,593	-497	-1,373	-34,548

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

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

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

Financial risks

As a group that does business internationally, SAF-HOLLAND S.A. is exposed to both entrepreneurial and industry-specific risks. Consciously controlling opportunities and risks is an integral part of management and decision making within the 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 key financial figures as required by the long-term credit agreement.

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

kEUR	12/31/2010			
	Total	Remaining term of up to 1 year	Remaining term of more than 1 year and up to 5 years	Remaining term of more than 5 years
Interest bearing loans and borrowings	310,675	3,758	306,917	–
Finance lease liabilities	171	131	40	–
Trade payables	69,938	69,938	–	–
Other financial liabilities				
Derivates with a hedging relationship	5,758	–	5,758	–
Financial liabilities	386,542	73,827	312,715	–

kEUR	12/31/2009			
	Total	Remaining term of up to 1 year	Remaining term of more than 1 year and up to 5 years	Remaining term of more than 5 years
Interest bearing loans and borrowings	310,030	5,530	304,500	–
Finance lease liabilities	507	336	171	–
Trade payables	40,874	40,874	–	–
Other financial liabilities				
Derivates without a hedging relationship	7,529	–	7,529	–
Derivates with a hedging relationship	1,477	–	1,477	–
Financial liabilities	360,417	46,740	313,677	–

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

kEUR	12/31/2010								
	Cash flows 2011			Cash flows 2012			Cash flows 2013–2015		
	Fixed interest rate	Variable interest rate	Repay- ment	Fixed interest rate	Variable interest rate	Repay- ment	Fixed interest rate	Variable interest rate	Repay- ment
Interest bearing loans and borrowings	-10,127	-2,140	-3,758	-17,594	-2,136	-18,297	-55,514	-3,581	-288,620
Finance lease liabilities	-8	–	-131	-1	–	-40	–	–	–
Other financial liabilities									
Derivates with a hedging relationship	–	-3,366	–	–	-3,407	–	–	-518	–

kEUR	12/31/2009								
	Cash flows 2010			Cash flows 2011			Cash flows 2012–2014		
	Fixed interest rate	Variable interest rate	Repay-ment	Fixed interest rate	Variable interest rate	Repay-ment	Fixed interest rate	Variable interest rate	Repay-ment
Interest bearing loans and borrowings	-6,662	-1,237	-5,530	-10,146	-1,235	–	-76,834	-3,343	-304,500
Finance lease liabilities	-43	–	-336	-36	–	-131	-1	–	-40
Other financial liabilities									
Derivates without a hedging relationship	–	-4,550	–	–	-5,379	–	–	-1,031	–
Derivates with a hedging relationship	–	-1,440	–	–	–	–	–	–	–

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 year-end spot rate. Variable interest payments arising from the financial instruments were calculated using the most recent interest rates fixed before the reporting date. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

Credit risk

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

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

Interest rate risk

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

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

Cash flow hedges existing as of December 31, 2009 between floating rate loans and interest rate swaps with a nominal value of EUR 72.0 million or USD 82.8 million were retained until the end date of the interest rate swaps on March 9, 2010. The interest rate swaps were derecognized at that time.

As a result of the extended credit line in November 2009, the interest rate hedges were also realigned. Effective from March 19, 2010, the existing interest rate hedge instruments were replaced and new instruments were concluded with the banks. The hedging ratio as of December 31, 2010, which is the ratio between current basic interest rate payments and contracted interest rate hedges, was increased from approx. 50% to 82%. Following the reorganization, the hedge structure consists of Euribor/Libor swaps with maturities until June 2014 as well as interest rate caps which take effect when the interest rate exceeds 2.5%.

As of March 19, 2010, in line with the Group's risk strategy, cash flow hedges between floating rate loans and the new interest rate swaps were recognized. As a result of the interest rate swap agreements, the variable interest portion of the bank loans is economically converted to fixed interest rates with a nominal value of 2.43 % (EUR) and 2.64 % (USD) (plus interest margin 5.95%). For the prospective effectiveness test, the critical-terms-match method was used. The hypothetical derivative method was used for the retrospective test.

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

kEUR	Old interest rate swaps		New interest rate swaps	Total
	Interest rate swaps	Prolongation option for interest rate swaps		
Fair value as of 01/01/2010	-1,477	-7,529	–	-9,006
Changes recognized in equity (before tax)	2,313	–	-5,111	-2,798
Changes recognized in profit or loss (before tax)	-857	-1,593	-647	-3,097
Foreign currency translation	21	-298	–	-277
Reclassification to interest bearing loans and borrowings	–	9,420	–	9,420
Fair value as of 12/31/2010	–	–	-5,758	-5,758

The compensatory payment resulting from replacing the prolongation options for interest rate swaps due in March 2010 is financed by the former contractual partner of these swaps over a period until June 30, 2014. The resulting liability of kEUR 9,420 was reclassified to interest bearing loans and borrowings as of March 19, 2010 (see Note 20).

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

If the market interest rate level as of December 31, 2010 had been 100 base points lower (higher), the result would have been kEUR 819 (previous year: kEUR 1,596) higher (lower). All other variables are assumed to be constant.

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

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

Collateral	Start	End	Nominal volume	Reference rate
Swap	March 19, 2010	June 30, 2014	EUR 143.8 million to EUR 187.0 million	Euribor
Swap	March 19, 2010	June 30, 2014	USD 77.6 million	Libor
Cap	March 19, 2010	Dezember 30, 2012	EUR 61.6 million to EUR 10.0 million	Euribor

Foreign currency risk

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

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

25 EARNINGS PER SHARE

		2010	2009
Result for the period	kEUR	-8,310	-48,913
Weighted average number of shares outstanding	thousands	20,702	20,702
Basic and diluted earnings per share	EUR	-0.40	-2.36

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. Earnings per share can be diluted by potential ordinary shares. There were no dilutive effects in the 2010 reporting period or in the previous year.

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

26 CASH FLOW STATEMENT

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

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

27 OTHER FINANCIAL COMMITMENTS

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

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

kEUR	12/31/2010	12/31/2009
Remaining term of up to 1 year	3,316	3,433
Remaining term of more than 1 year and up to 5 years	5,980	4,446
Remaining term of more than 5 years	120	174
Total	9,416	8,053
Operate lease payments for the reporting period	4,617	4,118

28 RELATED PARTY DISCLOSURES

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

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

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

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

Name	Position
Management Board	
Rudi Ludwig	Chief Executive Officer
Wilfried Trepels	Chief Financial Officer
Samuel Martin	Chief Operating Officer (until December 31, 2010)
Detlef Borghardt	Head of Trailer Systems Business Unit/Deputy CEO (from January 1, 2011)
Steffen Schewerda	Head of Group Operations
Jack Gisinger	Head of Powered Vehicle Systems Business Unit
Dr. Martin Kleinschmitt	Chief Restructuring Officer (until November 30, 2010)
Board of Directors	
Bernhard Schneider	Member of the Board of Directors (Chairman)
Ulrich Otto Sauer	Member of the Board of Directors (Vice Chairman)
Dr. Siegfried Goll	Member of the Board of Directors (until June 18, 2010)
Rudi Ludwig	Member of the Board of Directors
Richard W. Muzzy	Member of the Board of Directors
Gerhard Rieck	Member of the Board of Directors

The voting period and further functions of the members of the Board of Directors and the Management Board are illustrated in the chapter 'Mandates of the Board of Directors/Management Board' in this annual report.

As of December 31, 2010, members of the Management Board directly or indirectly held ordinary shares of kEUR 9 (previous year: kEUR 10), while members of the Board of Directors directly or indirectly held ordinary shares of kEUR 33 (previous year: kEUR 33).

Total remuneration for the members of the Management Board in the financial year was kEUR 2,983 (previous year: kEUR 1,674). This includes expenses from share-based payment transactions of kEUR 40 as well as remuneration for former managing directors of kEUR 416. The total remuneration for the Board of Directors was kEUR 261 (previous year: kEUR 377) and is recognized in profit or loss.

Dr. Martin Kleinschmitt, who served in the Management Board as Chief Restructuring Officer from August 1, 2009 to November 30, 2010 is a member of the management board of Noerr Consulting AG, Berlin, and partner in Noerr LLP, Munich. Until his departure from the Management Board, these companies provided legal and consulting services of kEUR 1,224 (previous year: kEUR 875) to the Group.

Further details regarding loans granted in February 2009 by members of management and the Board of Directors are provided in Note 20.

Shareholders with a significant influence over the Group are:

- Ulrich Otto Sauer
- Rudi Ludwig
- Richard W. Muzzy

On May 12, 2010 Pamplona Capital Partners I, LP sold their voting rights to institutional investors.

Ulrich Otto Sauer, member of the Board of Directors, provides certain business consultancy services to SAF-HOLLAND GmbH. The consulting agreement, which became effective on March 1, 2004 had a fixed term until April 30, 2009 and was not renewed. Consulting fees in the previous year were kEUR 50. In addition, there are three tenancy agreements between the Group and Ulrich Otto Sauer amounting to kEUR 32 (previous year: kEUR 24) per year for office and archive space. In addition, as of December 31, 2010, the Group has receivables against Ulrich Otto Sauer of kEUR 340 (previous year: kEUR 119).

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

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

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

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

kEUR	2009		12/31/2009	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Jinan SAF AL-KO Axle Co., Ltd.	58 ²⁾	-	-	-
SAF AL-KO Vehicle Technology Yantai Co., Ltd.	-	57 ²⁾	-	-
SAF-HOLLAND Nippon, Ltd.	225	-	68	182
Lakeshore Air LLP	-	100	28	-
FWI S.A.	-	15,326	-	3
Irwin Seating Company ¹⁾	1,311	-	56	-
Total	1,594	15,483	152	185

The sales to and purchases from related parties are conducted at normal market prices. Outstanding balances as of December 31, 2010 are unsecured, interest-free, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2010, as for the previous year, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each reporting period by examining the financial positions of the related parties and the markets in which these parties operate.

29 CAPITAL MANAGEMENT

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

kEUR	12/31/2010	12/31/2009
Interest bearing loans and borrowings	310,675	310,030
Cash and cash equivalents	-8,546	-20,742
Net debt	302,129	289,288
Equity attributable to equity holders of the parent	24,927	23,756
Equity and net debt	327,056	313,044

Under the financing agreement signed on November 29, 2009, the Group is obligated to maintain a minimum consolidated EBITDA from March 31, 2010 until June 30, 2011. After this time, the following financial covenants, which will be adjusted to the current financial situation of the Group as of June 30, 2011, are to be maintained:

- Total net debt cover (net debt divided by adjusted consolidated EBITDA);
- Net interest cover (adjusted consolidated EBITDA divided by net finance expenses for loans and bank overdrafts);
- Equity ratio cover (consolidated equity divided by consolidated balance sheet total).

30 AUDITORS' FEES

For the financial year 2010 the following auditor's fees are charged from independent auditors, and as the case may be, affiliated companies of the auditor.

kEUR	2010	2009
Auditing of financial statements	588	602
Tax accountancy services	85	134
Other services	59	46
Total	732	782

31 EVENTS AFTER THE BALANCE SHEET DATE

SAF-HOLLAND S.A. announced on February 24, 2011 that it had reached an agreement with its banking syndicate on adjustments to the existing EUR 316.6 million credit facilities. The amendment agreement includes, among other things, a significant reduction in the interest margin, initially by 1.45 percentage points. Further reductions in the interest margin will take effect depending on the development of the Group's key debt figures. In addition, the banking syndicate has waived the opportunity of a simplified liquidation of securities in the course of the most recent adjustment to the credit agreement.

The adjustment to credit conditions is subject to the execution of a capital increase with a volume of at least EUR 90 million by the end of October 2011. In accordance with the loan regulations, 85% of gross proceeds from the issuance of EUR 90 million as well as 50% of gross proceeds for any amount above EUR 90 million shall be used for the proportionate repayment of the loans. COMMERZBANK and UniCredit Bank were appointed joint bookrunners to carry out the preparation and execution of the capital measure.

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

Luxembourg, March 16, 2011



Bernhard Schneider
Chairman of the Board of Directors



Rudi Ludwig
Chief Executive Officer of
SAF-HOLLAND GROUP GmbH

Mandates of the Board of Directors/Management Board

Bernhard Schneider

Member Board of Directors, SAF-HOLLAND S.A.

(election date: June 18, 2007; term of office: 4 years; election date: March 27, 2009 as Chairman)

Managing Director, Mediaprint Zeitungs- und Zeitschriftenverlag GmbH

Managing Director, Krone Media Aktiv Gesellschaft m.b.H

Managing Director, Krone Hit Radio Medienunternehmen Betriebs- und Beteiligungsgesellschaft m.b.H.

Ulrich Otto Sauer

Member Board of Directors (Vice Chairman), SAF-HOLLAND S.A.

(election date: June 18, 2007; term of office: 3 years, and extended for a further 3 years)

Chairman Supervisory Board, SAF-HOLLAND GmbH

Managing Director, ASAF Verwaltungs GmbH

Rudi Ludwig

Member Board of Directors, SAF-HOLLAND S.A.

(election date: June 18, 2007; term of office: 3 years, and extended for a further 2 years)

Managing Director and CEO, SAF-HOLLAND GROUP GmbH (until January 31, 2009, and renewed since December 18, 2009)

Managing Director, Luruna GmbH

Dr. Siegfried Goll

Member Board of Directors, SAF-HOLLAND S.A.

(until June 18, 2010)

Vice Chairman Supervisory Board, Rohwedder AG

Member Advisory Board, VOSS Holding GmbH & Co. KG

Member Supervisory Board, Witzenmann GmbH

Member Supervisory Board, Rheinmetall AG

Chairman of Administrative Council, Leuze Geschäftsführungs GmbH

Richard W. Muzzy

Member Board of Directors, SAF-HOLLAND S.A.

(election date: June 18, 2007; term of office: 2 years, and extended for a further 3 years)

Member Supervisory Board, Besser Company

Member Supervisory Board, Paragon Tool & Die

Member Supervisory Board, Irwin Seating Holding Company

Gerhard Rieck

Member Board of Directors, SAF-HOLLAND S.A.

(election date: June 18, 2007; term of office: 4 years)

Member Supervisory Board, VOSS Automotive GmbH

Member Supervisory Board, KNORR-BREMSE Systeme für Nutzfahrzeuge GmbH

Managing Director, REACT - engineering and consulting - Ingenieure Rieck & Partner

Detlef Borghardt

Managing Director, SAF-HOLLAND GROUP GmbH

Managing Director, D+MB GmbH

Jack Gisinger

Managing Director, SAF-HOLLAND GROUP GmbH

Sam Martin

Managing Director and COO, SAF-HOLLAND GROUP GmbH

(until December 31, 2010)

Steffen Schewerda

Managing Director, SAF-HOLLAND GROUP GmbH

Managing Director, EGAL GmbH

Wilfried Trepels

Managing Director and CFO, SAF-HOLLAND GROUP GmbH

Managing Director, Via Montana GmbH

Dr. Martin Kleinschmitt

CRO, SAF-HOLLAND S.A.

(until November 30, 2010)

Managing Director, Noerr Consulting AG

Independent Auditor's Report

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Following our appointment by the General Meeting of the Shareholders dated April 22, 2010, we have audited the accompanying consolidated financial statements of SAF-HOLLAND S.A., which comprise the consolidated balance sheet as at December 31, 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of SAF-HOLLAND S.A. as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé



Thierry BERTRAND

Luxembourg, March 16, 2011

Responsibility Statement

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

Luxemburg, March 16, 2011

SAF-HOLLAND S.A.

A handwritten signature in blue ink, appearing to read 'B. Schneider', with a stylized flourish at the end.

Bernhard Schneider
Chairman of the Board of Directors

Responsibility Statement >> 132–133

Management Board



Rudi Ludwig

Chief Executive Officer (CEO)

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



Detlef Borghardt

Deputy CEO and Head of Trailer Systems Business Unit

Detlef Borghardt was appointed Head of the Trailer Systems Business Unit on June 29, 2007 and, has also served as Deputy CEO since January 1, 2011. Mr. Borghardt joined SAF in 2000 as Head of Sales, Services, and Marketing. Before joining SAF, Mr. Borghardt held various leadership positions with Alusuisse-Lonza in Singen, Germany, including: Director of Marketing, Sales, and Engineering; Sales Manager – Extruded Products for Sales Traffic Engineering and Applications, and Product Development Engineer. Mr. Borghardt is a certified engineer and holds a Dipl. Ing. degree in vehicle design from the University of Applied Sciences in Hamburg.



Wilfried Trepels

Chief Financial Officer (CFO)

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



Sam Martin

Chief Operating Officer (COO, until December 31, 2010)

Sam Martin was Chief Operating Officer from June 29, 2007 until December 31, 2010. Mr. Martin had worked for the Group in 1974, initially as Metallurgical Engineer, then as Acting Chief Engineer, Vice President Engineering, Executive Vice President Engineering, Executive Vice President, and President and Chief Administrative Officer. Prior to joining the Holland Group, Mr. Martin worked as a supervisor at the Materials Laboratory for FMC Corp. in Cedar Rapids, Iowa. Mr. Martin holds a B.Sc. from Lafayette College and a Ph.D. in metallurgical engineering from Ohio State University.

**Jack Gisinger****Head of Powered Vehicle Systems Business Unit and President of SAF-HOLLAND Inc.**

Jack Gisinger was appointed Head of the Powered Vehicle Systems Business Unit and Head of Group Engineering on June 29, 2007 and, in addition, has been President of SAF-HOLLAND Inc. since January 1, 2011. Mr. Gisinger joined the Group in 1980 and has held various engineering and management positions, including General Manager of Holland's European operations. Mr. Gisinger holds a B.S. in aeronautical engineering from the University of Illinois and an M.S. in mechanical engineering from the University of Michigan.

**Steffen Schewerda****Head of Group Operations and Head of the Trailer Systems Business Unit North America**

Steffen Schewerda was appointed Head of Group Operations on June 29, 2007.

Mr. Schewerda joined SAF in 1997 and previously served as head of materials management, logistics, and production at our facility in Keilberg, Germany, and was given additional responsibility for production and industrial engineering in 2003. Mr. Schewerda studied engineering at the University of Aachen and holds a Dipl. Ing. degree. He holds an MBA from the University of Augsburg and an MBA from the University of Pittsburgh.

**Dr. Martin Kleinschmitt****Chief Restructuring Officer (CRO, until November 30, 2010)**

Dr. Martin Kleinschmitt was a member of the Management Board from August 1, 2009 until November 30, 2010 as Chief Restructuring Officer. As a recognized expert, he supported the company's restructuring process. Dr. Martin Kleinschmitt had previously worked as CFO of the German subsidiary SAF-HOLLAND GmbH on an interim basis from 2002 until early 2005. Dr. Martin Kleinschmitt has been a lawyer with the Noerr partnership since 2001 and leads the consulting subsidiary Noerr Consulting AG. He studied law at the Freie Universität Berlin.

Financial Glossary

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

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

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

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

Days inventory outstanding: $\text{Inventory} / \text{cost of sales per day} (\text{cost of sales of the quarter} / 90 \text{ days})$

Days sales outstanding: $\text{Trade receivables} / \text{sales per day} (\text{sales of the quarter} / 90 \text{ days})$

Effective income tax rate: $\text{Income tax} / \text{earnings before tax} \times 100$

Equity ratio: $\text{Equity} / \text{total assets} \times 100$

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

Gross margin: $\text{Gross profit} / \text{sales} \times 100$

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

Joint bookrunner: Lead managers responsible for allotting and issuing of shares.

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

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.

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

Purchase price allocation (PPA): Distribution of the acquisition costs of a business combination to the identifiable assets, liabilities and contingent liabilities of the (acquired) company.

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

R&D ratio: $\text{R\&D cost and capitalized development cost} / \text{sales} \times 100$

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

Sales per employee: $\text{Sales} / \text{average number of employees (including temporary employees)}$

SDAX: The small-cap-DAX (SDAX) comprises 50 companies that rank immediately below mid-cap-DAX (MDAX) securities in terms of market capitalization and order book volume. As is the case with DAX, TecDAX and MDAX, the SDAX belongs to the Prime Standard.

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

Value in use: Present value of future cash flows.

Technical Glossary

Fifth Wheel

Mounts with the kingpin and serves to secure the semi-trailer to the tractor unit.

In addition to its traditional products, SAF-HOLLAND manufactures technical specialties such as a lubricant-free fifth wheel or especially lightweight aluminum designs.

Suspension

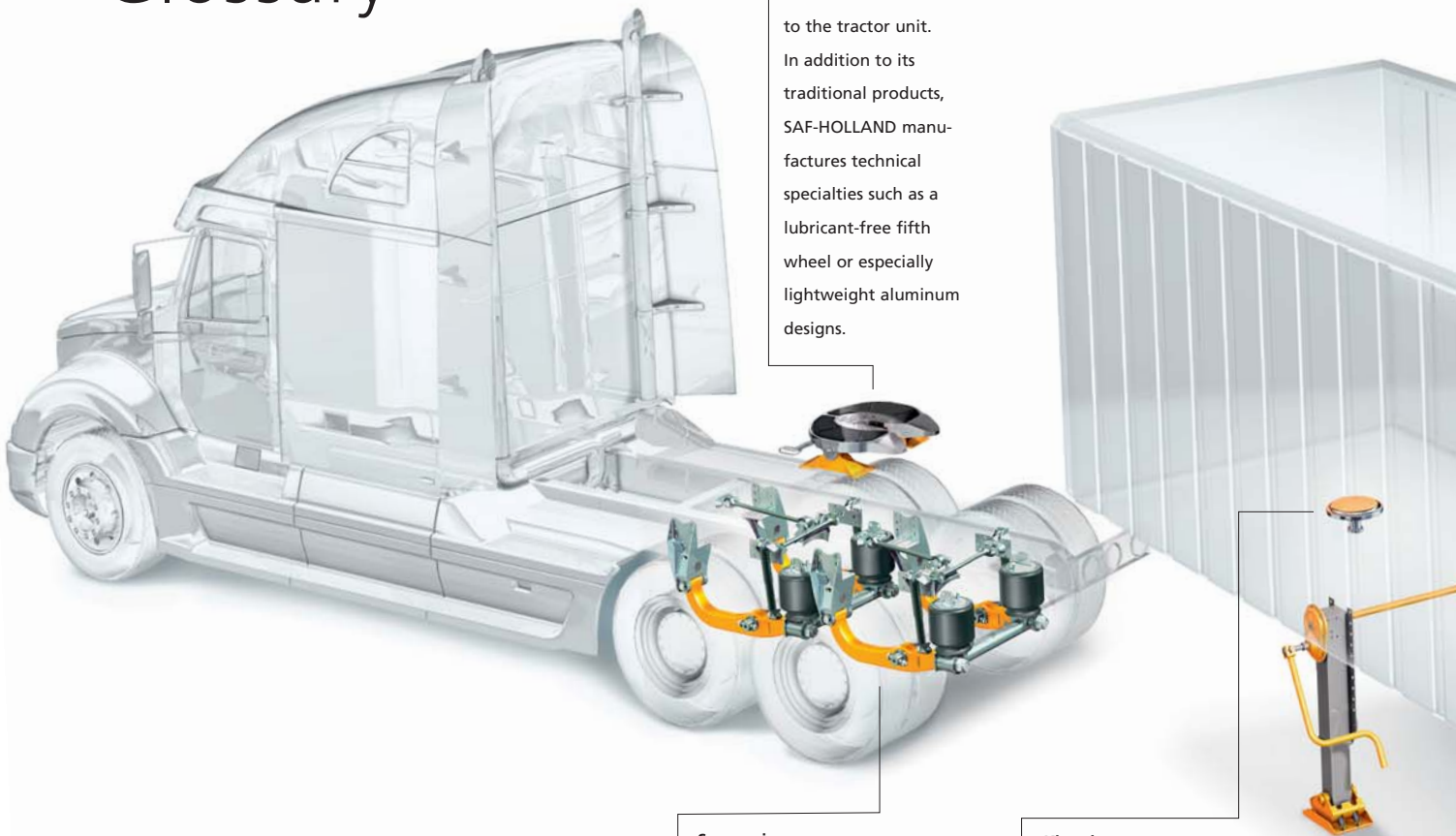
The suspension creates the link between the axle and the vehicle in order to compensate for road irregularities and improve maneuverability. The SAF-HOLLAND suspension system with its modular design can be used for up to three interlinked powered axles. Each axle is suspended individually. Suitable for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

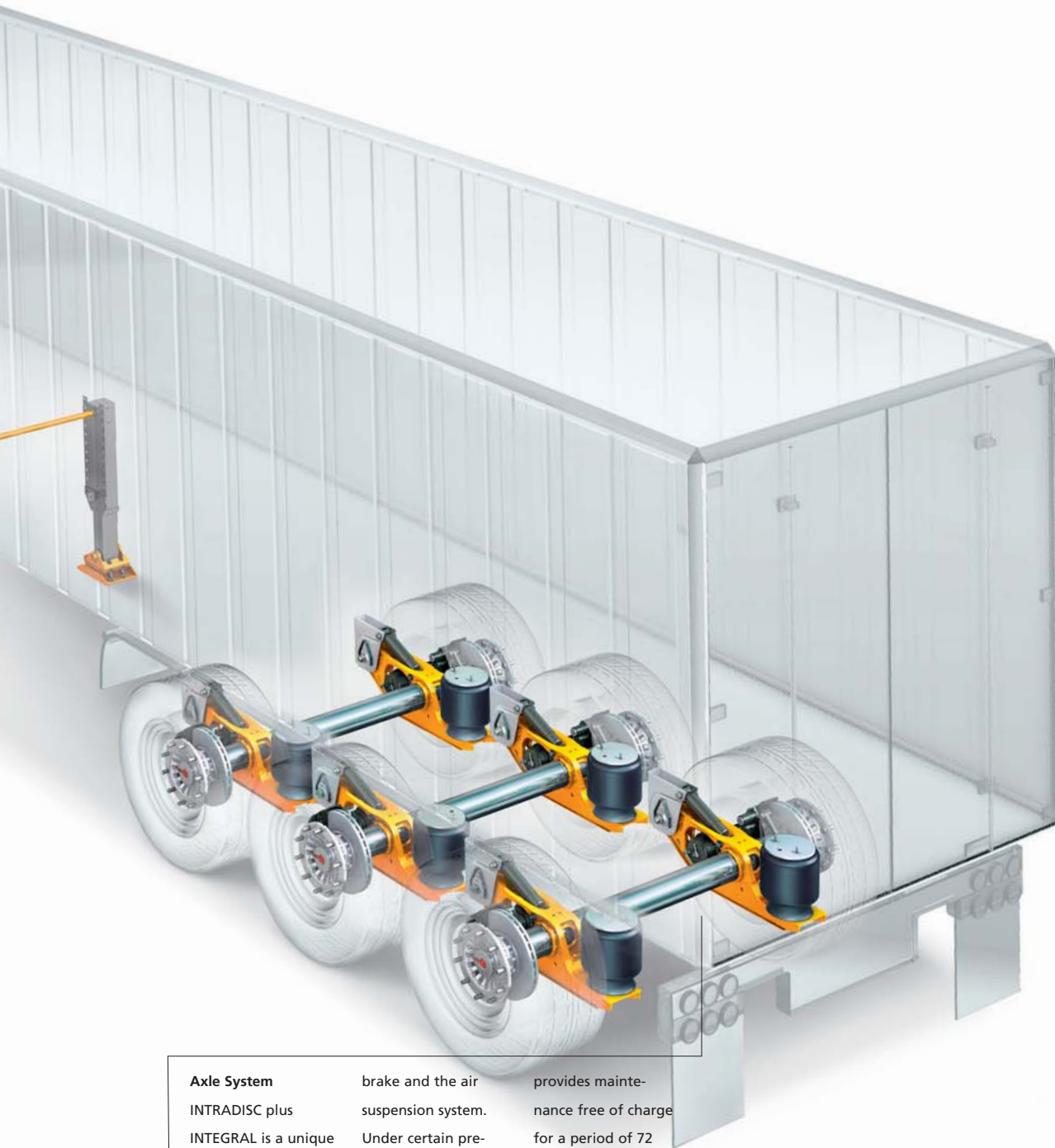
Kingpin

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

Landing Legs

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



**Axle System**

INTRADISC plus
INTEGRAL is a unique
axle system for
trailers, which con-
sists of the axle itself
fitted with a disk

brake and the air
suspension system.
Under certain pre-
conditions, and
taking into account
the existing warranty
terms, SAF-HOLLAND

provides mainte-
nance free of charge
for a period of 72
months or 1 million
kilometers for the
INTRA ALL-IN axle
system.

List of Abbreviations

ACEA	Association des Constructeurs Européens d'Automobiles (European Automobile Manufacturers' Association)
BRIC	Brasil, Russia, India, and China
CEO	Chief executive officer
CFO	Chief financial officer
COO	Chief operating officer
CRO	Chief restructuring officer
DAX	Deutscher Aktienindex (German stock index)
DIN	Deutsches Institut für Normung (German Institute for Standardization)
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and depreciation/amortization
EURIBOR	Euro interbank offered rate
FLAC	Financial liabilities measured at amortized cost
FLHfT	Financial liabilities held for trading
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IMF	International monetary fund
ISIN	International securities identification number
ISO	International Organization for Standardization
IT	Information technology
LaR	Loans and receivables
LIBOR	London interbank offered rate
LOI	Letter of intent
MDAX	Mid-cap-DAX
OEM	Original equipment manufacturer
PIK	Pay-in-kind
PPA	Purchase price allocation
ROI	Return on investment
R&D	Research and development
SDAX	Small-cap-DAX
TS	Technical specification
VDA	German Automotive Industry Association (Verband der Automobilindustrie)
WACC	Weighted average cost of capital
WKN	Wertpapierkennnummer (security identification number)

Financial Calendar and Contact Information

Financial Calendar

April 28, 2011	Annual General Meeting
May 19, 2011	Report on Q1 2011 Results
August 18, 2011	Report on Half-Year 2011 Results
November 17, 2011	Report on Q3 2011 Results

Contact Information

SAF-HOLLAND Group GmbH
Barbara Zanzinger
Hauptstraße 26
63856 Bessenbach
Germany

Tel.: +49 (0)6095 301 617

Fax: +49 (0)6095 301 102

Web: www.safholland.com

Email: barbara.zanzinger@safholland.de

Imprint

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

Editorial deadline:	March 16, 2011
Date of publication:	March 17, 2011
Editorial office:	Cortent Kommunikation AG, Frankfurt am Main
Design and realization:	wagneralliance Werbung GmbH, Offenbach am Main
Translated by:	MBETraining & Translation, Wiesbaden
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 ability to successfully integrate acquired businesses and achieve 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 presentation. 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 these materials.

