Focus on fleet customers

Annual Report 2013

Innovative products, local support and a secure supply of spare parts: SAF-HOLLAND strengthens its fleet customers' performance on the market of the global commercial vehicles industry. The advantages offered by our wide-reaching activities are described in the articles of this Annual Report.

End-customer proximity + knowledge of the field

One strength of SAF-HOLLAND is practical orientation. To see how close customer contact results in ideal solutions, see p. 50

Quality + safety

SAF-HOLLAND systems and components are held up as models in the world market. To find out why, see p. 12

Country-specific products + solutions

SAF-HOLLAND is internationally active with needs-based solutions and services. For more, see p. 36

Service + spare parts availability

SAF-HOLLAND always provides reliable customer support through a comprehensive service network. For details, see p. 78

Innovation + technology

SAF-HOLLAND sets standards with pioneering systems. To see how this benefits fleet operators, see p. 98

Focus on fleet customers

KEY FIGURES

EUR million	2013	2012	2011[1]
Sales	857.0	859.6	831.3
Cost of sales	-701.4	-703.4	-682.5
Gross profit	155.6	156.2	148.8
as a percentage of sales	18.2	18.2	17.9
Adjusted result for the period	28.8	28.4	24.2
as a percentage of sales	3.4	3.3	2.9
Adjusted EPS in EUR[2]	0.63	0.68	0.66
Adjusted EBITDA	71.1	72.7	72.0
as a percentage of sales	8.3	8.5	8.7
Adjusted EBIT	59.3	58.2	58.0
as a percentage of sales	6.9	6.8	7.0
Operating cash flow[3]	63.0	59.5	46.5

[1] Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.
[2] Adjusted net result / weighted average number of ordinary shares outstanding as of the reporting day.
[3] The operating cash flow is the cash-flow from operating activities before income tax payments

SALES BY REGION

EUR million	2013	2012	2011
Europe	447.9	434.9	456.6
North America	339.1	367.1	331.9
Other	70.0	57.6	42.8
Total	**857.0**	**859.6**	**831.3**

SALES BY BUSINESS UNIT

EUR million	2013	2012	2011
Trailer Systems	485.7	473.5	472.8
Powered Vehicle Systems	144.7	157.6	154.0
Aftermarket	226.6	228.5	204.5
Total	**857.0**	**859.6**	**831.3**

OTHER FINANCIAL INFORMATION

	12/31/2013	12/31/2012	12/31/2011[1]
Total assets (EUR million)	536.4	536.7	541.3
Equity ratio (%)	41.4	36.9	32.4

	2013	2012	2011
Employees (average)	3,106	3,118	3,107
Sales per employee (kEUR)	275.9	275.7	267.6

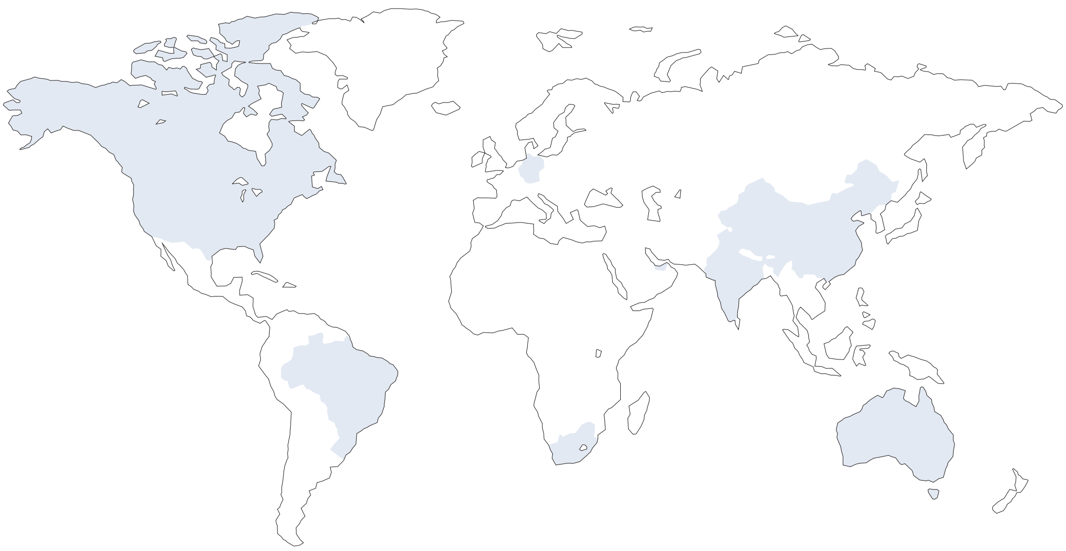
[1] Adjusted for effects of IAS 19R, see chapter "Changes in Accounting Policies" of the Notes to the Consolidated Financial Statements.

SALES EUR million

GROSS PROFIT EUR million

ADJUSTED EBITDA EUR million

SAF-HOLLAND WITH 18 PRODUCTION LOCATIONS AROUND THE WORLD



Canada
Woodstock
Norwich

USA
Holland
Muskegon
Warrenton North
Warrenton South
Wylie
Dumas

Brazil
Jaguariúna

Germany
Keilberg
Wörth am Main
Frauengrund
Singen

South Africa
Johannesburg

United Arab Emirates
Dubai

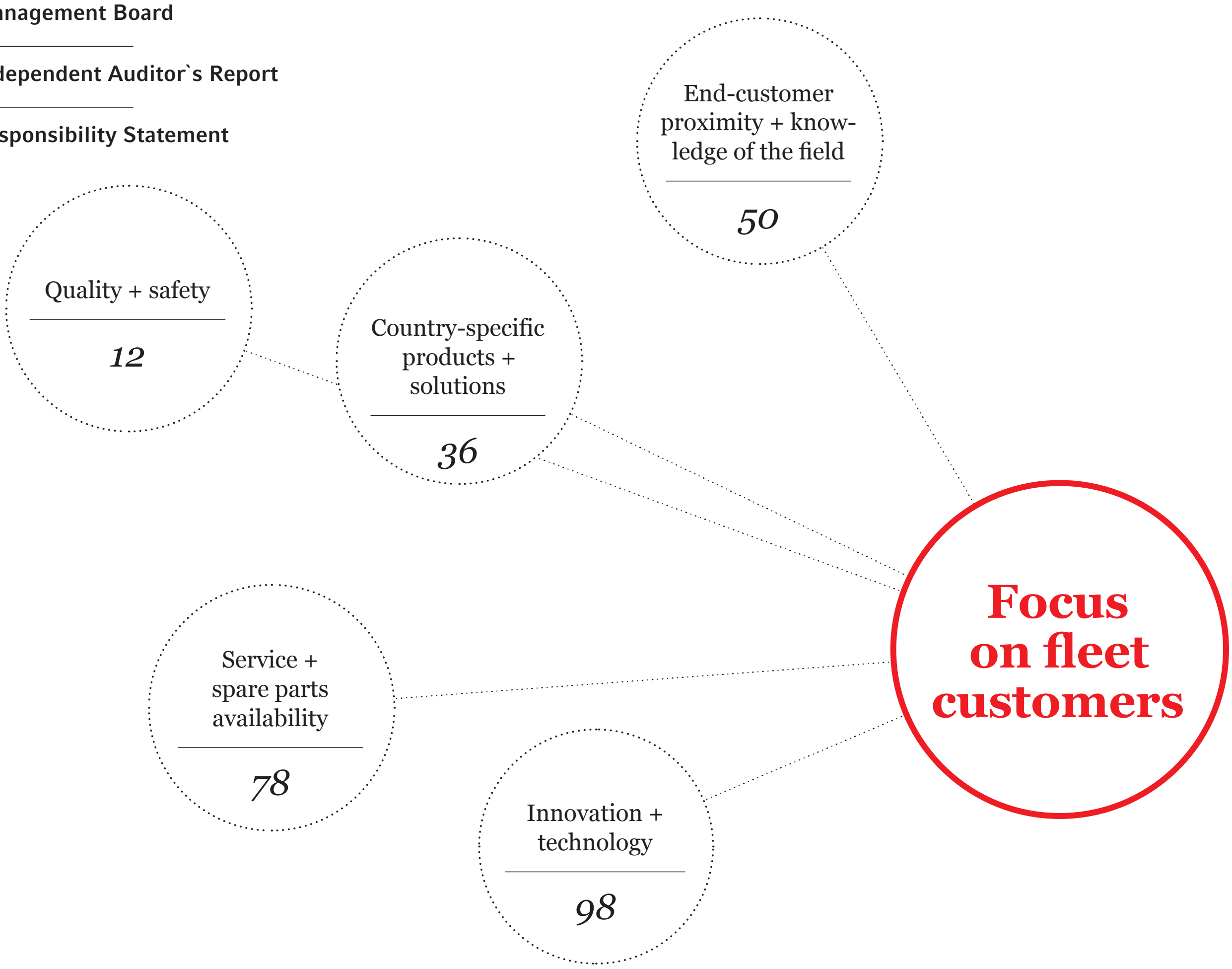
India
Sriperambadur Taluk

China
Xiamen

Australia
Melton

Focus on fleet customers

Annual Report 2013


End-customer proximity + know-ledge of the field
50
Quality + safety
12
Country-specific products + solutions
36
Service + spare parts availability
78
Innovation + technology
98
Focus on fleet customers

Foreword from the Management Board

Ladies and Gentlemen, Dear Shareholders and Investors,

Detlef Borghardt,
Chief Executive Officer (CEO)

Financial year 2013 developed well for SAF-HOLLAND despite an unexpectedly weaker fourth quarter, and we made progress in the implementation of our targets. Particular highlights include the concluded expansion of our manufacturing capacities for the North American trailer business, the regional expansion of our business with the acquisition of Corpco in China as well as the opening of a Parts Distribution Center in Mexico and the successful conclusion of the harmonization of our IT systems.

My colleagues in the Management Board and I are especially pleased that we managed to reach the targeted equity ratio of approximately 40% in financial year 2013. With the continuous improvement of our financing structure in financial year 2012, we created the preconditions for now being able to distribute a dividend for the first time since 2008. The Board of Directors will therefore recommend dividend payments of EUR 0.27 per share at the Annual General Meeting of April 24, 2014.

The development of the business in financial year 2013 was characterized by a partially challenging market environment. Following a slow first quarter, we were pleased to see strong sales volume developments in all regions in the second quarter. Nevertheless, this upward trend slowed in the North American market in the second half of the year. Especially in the fourth quarter, restraint of the public sector to award orders was felt as well as the decreased willingness to invest among private-sector clients. In contrast, Europe developed well in the second half of the year.

With sales of EUR 857.0 million we were not able to reach the Group's sales target of EUR 875 to 900 million set for financial year 2013. This was attributable, for one, to the aforementioned weaker development of the North American market as well as to the unusually strong currency exchange rate effects in the conversion of sales in US dollar to the Group currency Euro. The target set for the adjusted EBIT margin of at least 6.8% was reached with 6.9%. On the earnings side, SAF-HOLLAND set the goal of an adjusted EBIT of at least EUR 60 million for the Group in 2013. Despite the sales decline, we were able to reach a slightly increased adjusted EBIT as compared to the prior year with EUR 59.3 million due to strict cost control. Earnings, however, were burdened by a disproportionate amount of warranty services in the Trailer Systems area.

The Trailer Systems Business Unit succeeded in achieving higher sales than in the previous year both in Europe as well as North America despite the negative exchange rate effects. Adjusted EBIT declined as compared to the previous year. Reasons for this include substantially increased warranty services particularly in the fourth quarter.

We are aware that the earnings power of the Trailer Systems Business Unit is in need of sustainable improvement. For this purpose, we developed a package of measures over the course of the year. We are optimistic that, following successful implementation of the package of measures, that the Trailer Systems Business Unit will be able to improve its adjusted EBIT margin to 5 to 6% by the fourth quarter of 2015.

Pleasingly, the Powered Vehicle Systems and Aftermarket Business Units both exceeded their adjusted EBIT margin targets despite the above-mentioned negative exchange rate effects and the correlated sales decrease.

In financial year 2013 we further increased the global presence of SAF-HOLLAND. In the second half of 2013, a contract was concluded with our longstanding partner, Corpco Bejing Technology and Development Co., Ltd., on the purchase of 80% of the company's shares. We intend to continuously expand our activities in the Asian market through the acquisition of this leading Chinese supplier of suspension systems for buses. Furthermore, we achieve more independence from demand development in the truck area by the strengthening the bus suspension segment.

We intensively pursue our objective of expanding our market share for the Trailer Systems Business Unit in North America to 30%. We doubled our axle and suspension system manufacturing capacities at the Warrenton, Missouri, plant as planned. We are pleased that we have already won several larger orders. The rising demand for trailer systems in Europe has led us to increase the capacity of the German plants as well.

The planned realignment of the Powered Vehicle Systems Business Unit's organizational structure in Europe was concluded on schedule and has already had positive effects on earnings.

The Business Unit Aftermarket continued to grow in financial year 2013. In March 2013, we opened a Parts Distribution Center (PDC) in Mexico to strengthen spare parts sales in Central and South America. We also established sales offices in Colombia, Peru and Argentina in the first quarter 2013. It is planned to open an additional PDC in Kuala Lumpur, Malaysia, in the first quarter of 2014. It allows us to offer our clients even better spare parts service and shows that we are consistently implementing our strategy of regionally expanding of the Business Unit.

In Poland, we opened our first company-owned service station in December 2013. Our intention here is to increase the coverage of our service network for our clients at important traffic hubs.

In September 2013, the rating agency Euler Hermes increased the SAF-HOLLAND company rating from BBB- to BBB with a continued stable outlook. We consider this rating as confirmation of our Group growth strategies.

At SAF-HOLLAND, we consider consistent customer orientation as an essential key to successful growth in all markets. Our main focus here is on fleet managers and freight forwarders: They can depend on the high quality of our products and the reliable supply of spare parts on a daily basis. This is also visible in this Annual Report, for which we have chosen "Focus on fleet customers" as a theme. The articles contained within this Annual Report cover topics such as quality and safety, country-specific products and solutions as well as service and spare parts availability.

We also intend to continue growing and extend the positive development of the company in financial year 2014. Against this backdrop, we strive for sales between EUR 920 million and EUR 945 million in 2014. We also anticipate adjusted EBIT of approximately EUR 70 million with an increasing adjusted EBIT margin. This requires continued positive development of the European economy, further improvement in the European sovereign debt crisis and a stable economy in North America. In addition, we anticipate a rise in demand in European and North American markets. We are optimistic that we will be able to reach our goal for 2015 as announced on the Capital Markets Day in December 2013, namely: sales of EUR 980 million to EUR 1.035 billion with an adjusted EBIT margin of 9 to 10%.

On behalf of my colleagues on the Management Board, I thank our customers, suppliers, business partners, employee representatives and employees for their good and successful cooperation in 2013. At the same time, I would like to express my thanks to our shareholders and investors for their commitment to our company. We appreciate your trust and will continue to dedicate ourselves to SAF-HOLLAND with all our strength.

Sincerely,

Detlef Borghardt

Detlef Borghardt
Chief Executive Officer (CEO)

Management Board

Detlef Borghardt
Chief Executive Officer (CEO)

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

Wilfried Trepels
Chief Financial Officer (CFO)

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

Jack Gisinger
President Powered Vehicle Systems Business Unit & Group Technical Services

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

Steffen Schewerda
President Trailer Systems Business Unit & Group Operations

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

Alexander Geis
President Aftermarket Business Unit

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

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

Report from the Board of Directors

Bernhard Schneider,
Chairman of the Board of Directors

Ladies and Gentlemen,
Dear Shareholders and Investors,

In 2013, SAF-HOLLAND continued on its path toward a successful future. In a challenging economic and political environment in the core markets and despite negative currency effects, the company was able to maintain its market position. With an adjusted EBIT of EUR 59.3 million and an adjusted EBIT margin of 6.9%, the target for 2013 was not completely achieved, but the figures did increase slightly as compared to the previous year. With this positive result and the successful management of net working capital, the equity ratio target of approximately 40% was reached. In accordance with our dividend policy, which has remained unchanged for many years, the prerequisites have been met that allow us to recommend the distribution of a dividend at the Annual General Meeting on April 24, 2014.

Cooperation of the boards

The Board of Directors carried out its duties in accordance with legal requirements and the Articles of Incorporation during the financial year. In the reporting year, the Management Board was consulted by the Board of Directors on the management of the business and the general management was supervised. The Management Board informed us regularly, thoroughly and in a timely manner on all relevant occurrences, both orally and in writing. The focus was on orders, sales and earnings development in the Business Units and the Group. Strategic measures, product and market developments, as well as aspects of risk management and the financial position, were jointly discussed and debated with the Management Board. We reviewed any business transactions requiring approval from the Board of Directors and decided upon approval.

Focus of consultations

A major and intensive topic of consultation with the Board of Directors involved the acquisition of Corpco Beijing Technology and Development Co., Ltd., a Chinese company that specializes in suspension systems for buses. The Board of Directors sees the acquisition of Corpco as an important step that captures many advantages for SAF-HOLLAND. Corpco's products supplement the air suspension business of NEWAY, an SAF-HOLLAND brand. The objective is to create an optimal combination of our shared strengths in the area of bus suspension systems and to leverage the best possible synergies offered thereby. This includes the joint development of new technologies in order to take sustainable advantage of the opportunities offered up by the bus suspension market in China and beyond.

The Board of Directors extensively discussed the package of measures to increase the profitability of the Trailer Systems Business Unit. It is of essential importance to achieve quick and substantial progress within this product segment in order to reach the strategic sales and earnings goals.

Meetings of the Board of Directors

The Board of Directors met regularly in financial year 2013, convening a total of six times and at least once per quarter. No Director participated in less than half of all the meetings. Members of the Management Board were also guests at a number of meetings.

The balance sheet meeting convened on March 12, 2013 focused on the consolidated financial statements and the consolidated management report for financial year 2012 and was attended by the auditors. On the recommendation of the Audit Committee and after thorough review, the statement was approved by the Board of Directors. The Board also focused on the current status of the SAP project. Thereafter, management presented the company Corpco and provided information on the opportunities of the global bus market.

In connection with the Annual General Meeting of April 25, 2013, the Board of Directors met for a second meeting in financial year 2013. This meeting focused on the development of the joint venture in India. It was decided that SAF-HOLLAND would leave the joint venture and found its own 100% subsidiary.

The meeting of May 14, 2013 focused on the business figures of the first quarter and the related quarterly report, as well as potential options of creating effective structures within the European plant network, the discussion of which resulted in landmark decisions.

The report for the second quarter was discussed and approved at the meeting of August 6, 2013. This meeting also covered the topic of the prognosis for the year 2013, the potential acquisition of Corpco and the package of measures to improve the profitability of Trailer Systems.

The focus of the meeting of November 5, 2013 was on specific details such as, in particular, those relating to optimal integration and the next steps planned for the acquisition of Corpco. In the continuation of its discussion on the improvement of plant structures, the Board intensively discussed the integration of the German production location Wörth am Main into the plants at the main site in Bessenbach.

The last meeting of the year on December 12, 2013 exclusively concerned the discussion and approval of the budget for the three Business Units and the Group as a whole in financial year 2014, as well as mid-term planning for 2015-2018.

Audit Committee

The Board of Directors is supported in its activities by the Audit Committee. The Audit Committee met five times in the past financial year. It primarily and thoroughly addressed the quarterly figures and the annual financial stetements. The results of these meetings were presented and submitted for approval to the Board of Directors.

Corporate Governance

The 2013 Declaration of Compliance with the recommendations of the German Corporate Governance Code was submitted by the Board of Directors and the Management Board in March 2013. Corporate governance was an ever present topic for the Board of Directors in the past financial year. The Declaration of Compliance can be found in the Management Report on page 31 as well as on the company's website.

Audit of the consolidated financial statements and balance sheet meeting

On April 25, 2013, the Annual General Meeting elected Ernst & Young S.A., Luxembourg, as auditors for financial year 2013.

Ernst & Young audited the consolidated financial statements and consolidated management report prepared by SAF-HOLLAND S.A. as of December 31, 2013. The auditor issued an unqualified audit certificate and came to the conclusion that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations as well as cash flows of SAF-HOLLAND S.A. The auditor confirmed that the consolidated management report, including the declaration on the corporate governance code, is consistent with the consolidated financial statements.

The consolidated financial statements, the consolidated management report as well as the report and documentation of the auditors were submitted to the Board of Directors in a timely manner. Following relevant preparatory work of the Audit Committee, these items were subject to complete review by the Board of Directors. At the meeting of March 11, 2014, the Board of Directors discussed the results of the audit. The auditor participated in the meeting, reported on the principal results of his audit and was available to respond to detailed questions. The Board of Directors agreed with the results of the audit of Ernst & Young and approved the consolidated financial statements as submitted. The Board of Directors endorsed the

Management Board's recommendation on the utilization of net income and the distribution of a dividend of EUR 0.27 per share.

Membership Changes in the Board of Directors

The Annual General Meeting of April 25, 2013 elected Dr. Martin Kleinschmitt as a new member of the Board of Directors. He succeeds Mr. Ulrich Otto Sauer, who stepped down from his position at the end of the Annual General Meeting. The Annual General Meeting approved the mandates of Sam Martin and Richard Muzzy, extending their terms until 2015. At the meeting of May 14, 2013, the Board of Directors appointed Mr. Sam Martin as Deputy Chairman of the Board and successor of Mr. Ulrich Otto Sauer.

The Board thanks Mr. Sauer for his longstanding and faithful collaboration in the Board of Directors. With his expertise on the intricacies of the industry, his valuable contacts, years of experience and ongoing striving for development, Mr. Sauer made a substantial contribution to the success of SAF-HOLLAND.

For their work and active contributions to the success of SAF-HOLLAND in financial year 2013, the Board of Directors would like to express its sincere gratitude to the management, all employees and the employee representatives.

Luxembourg, March 2014

Bernhard Schneider
Chairman of the Board of Directors

Reliability takes the lead

QUALITY AS A PERFORMANCE INDICATOR

SAF-HOLLAND stands for value and the highest standards of quality and performance. The company's quality management encompasses the entire process chain – from product design to development and production monitoring. It includes endurance tests via field trials as well as ultra-modern testing facilities in Europe, North America and Asia. The products undergo virtually all stress that may occur in their future daily use.

Trucks and trailers must always be on the road. Minimal downtimes, longer service intervals, simple maintenance and replacement part availability play a major role in making that happen. SAF-HOLLAND's systems and components are considered models in the industry. With their high level of quality, they make it possible for logistics companies to increase productivity, manage costs and even provide for improved safety. For fleet customers worldwide, these stand as decisive advantage – also for Spedition Bode, a logistics company in northern Germany with a strong reputation for top standards in safety.

excellent

**PERFOR-
MANCE**

high

EFFICIENCY

»Traffic safety and cargo securing are important foundations of economic success.«

quality + safety

Spedition Bode GmbH & Co. KG

Reinfeld, Germany
www.spedition-bode.de

You have to keep an eye on the big picture, not make any compromises in quality, safety and reliability and put that into practice consistently.

Eckhard Bode,
Spedition Bode GmbH & Co. KG

QUALITY AS A PERFORMANCE INDICATOR

SAF-HOLLAND stands for value and the highest standards of quality and performance. The company's quality management encompasses the entire process chain – from product design to development and production monitoring. It includes endurance tests via field trials as well as ultra-modern testing facilities in Europe, North America and Asia. The products undergo virtually all stress that may occur in their future daily use.

Safety is no. 1. In the year 1949, Herta and Hans-Hermann Bode founded an official rail logistics partner company in northern Germany and laid the cornerstone of a flourishing family business. As a high-performing logistics service provider, Spedition Bode now has various transshipment and storage terminals to Scandinavia. Domestic and international road transport is just as integral to the core business as their comprehensive services in the fields of storage, handling and commissioning. The company places particular emphasis on quality and safety. They are certified in numerous European norms, are active in European Union research initiatives in the area of cargo securing and independently developed the bokas, which is a special edge protector for paper rolls.

excellent

**PERFOR-
MANCE**

high

EFFICIENCY

quality +
safety

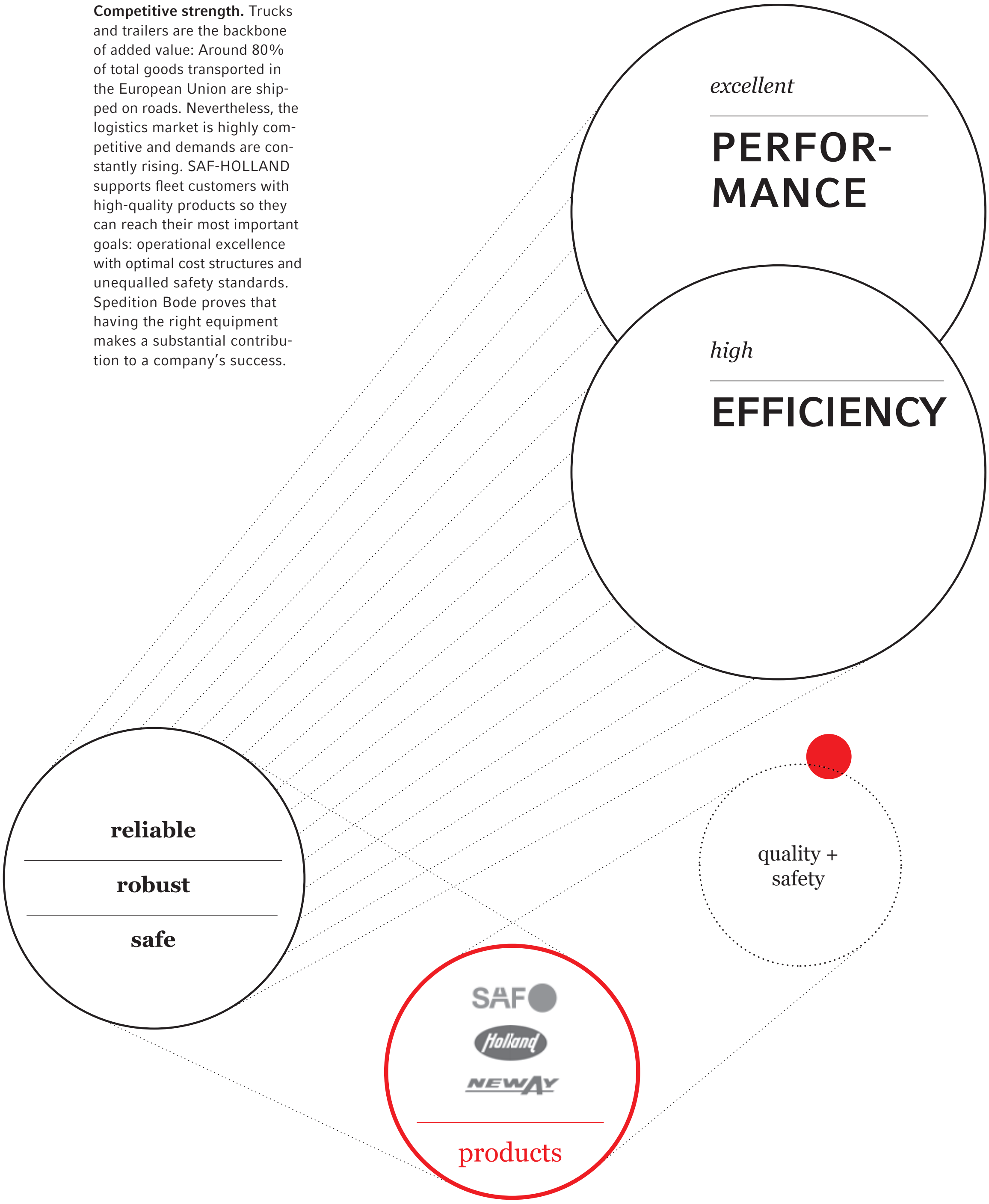
Spedition Bode has a fleet of more than 70 trucks and approximately 320 trailers. According to their high standards of quality and safety, their fleet exclusively employs semi-trailers with reinforced bodies certified by EN 12642 XL. The trucks' equipment also sets the bar high. ABS, ESP and traction control are standard, and so are automatic transmissions and distance warning systems. There is a logical concept behind the use of modern, high-quality vehicles: When paired with intensive preventative maintenance programs, they ensure excellent performance along with exemplary safety.

QUALITY AS A PERFORMANCE INDICATOR

SAF-HOLLAND stands for value and the highest standards of quality and performance. The company's quality management encompasses the entire process chain – from product design to development and production monitoring. It includes endurance tests via field trials as well as ultra-modern testing facilities in Europe, North America and Asia. The products undergo virtually all stress that may occur in their future daily use.

Spedition Bode promises its customers top quality in the transport sector in combination with safety for drivers, traffic and freight. The trucking company received the 2014 European Transport Sustainability Prize for its successful sustainability concept. We at SAF-HOLLAND are very proud to contribute to our fleet customers reaching higher levels of quality, safety and environmental friendliness through the use of our products.

Competitive strength. Trucks and trailers are the backbone of added value: Around 80% of total goods transported in the European Union are shipped on roads. Nevertheless, the logistics market is highly competitive and demands are constantly rising. SAF-HOLLAND supports fleet customers with high-quality products so they can reach their most important goals: operational excellence with optimal cost structures and unequalled safety standards. Spedition Bode proves that having the right equipment makes a substantial contribution to a company's success.



»Maintenance costs are a significant factor in business operations. In order to remain competitive, these costs must be analyzed, among other things. We take the individual vehicle components into close consideration for this reason.«

The necessity to ensure vehicle functionality

In terms of reliability and safety, Spedition Bode has set the bar throughout Germany. The company has equipped its fleet with products and systems from SAF-HOLLAND since 2004. Eckhard Bode, Senior Manager, explains the logistic company's philosophy on quality and the contribution of high qualitiy branded products to the company's success.

Your company is characterized by strict attention to aspects of safety. What role does the quality of vehicle components play in that?

__________ In order to guarantee the highest in safety standards over the long term, there has to be a company-wide concept that shines a guiding light through all departments and every area of the company. For us, this includes more than taking a global view of technical products, but also looking into the components within them, such as a trailer's suspension system.

How do you rate the contribution of vehicle quality to the fundamental aspects of efficiency and profitability?

__________ You must first have a fleet of vehicles equipped with high-quality branded products if you want to keep your daily business running smoothly. You also need a detailed maintenance plan and regular care. All together, these three points guarantee fewer downtimes and high customer satisfaction. All in all, they make a substantial contribution to the profitability of our company.

Bode has its own workshop where the vehicle fleet receives extensive care. How important are minimized downtimes to the success of the business?

__________ Extremely important! It is the reason why a maintenance concept was determined specifically for our fleet which guarantees that the vehicles are ready for the road at any given time. We also place top priority on the reliability of our drivers and provide regular training.

You rely on highly qualified drivers that know how to stay safe and have a sense of responsibility in the work they do. Do high-quality vehicles help attract employees?

__________ If you expect good work to be done, you have to offer your employees a safe and comfortable working environment. This has always been our motto. But, in general, it is easier to find good drivers if you can provide the right equipment.

Spedition Bode combines commercial success with the highest standards of safety. Company-wide quality awareness lays the foundation for achieving these two goals. Spedition Bode's trucks are equipped with axles, suspension systems and fifth wheels from SAF-HOLLAND.

Mistakes lead to improvements

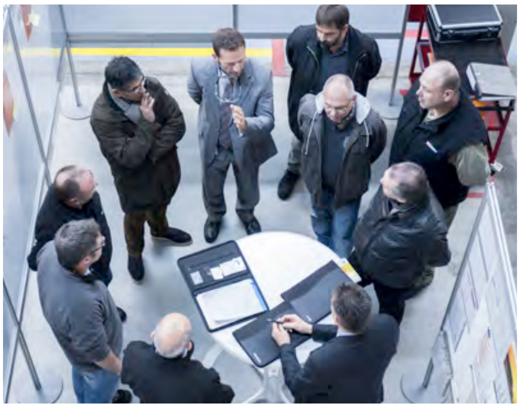
Total perfection is a pipe dream. But it is still possible to get extremely close to the ideal of zero defects – with quality initiatives that systematically recognize and permanently resolve irregularities.

SAF-HOLLAND produces according to high standards of quality using quality assurance systems that specifically target the avoidance of defects and mistakes. An important new cornerstone of this is the Quick Response Quality Control method (QRQC). This proven method is practiced by numerous OEMs, as well as many suppliers, in the automotive and commercial vehicles industry.

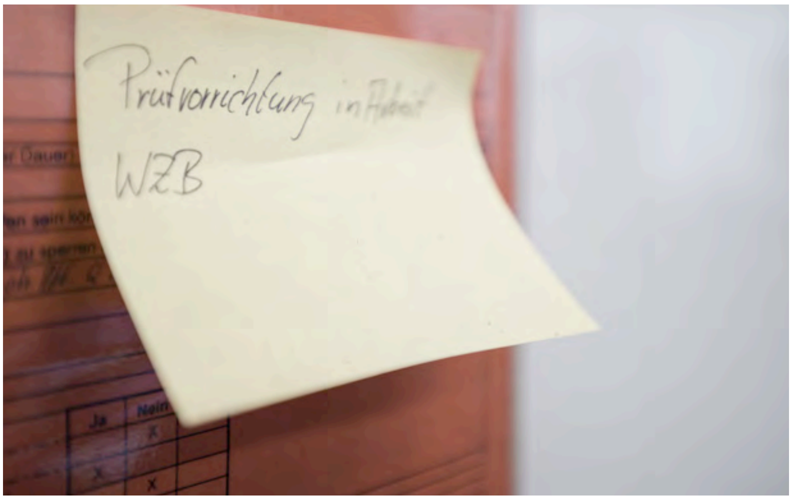
SAF-HOLLAND introduced QRQC at the beginning of 2013. It is a comprehensive approach to the resolution of potential errors that stretches beyond the activities of the company and includes supplier parts. QRQC puts quality assurance at the center of manufacturing and integrates every responsible party that can contribute to first-rate quality standards. This is a substantial change to former practices as meetings were previously held away from the production environment without the possibility to directly observe production processes or parts. Now they take place on a weekly basis at so-called QRQC islands in the workshops and include everyone involved. Production employees participate right along with managers and upstream areas such as development, construction, engineering, procurement, logistics and sales. After all, only a cross-departmental overall assessment is capable of uncovering the causes of errors and allowing for optimal resolution measures.

If a solution is found, its effectiveness is reviewed in detail. Even if that can be somewhat time consuming. SAF-HOLLAND often monitors the reliability of initiated measures for many months in order to ensure that the error does not occur again. The high quality standards extend far beyond company boundaries: With no exceptions, SAF-HOLLAND works with suppliers that also apply extremely high standards in quality. Reactions to errors must be accordingly thorough. Suppliers therefore apply the same criteria to their root cause analyses that SAF-HOLLAND does in its own quality assurance.

Supplier responses to quality issues come in the form of so-called 8D reports, the standardized version of how to react to complaints. SAF-HOLLAND meticulously reviews these dossiers for plausibility and requires the suppliers to make improvements if they are not sufficient. This process allows the zero defect policy to also cover supplier parts and provide for a total and comprehensive QRQC approach.



Right where it counts. QRQC puts quality assurance at the center of production and involves everyone that can contribute to first-rate quality standards. Everyone involved meets each week at QRQC islands in the workshops – employees from production as well as managers. Upstream areas such as development and procurement, as well as logistics and marketing also participate. Because the only way to ensure that production stays error free is to be sure that everything is done right from the start.



THE OBJECTIVE: EVERY EMPLOYEE IS A QUALITY MANAGER

All employees in production at SAF-HOLLAND take responsibility for the implementation of the perpetual quality requirement. Regular training ensures that their personal expertise is consistently updated and deepened. Notices provide them information on the status of ongoing QRQC processes, encourage employees' process orientation and raise awareness of quality assurance themes.

Strong brands for the global market

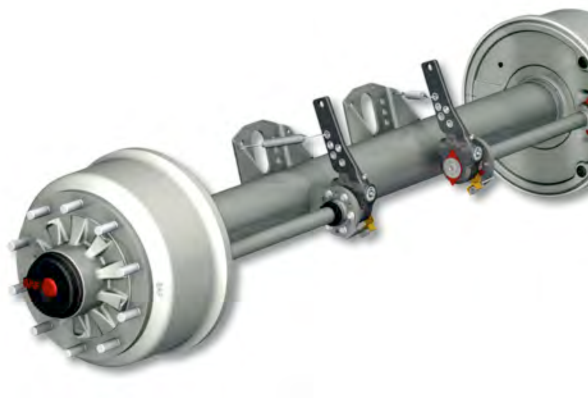
SAF
Axles and suspension systems for trailers

Holland
Coupling and lifting technology

NEWAY
Suspensions for heavy duty trucks

Growth with a seal of quality

International market success is inseparably connected with the value of the product range. SAF-HOLLAND counts as one of the global leaders in quality. The company has earned a first-rate reputation with its comprehensive and proactive quality management which contributes significantly to the successful development of the business.



VISIBLE VALUE

Strong brands with a consistent promise of quality win out by virtue of clear visual recognition. The best example for market leadership that can be found among OEM suppliers in Europe is SAF's distinctive red dot. Clearly visible on the hub, it signals the high-quality axle and suspension systems of a traditional brand to all that see it.

SAF-HOLLAND has always set standards in quality management throughout the entire value chain. Setting the highest expectations at all levels of development and production processes has earned an excellent reputation for both the company and its products. Because logistics companies and fleet operators know: The uncompromising quality of axle, coupling and suspension systems is an important condition for increased safety and profitability in trucking operations.

The brand house of SAF-HOLLAND combines three strong global product brands – SAF, Holland and NEWAY. Each one stands for the promise of consistent quality and safety. Whereas SAF stands for innovation in trailer axles, brakes and suspension systems, Holland is the worldwide synonym for pioneering coupling and lifting technology. With a prestigious reputation for air suspension systems designed for heavy duty trucks, NEWAY rounds out the family of brands.

The fixed position of SAF, Holland and NEWAY in the minds of customers is a decisive competitive advantage for the company and generates a pull effect: Fleet customers specifically ask OEMs for trucks and trailers equipped with components and systems from SAF-HOLLAND. SAF-HOLLAND's natural commitment to comprehensive quality management therefore creates clear advantages for the continued favorable development of the company. Excellent customer satisfaction is one of the most important factors in the commercial success of SAF-HOLLAND.

Group Management Report

CORPORATE STRUCTURE

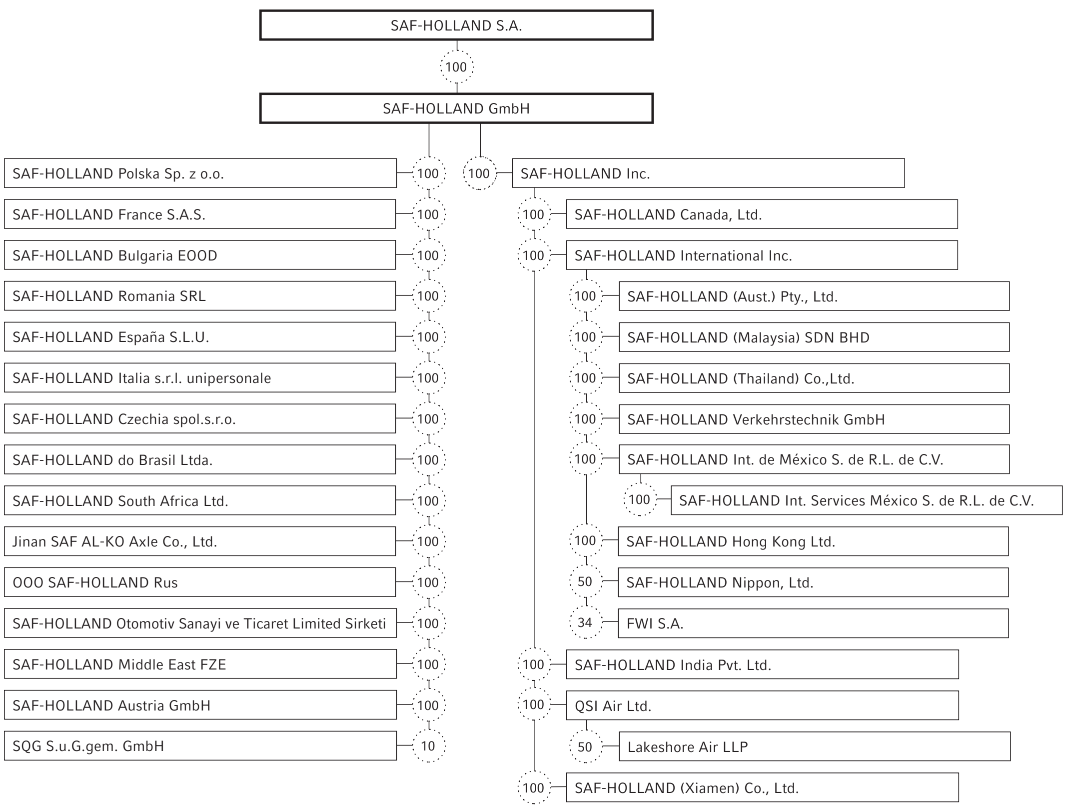
ORGANIZATION AND COMPANY STRUCTURE

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

Legal structure of the Group

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

LEGAL GROUP STRUCTURE in %



Business Units, business model and organizational structure

SAF-HOLLAND divides its operational business between three specialized Business Units. They ensure targeted market development and intensive customer focus in their assigned area of business: The Trailer Systems Business Unit develops, manufactures and sells axle and suspension systems as well as landing legs and kingpins for trailer manufacturers. The Powered Vehicle Systems Business Unit is responsible for the development, production and sales of fifth wheels and axle suspension systems for heavy trucks and buses. The Aftermarket Business Unit ensures the constant supply of spare parts for the transport industry by selling them to fleet operators and service centers.

Each Business Unit is fully responsible for its results and is equipped with all the necessary resources. Cross-departmental functions and key tasks are organized centrally to support the Business Units.

SEGMENT AND CLIENT BASE OF THE BUSINESS UNITS

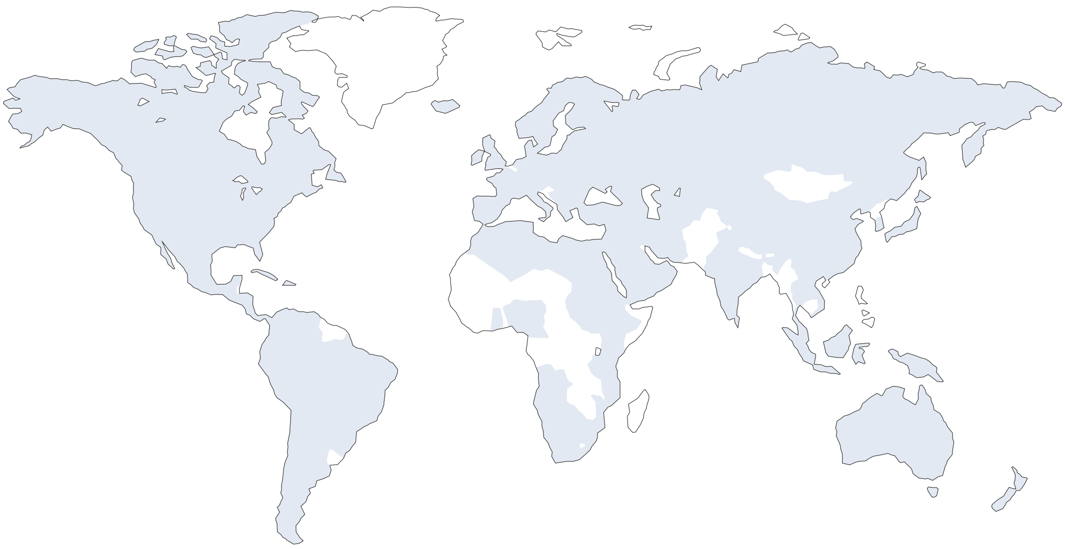
Business Unit	Segment	Client Base
Trailer Systems	Development, production and distribution of: • **Axle systems** • **Suspension systems** • **Landing gears** • **Kingpins**	• Trailer manufacturers (OEM) • Fleet operators (end customers)
Powered Vehicle Systems	Development, production and distribution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

Global locations for production, sales and service

SAF-HOLLAND has a strong global presence and is active on five continents. We produce parts for the global truck and trailer market at a total of 17 production locations in Europe, North and South America, Asia, Australia and South Africa. With this vast production network, SAF-HOLLAND is among the suppliers with the greatest geographical diversification in its market.

SAF-HOLLAND's service network is considerably more comprehensive than those of most competitors. We have nationwide coverage in the core markets of Europe and North America. We currently have more than 9,000 service stations, dealers and workshops in more than 80 countries.

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



Key products, services and business operations

SAF-HOLLAND products are key components on the global truck and trailer market. As key vehicle components, products from the Trailer Systems Business Unit for example can account for up to 30% of the value of a European standard trailer. At the same time, our entire product portfolio is considerably more extensive than those of most competitors. It primarily includes axle and suspension systems, coupling devices, kingpins and fifth wheels.

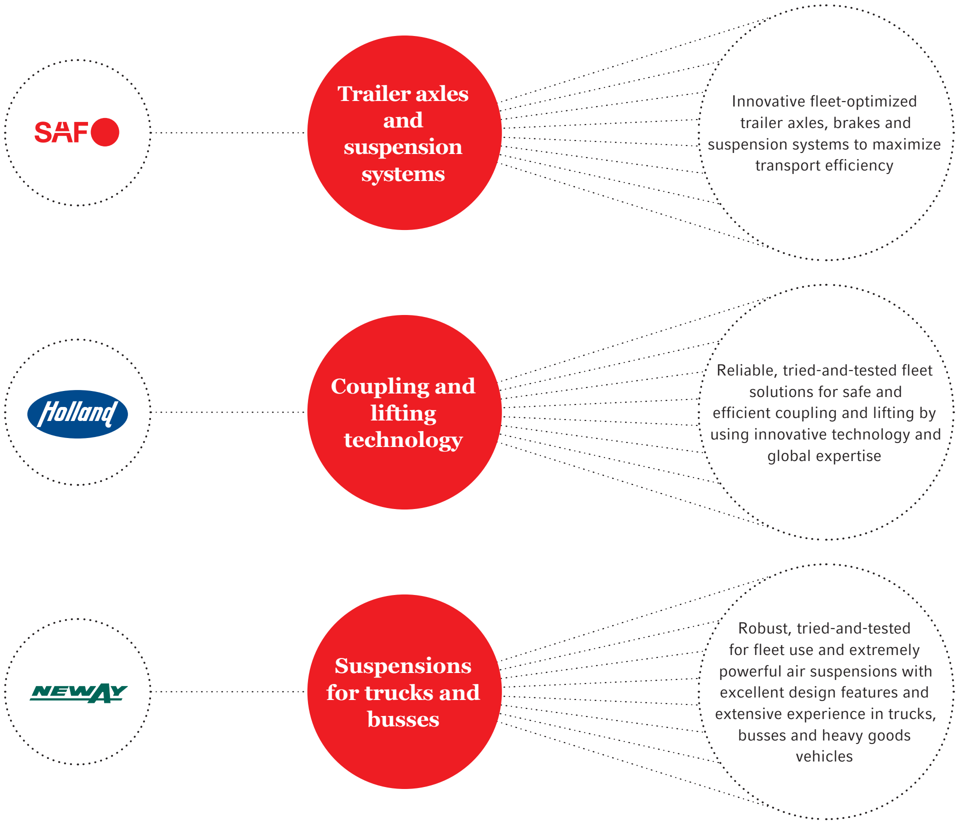
Through the global network of service stations we ensure the constant supply of spare parts for the transport industry. For fleet operators this is an important advantage which leads them to specifically request products from SAF-HOLLAND for the configuration of their trucks and trailers.

Thanks to the modular design of our products, especially the axle and suspension systems, we can flexibly respond to our customer requirements and provide products designed specifically for individual regions. In the individual country markets we do not necessarily supply vehicle manufacturers and their customers with the entire product range. The focus is more on components which meet the individual needs and tap promising sales potential for SAF-HOLLAND.

Three renowned product brands

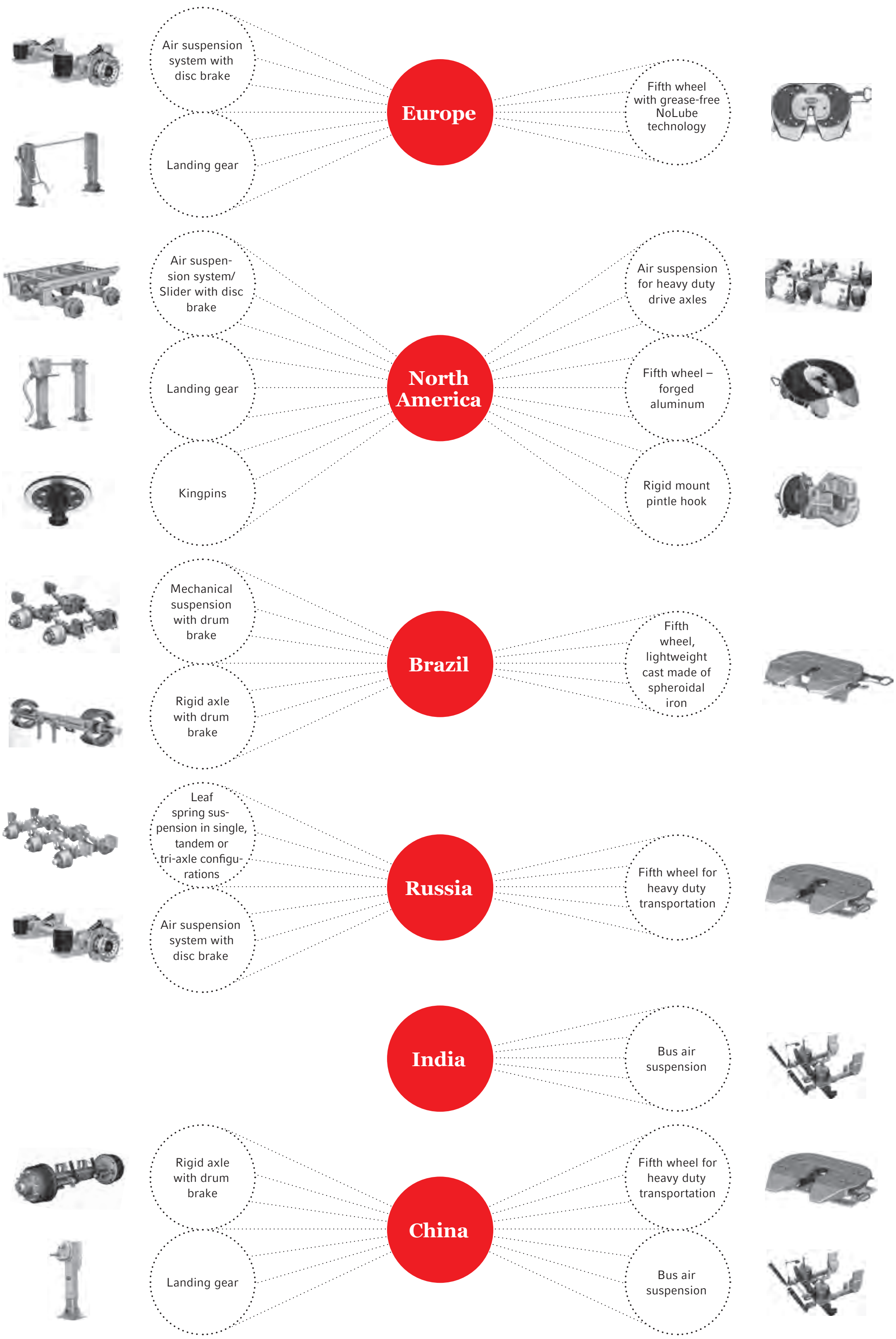
SAF-HOLLAND is represented by three strong brands in the global commercial vehicle industry: SAF, Holland and NEWAY. The SAF brand stands for axles and suspension systems for trailers. The Holland logo incorporates coupling and lifting technology products. NEWAY products focus on suspensions for trucks. SAF-HOLLAND also has a regional brand TRILEX.

PRODUCT BRANDS OF SAF-HOLLAND



REGIONAL SALES MARKETS OF PRODUCTS WITH PRODUCT EXAMPLES

Business Unit Trailer Systems	Region	Business Unit Powered Vehicle Systems



Excellent competitive position in established and emerging sales markets

SAF-HOLLAND retains an excellent position on the key European and North American markets. In Europe, our company is one of the top two leading suppliers of axles and axle systems for trailers as well as for fifth wheels for trucks. On the North American market, we are the leading supplier of fifth wheels, landing gear and kingpins and are regarded as the third largest supplier of axles and suspensions for trailers.

Looking beyond its established markets, SAF-HOLLAND is gradually increasing its presence in emerging countries. A particular focus is on the BRIC (Brazil, Russia, India and China) countries. We are in the process of strengthening our commitment in China, the largest commercial vehicle market worldwide, with an intensive transfer of technology for superior solutions. In addition to expanding our truck and trailer activities, we are also tapping the growing market of bus suspensions and will extend our business in the medium term to other Asian countries. Due to the intensive expansion of the road network system and legal regulations in Brazil, the demand for innovative truck and trailer products is growing. For this reason, our advanced suspension systems are becoming increasingly more popular in this South American country.

The decisive advantages of SAF-HOLLAND include the company's excellent position as a leader in technology and premium quality as well as its international presence. Our strong market position in the original equipment business as well as on the aftermarket is based on this excellent reputation.

Economic and legal influences

An important economic success factor for SAF-HOLLAND is the international transport volume. This is increasing rapidly due to the growth of the global population and the expansion of infrastructures in emerging countries. In turn, the global expansion in goods traffic and transport increases the demand for trucks and trailers as they are important links in nearly every logistics chain.

In addition, legal influences such as regulatory requirements for commercial vehicles can serve as a growth driver on product sales. An increase in international efforts to tighten regulations on the safety, emissions and fuel consumption of trucks is currently being witnessed. As our products deliver an extremely high standard of safety and are amongst the most lightweight products on the market, we can only profit from this development.

OBJECTIVES AND STRATEGY

The company's core objectives are defined in our mission statement: SAF-HOLLAND's objective is to become the most highly regarded supplier of best-in-class components, systems and services that ensure the success of our global fleet customers. As an innovative, cost-conscious and reliable company, SAF-HOLLAND maximizes its contribution to the success of fleet clients in the international commercial vehicle industry. All the business operations of SAF-HOLLAND revolve around this mission statement.

The goal of SAF-HOLLAND's wide-reaching activities is to take advantage of the company's market opportunities and generate profitable growth. We also aim at positioning the company so it can achieve the greatest possible independence from economic developments.

Strategic alignment of Business Units

The key feature of the SAF-HOLLAND business model is its strong international orientation. The benefits of the company's wide geographical presence include the ability to offset a poor development on certain markets with other more profitable regions. Our international activities are the foundation for an effective transfer of technologies with which we can transfer well-established regional products and innovations to other sales markets.

Decisive factors governing market success also include our original equipment and spare parts activities that complement and assist each other. In this way, the Aftermarket business benefits from the increasing number of vehicles which are equipped with SAF-HOLLAND products. The ever expanding range of products available consequently leads to an increase in demand for components with which existing components can be replaced or upgraded. In return, the wide-spread parts and service network ensures that end customers specifically request SAF-HOLLAND products when placing their orders with truck and trailer manufacturers. In addition, our spare parts business has a stabilizing effect in times of a weak economy on the commercial vehicle market as the demand for spare parts increases when fleet operators postpone new purchases over the long term.

Strategic positioning in the regions

SAF-HOLLAND plans to increase its market share in emerging as well as established countries while further expanding its good market position worldwide. In North America we aim to achieve this in particular by expanding our production capacities and through the use of the technology transfer. For example, with the disc brake technology that is more common in Europe than in the USA, SAF-HOLLAND provides an answer to the new legal US regulations that came into force in 2013 on the reduction of braking distances for heavy commercial vehicles.

On the European Market, we rely on our product strengths, primarily on parts for weight reduction, strong modularization and increasing integration of electrical or electronic components. We tap additional potential through the expansion of our local development and manufacturing capacities as well as through a wider range of products for specialized applications.

In the growth markets of the emerging nations SAF-HOLLAND is initially providing products adapted for the region and to current requirements. We also ensure that we can quickly build up our reputation and establish our presence on markets that are of particular interest to our company. As these markets continue to develop in terms of quality, we can then gradually make the transition to more technically advanced products.

Strategic alignment of the Business Units

SAF-HOLLAND intends to expand its global market share in all Business Units. We are systematically expanding the product portfolio and the manufacturing capacities of the Trailer Systems and Powered Vehicle Systems Business Units active in the original equipment business. At the same time we are intensifying the strategic partnerships with international truck and trailer manufacturers.

In the Aftermarket Business Unit we are expanding the global network of spare parts and service stations and are continually adding products to our range of spare parts. Besides premium products, we are also increasing the product range of our second brand "Sauer Quality Parts". They are targeted toward markets which are characterized by a large proportion of trucks and trailers that are in the later stage of their product lifecycle. We primarily supply Middle East and East European countries as well as Asia with this brand.

Focus of growth strategy

With its strong presence on established markets and in emerging countries, SAF-HOLLAND is in the best position to benefit from further growth on commercial vehicle markets. We focus our strategic positioning on three central growth areas in which we see good market opportunities:

__ First growth area: trailer market in North America
For North America, SAF-HOLLAND has an extremely comprehensive product portfolio for the trailer industry. Our objective is to increase our market share in this region to 30% by 2015. In achieving this goal, the key factors for success are the expanded range of integrated axle systems and wider product portfolio with suspension systems. Stricter legal safety standards in the USA could help to leverage growth potential. The Climate Action Plan, introduced by the US government with the aim of reducing the fuel consumption of heavy goods vehicles, could also have a positive impact on growth. As a consequence, the demand for lightweight components will increase which will be of an advantage to SAF-HOLLAND with its range of weight-optimized products.

__ Second growth area: the international Aftermarket business
The global original equipment activities of SAF-HOLLAND are perfectly complemented by the strategically important spare parts business which is largely unaffected by economic fluctuations. It is our objective to increase the Business Unit's share in Group sales to 30% in the medium term. To meet this goal, we have added a second brand to extend our product portfolio and have pushed ahead with the regional expansion of our extensive international sales and service network.

__ Third growth area: the emerging BRIC countries
A key element of SAF-HOLLAND's growth strategy is to increase our market shares in the emerging BRIC countries. The overall economic upturn and expansion of infrastructure has resulted in a drastic increase in transport volumes. To benefit from the associated increase in demand for trucks and semi-trailers, we have strengthened our on-site commitment. Our activities are focused on China and Brazil where we are intensifying regional activities by offering products that are specifically tailored to the country's requirements. The commitment to emerging economies not only allows us to directly leverage the sales potential, it also offers us promising opportunities in the long term. As the vehicle fleet technology standards in the growth regions such as China and Brazil are gradually on the same level as established markets, we can develop its local business upward in terms of quality and increasingly offer premium products.

Strategic investments

SAF-HOLLAND has held roughly one third of the shares in FWI S.A. of France since 2006. The other shares in the joint venture are held by the Safe Group which is a manufacturer producing technical components in cast steel and injection molded plastic for various industrial applications.

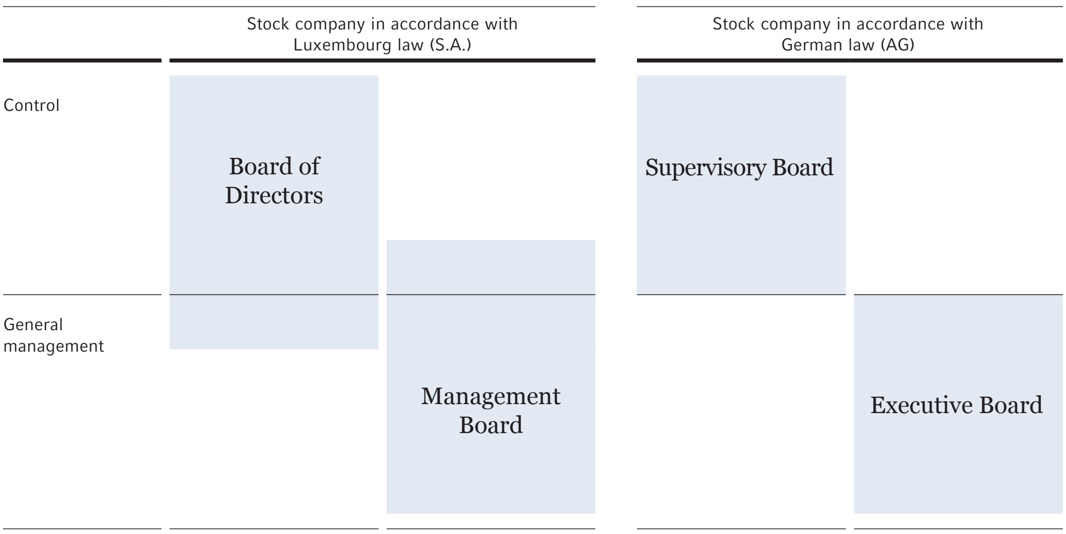
Strategic financing principles

SAF-HOLLAND's financing strategy is set up in such a way that it allows for flexible action in the interest of our growth strategy. A low debt ratio, the long-term securing of the required funding and adequate financing conditions provide an important basis.

MANAGEMENT AND CONTROL

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

MANAGEMENT AND CONTROL UNDER LUXEMBOURG AND GERMAN CORPORATE LAW



Board of Directors

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

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

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

More detailed information on the activities of the Board of Directors can be found in its report on page 9. An overview of the mandates of Board members is provided on page 178 f.

Changes in personnel

As part of the Annual General Meeting of SAF-HOLLAND on April 25, 2013, shareholders elected Dr. Martin Kleinschmitt as the new member of the Board of Directors. He succeeded Ulrich Otto Sauer, who retired from the board as planned after reaching retirement age. Dr. Martin Kleinschmitt is a member of the management board of Noerr Consulting AG which is part of the European law firm Noerr and has been associated with our company for more than ten years. Furthermore, Martina Merz, Chief Executive Officer of Chassis Brakes International, is designated to be member of the Board of Directors and proposed to be appointed for the Board at the Annual General Meeting on April 24, 2014. The Board of Directors mandates of Sam Martin and Richard Muzzy were approved by the shareholders in the 2013 Annual General Meeting and extended until the end of the Annual General Meeting for the financial year 2014. On May 14, 2013 the Board of Directors appointed Sam Martin as Deputy Chairman of the Board. This position was previously held by Ulrich Otto Sauer. Sam Martin has worked for the SAF-HOLLAND Group since 1974 and has been a member of the Board of Directors since 2011.

BOARD OF DIRECTORS AS OF DECEMBER 31, 2013

Bernhard Schneider	Chairman
Sam Martin	Deputy Chairman
Detlef Borghardt	Member
Dr. Martin Kleinschmitt	Member
Anja Kleyboldt	Member
Richard Muzzy	Member

Management Board

The Board of Directors at SAF-HOLLAND has appointed a Management Board. This body is responsible for and steers the operational management of the company. The members of the Management Board are appointed by the Board of Directors. For the purposes of sustainable value creation, the Board of Directors and the Management Board work closely together.

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

More detailed information on the Management Board can be found on page 7.

MANAGEMENT BOARD AS OF DECEMBER 31, 2013

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

Annual General Meeting

The shareholders of SAF-HOLLAND exercise their voting rights at the Annual General Meeting. Each share is granted one vote. The Annual General Meeting takes place each year on the fourth Thursday in April and, thus, within the first six months of the financial year. The Board of Directors presents the annual and consolidated financial statements to the shareholders. The Annual General Meeting decides on the annual financial statements of the SAF-HOLLAND S.A., the appropriation of profits and on ratifying the actions of the members of the Board of Directors as well as those of the external auditor, whom they also appoint. They resolve on changes to the Articles of Incorporation and significant entrepreneurial measures. These include, among other things, the election of the members of the Board of Directors and extension of mandates.

The convening of the Annual General Meeting along with the agenda and relevant documentation is published on the company's website. The significant date for the legitimization of the shareholders is the beginning of the fifteenth day before the Annual General Meeting (record date). Shareholders can exercise their voting rights through an authorized representative of their own choice, a voting rights representative of the company bound by instructions or in writing.

Directors' Dealings

In accordance with Section 15a of the German Securities Trading Act (WpHG), managers of the company are obligated to disclose their own transactions with company shares or derivative financial instruments when the value of the purchase or sale meets or exceeds a total of EUR 5,000 within a calendar year. This obligation also applies to persons who are closely related to the managers. For the 2013 financial year, four Directors' Dealings reports are available. They are published on our homepage under financial news under http://corporate.safholland.com/en/investoren/investor-news/directors-dealings.html.

Main features of the remuneration system

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

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

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

a) Information regarding Article 11 (1) Law (structure of capital) can be found on page 45 of this Annual Report.
b) There are no restrictions on the transfer of shares.
c) In accordance with the requirements of Article 11 (1) c of the Law on Takeovers we present the significant shareholders within the meaning of Directive 2004/109/EG (Transparency Directive) as follows:

Name of the shareholder	Shares [1] [2]	Percentage of voting rights [1]
FMR LLC, Boston, Massachusetts, USA	2,294,277	5.06%
Deutsche Bank AG, Frankfurt, Deutschland	2,767,258	6.10%

[1] As of December 31, 2013.
[2] Total shares SAF-HOLLAND: 45,361,112.

d) There are no shareholders with special control rights.
e) The control rights of any shares issued in connection with employee share plans are exercised directly by the respective employees.
f) There are no restrictions on voting rights.
g) As at December 31, 2013, there are no agreements among the shareholders which are known to the company that could result in restrictions on the transfer of shares or voting rights within the meaning of Directive 2004/109/EG (Transparency Directive).
h) The members of the Board of Directors are appointed and may be dismissed by the General Meeting of the Shareholders duly convened with a simple majority of the shareholders present and voting (meaning 50% of the voting rights present at the General Meeting of the Shareholders plus one vote) in accordance with Article 7.1 and 7.4 in connection with Article 17.10 of the Articles of Incorporation as well as Article 67 (2) of the Luxembourg law of August 10, 1915 on commercial enterprises, as amended. There is no quorum requirement. Any vote of the Annual General Meeting on an item relating to an amendment of the Articles of Incorporation requires a quorum of at least 50% of the share capital and a majority of two thirds of the votes rights represented or present at the meeting.
i) The Board of Directors is equipped with wide-ranging powers for the execution of all administrative tasks in the interests of the company. Information regarding the powers of the Board of Directors to issue and buy back shares can be found in the consolidated financial statements in the "Equity" chapter.
j) There are no important agreements to which the company is a party and which take effect, alter or terminate upon a change of control in the company following a takeover bid.
k) There are no agreements between the company and members of the Board of Directors or employees providing for compensation to members of the Board of Directors or employees in the case of a takeover bid if the employment relationship is terminated without valid reason or due to a takeover offer.

Corporate governance and Declaration of compliance

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

In March 2014, the Board of Directors submitted the following Declaration of Compliance which is permanently available on our website at http://corporate.safholland.com/en/investoren/corporate-governance.html.

Declaration of Compliance with the recommendations of the German Corporate Governance Code

The Board of Directors of SAF-HOLLAND S.A. declares that SAF-HOLLAND has complied and will comply with the recommendations of the Government Commission's German Corporate Governance Code in its version of May 13, 2013 as published by the Federal Ministry of Justice on June 10, 2013 in the German Federal Gazette, taking into account the above-mentioned particularities of its legal structure, with the following exceptions:

- Clause 3.8 of the Code: The liability insurance policies taken out for the Board of Directors do not provide for a deductible. A deductible does not appear necessary to ensure that members of the Board of Directors act responsibly and solely in the interest of the Company.
- Clauses 3.10, 4.2.5, 5.4.6, 6.3 and 7.1.3 of the Code: The Company's annual report does not contain a separate corporate governance report (no. 3.10). As a result there is no section containing disclosures regarding the remuneration of members of the Board of Directors (no. 4.2.5 and 5.4.6) nor are stock option programs and similar securities-based incentive systems of the Company listed (no. 7.1.3). Consequently, no disclosure will continue to be made of the ownership of shares in our Company or related financial instruments by the members of the Board of Directors if these directly or indirectly exceed 1% of the shares issued by our Company; correspondingly, separate disclosure broken down by members of the Board of Directors will not be made if the entire holdings of all members of the Board of Directors exceeds 1% of the shares issued by our Company (no. 6.3). The expenses associated with creating a separate corporate governance report seem unreasonable. Shareholders' need for information is ensured by full compliance with disclosures required by law. Considerations as to why the Company does not comply with individual recommendations of the Code also stem from the reasons for the individual deviations already listed.
- Clause 4.2.3 (2 and 3) as well as clause 5.4.6 of the Code: With the exception of one member, the members of the Board of Directors do not receive performance-related compensation in addition to fixed compensation. The monetary components of remuneration of individual members of the Board of Directors therefore do not include, other than the aforementioned exception, variable components in addition to the fixed components (no. 4.2.3 (2 and 3)).
- Clause 4.2.3 (4) of the Code: Contracts for members of the Board of Directors have a term of up to three years, and as such, payments in the case of service in the boards ending prematurely will not exceed three years' compensation. As a result, the payments may exceed the severance cap of two years' compensation. This is primarily because existing contracts do not yet contain delimitation clauses. 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.
- Clause 4.2.3 (6) of the Code: The Chairman of the Board of Directors will not inform the Annual General Meeting about the main features of the remuneration system and any changes to it.
- Clause 5.3.3 of the Code: The Nomination Committee of the Board of Directors was dissolved. Establishing a Nomination Committee no longer seems appropriate due to the Board's structure.
- Clauses 5.1.2 and 5.4.1 of the Code: The age limit for members of the Board of Directors may not exceed 68 years at the time of the election. The Company reserves the right to make exceptions. A strict age limit appears unreasonable as it does not allow a sufficient conclusion based on the competence and performance of the member.
- Clause 5.4.1 of the Code: The Board of Directors' mid-term plans include the appropriate participation of women; it does not, however, consider concrete goals for its composition appropriate for the purpose of balancing various selection criteria.

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

CORPORATE CONTROLLING

Generally, SAF-HOLLAND seeks to gear its production to demand, combined with strict receivables and supplier management, controlled days of inventory and turnaround times, as well as efficient production.

Internal controlling system

We analyze business development and goal conformity of the operating business as relates to orders received, production, quality, delivery reliability, volume, personnel and investments. The decisive criterion is the profitability of the three Business Units.

SAF-HOLLAND's corporate strategy targets profitable growth and a sustained increase in the enterprise value. Strategic and operative requirements are used for the corresponding control of the Group whereby the objectives fulfilled are monitored based on financial key figures. In the meetings of the Management Board and Board of Directors the scheduled progress is regularly reviewed against the achievement of strategic objectives. The target/actual comparison of the financial key performance indicators is also included.

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

Parameters for Group-wide control

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

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

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

RESEARCH AND DEVELOPMENT

The international growth of SAF-HOLLAND is based on the success of its own technologies. Research and development are of significant strategic importance for our company. The R&D activities are aligned to maximizing benefits for fleet customers. We focus here on two key activities: On the one hand, innovations that address global demand trends, and on the other hand, alterations to adjust existing technologies for regional requirements.

R&D activities oriented to maximizing benefits

Our research and development work is focused on innovations aimed at sustainably increasing transport efficiency. The results of our efforts are products with an excellent market position and a whole series of beneficial features. As long-life lightweight components, they support higher loads which in turn reduce number of tours and conserve fuel. The high-quality products not only guarantee enhanced safety, they also reduce maintenance. The parts also have a low-maintenance design and can be fitted without the use of lubricant. Fleet operators can save on both time and money as their vehicles stay out of the workshop for longer periods. In total, our products offer them a high level of vehicle availability and optimize their total costs of ownership.

The R&D activities of SAF-HOLLAND also support our OEM and end customers to best comply with the new regulatory requirements. The technological solutions are specially developed to meet the growing requirements on safety, climate protection and conservation of resources.

__ International teamwork for innovations
Our international research and development network works closely in centralized and decentralized units. The Advance Engineering department deals extensively with innovative technologies and materials. The findings are used by the New Product Development team. This team is organized into product groups with each responsible for the global implementation of new product ideas in product innovations. In order to tap economies of scale where possible, the development team builds on standard modular components.

Application Engineering at SAF-HOLLAND is responsible for the adjustment of the products and product systems to country-specific circumstances. Adaption development activities are always located locally in the Trailer Systems Business Unit and are both regional and international for Powered Vehicle Systems. Six of our production locations around the world are co-located with research, development and/or testing departments. Due to the decentralized organization, the on-site knowledge of local and regional markets can be implemented directly into product variations. This ensures that our products are always perfectly adapted to the requirements of a country's local customers.

__ Focus on quality assurance
The development activities of SAF-HOLLAND are accompanied by various measures to secure and optimize product quality. These include information technology simulation programs for the evaluation of operating load cases, the implementation of trials at internal and external testing facilities, road tests on test tracks as well as a variety of field tests. The continuous exchange of experiences and information with customers, suppliers and service areas as well as close cooperation with technical universities and testing institutions provide additional data.

Together with research and development activities that are exclusively self-financed, SAF-HOLLAND is funded by the public sector in the context of innovative R&D projects. A current example is a project funded by the Bavarian Ministry of Economics to reduce the weight of vehicle chassis and for which we presented a functional prototype to the Ministry at the end of 2013. As a result, the Ministry for Economics gave the approval for the funding of a follow-up project.

R&D expenses at last year's level

In the 2013 financial year, the expenses for our research and development activities were EUR 18.0 million (previous year: EUR 18.0 million), the same level as the previous year. The R&D ratio was 2.2% following 2.3% from the previous year. The share of capitalized development costs reached EUR 1.1 million (previous year: EUR 1.4 million) which corresponds to 5.8% of the total expenditure for research and development. In the reporting period, depreciation on capitalized development costs totaled EUR 0.3 million (previous year: EUR 0.2 million).

PERIOD OVERVIEW RESEARCH AND DEVELOPMENT

	2013	2012	2011	2010	2009
R&D expenses including capitalized development costs (EUR million)	19.1	19.4	16.1	14.3	12.0
R&D ratio (expenses as a percentage of sales))	2.2	2.3	1.9	2.3	2.9

In 2013, a total of 164 people (previous year: 160) were employed in the development, application engineering and testing areas at SAF-HOLLAND. The patents for new innovations are testimony to our driving innovative force. In 2013, we were able to add 26 new registrations to our portfolio of internationally transacted priority applications. As a priority application is always just the first filing of a patent family, the aforementioned increase was accompanied by numerous related sub-applications or additions.

EMPLOYEES IN DEVELOPMENT, APPLICATION ENGINEERING AND TESTING WORLDWIDE

Convincing R&D results

In the year under review, the R&D activities of SAF-HOLLAND again concentrated on furthering its technological leadership and position as one of the leading suppliers of our industry. We managed to extend our portfolio with new systems and added products for specialized applications. One example being the successful suspension system product line SAF INTRA. It was extended to include the new air suspension system INTRA CD that is ideal for specific transport requirements and poor condition transport routes.

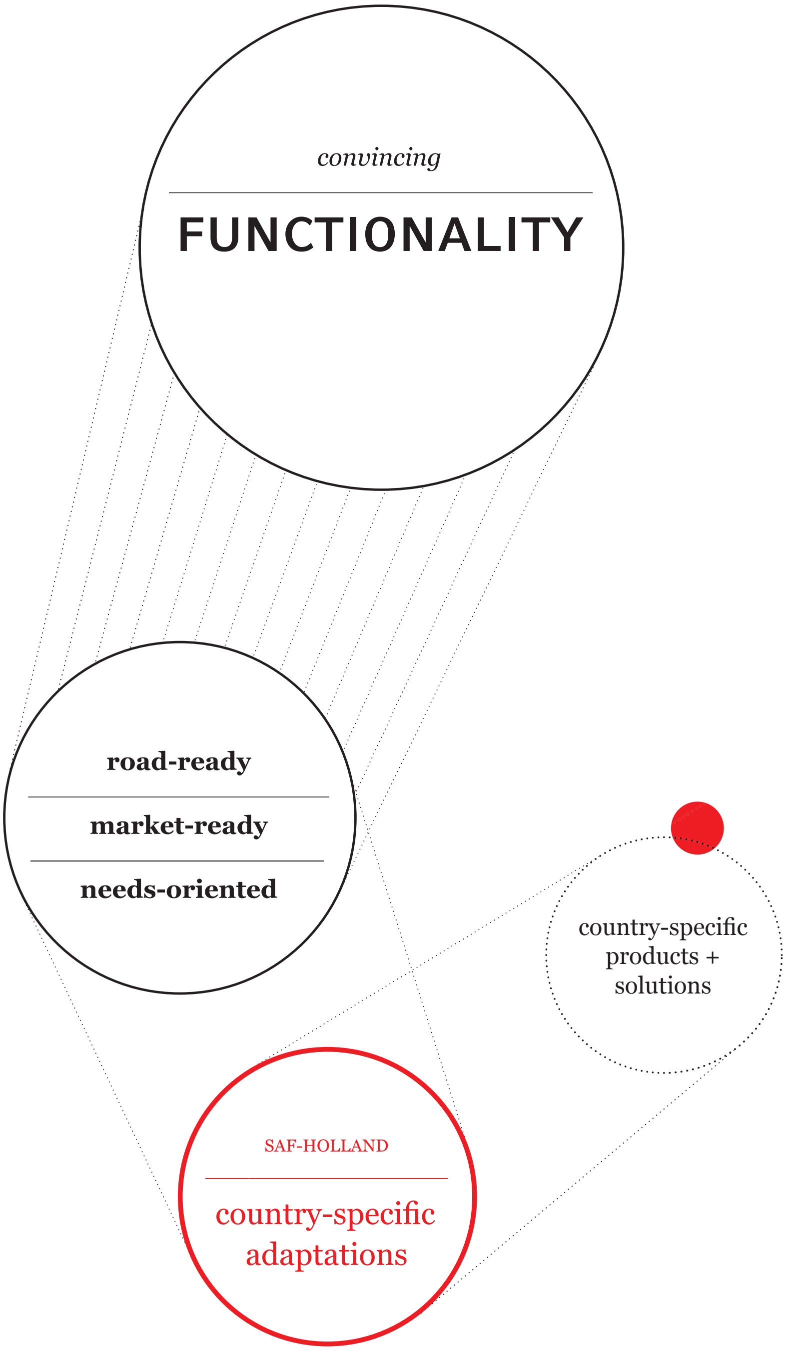
The North American trailer market responded with immediate interest to our new axle and suspension system with the patented Auto-PosiLift® technology. The innovative feature of this system: If an electronic control unit detects that one axle is sufficient for the transport of goods, the front axle of the tandem axles is raised automatically via the air valve system. From a sustainability perspective, fleet operators benefit from the lower fuel consumption and reduced tire wear. A leading international soft drinks producer in the USA was so impressed by the innovation and the associated benefits that it awarded SAF-HOLLAND with the title „Supplier of the year".

A range of success factors

ANYTHING BUT STANDARD

SAF-HOLLAND conceptualizes components and systems that are precisely adapted to meet the circumstances of individual countries. The company expands its portfolio nearly on a daily basis through product adjustments that meet the needs of regional markets. SAF-HOLLAND's first-class technology is combined with local expertise in the process. This ensures product variations that can ideally meet the requirements of customers, authorities and local roads.

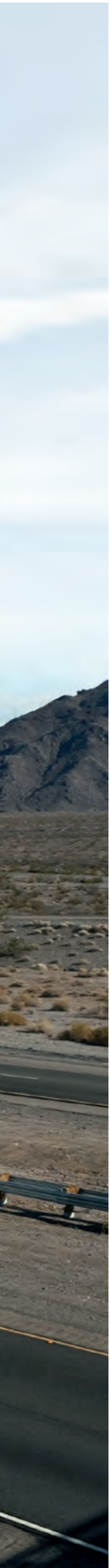
Whether it's the Pennsylvania Turnpike, European route E35 or the Sichuan-Tibet highway: The roads of the world are just as diverse as the demands placed upon the trucks and trailers that transport goods on them. Fleet operators in Europe and North America place top priority on safety and the total costs of ownership. In South Africa and Australia, truck and trailer durability are decisive factors, and emerging markets primarily focus on price in their decision-making. SAF-HOLLAND covers the full spectrum with country-specific product adaptations that are precisely tailored to meet specific needs.

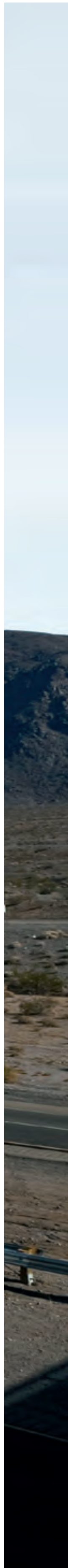


Country-specific. No country is like another. It is not only the road conditions that change, but also approval requirements, usage behavior and the climates in which the trucks and trailers operate. Conditions can even be completely different within a single country, such as in China where modern highways must be managed in addition to country roads in regions that border the Himalayas. For this reason, SAF-HOLLAND does not necessarily offer its entire range of products in individual markets, but rather a geographically diversified range that meets the local requirements in every aspect.

Tailored solutions

Different regions, different requirements: The individual character of SAF-HOLLAND's international end customers is a fixed aspect of the continuous research and development activities. Country-specific components and systems ensure that the company easily meets the various requirements of logistics operators and fleet managers – even in emerging markets.





From the robust square axle for the Chinese market to the fully integrated mechanical axle system in Brazil: SAF-HOLLAND transfers its technological leadership to BRIC countries with products that are precisely tailored to meet the needs of regional logistics industries.

The company relies on flexible solutions for the needs-based alignment of its product range. International customer questionnaires ensure systematic local feedback, while six development centers located across the globe serve to perfect regional expertise. Market proximity results from SAF-HOLLAND's principle of producing products as close as possible to where they are sold. Market expertise is also strengthened by targeted cooperations or mergers with local companies.

Two approaches are primarily taken to achieve geographic diversification of the portfolio. Adaptations and the intercontinental exchange of technology between company locations make up one path taken to ensure regionally appropriate solutions – such as in the transfer of disc brake technology from Europe to North America. The other path consists in completely new developments that take account of the local customers' needs.

The trends and tendencies of individual country markets are meticulously monitored by SAF-HOLLAND. This ensures that changes in customer needs are recognized in advance so they can be addressed at an early stage. Substantial shares of the established markets and impressive growth rates in emerging markets shows: Fleet customers appreciate the consistency of our alignment to their needs and expectations – in Europe and North America as well as in the emerging markets of Asia and South America.

In the Middle Kingdom

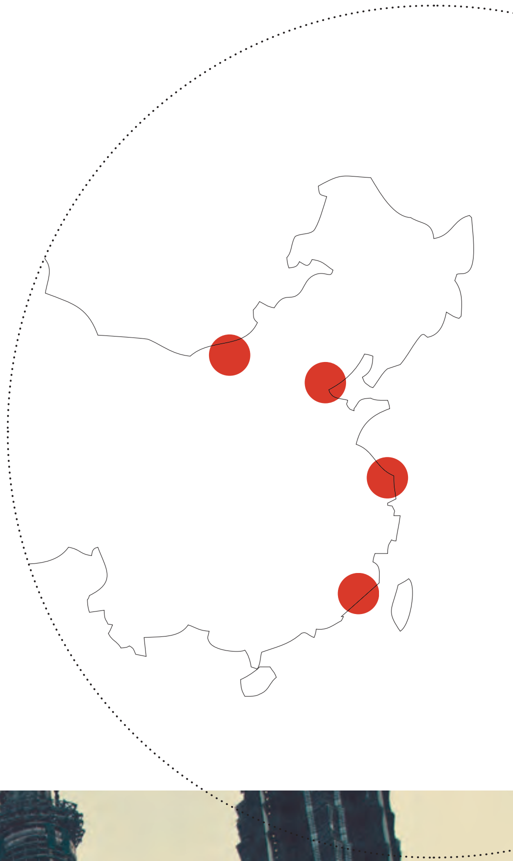
In emerging economies, dynamic economic growth is resulting in strongly rising transport volumes. Road networks are in the process of expansion in parallel to the expansion of infrastructure. Both of these circumstances lead to an increased need for trucks and trailers, but also to more service stations and buses for transportation. Now the world's largest market for commercial vehicles, China stands as a characteristic example of this development.

SAF-HOLLAND has been operationally active in the Middle Kingdom since 2005. The company develops, manufactures and sells locally its product range perfectly attuned to what the country needs. Xiamen in the southeastern Chinese province of Fujian is the home of truck and trailer component production, and the administration of country activities is handled there too. Sales and marketing are managed from Shanghai.

The Chinese market portfolio is primarily made up of landing legs, fifth wheels and axle systems for trailers which increasingly include integrated suspension systems. Until recently, demand centered on simple, low-cost items, yet a rise in requests for more sophisticated technologies is now observable. Accordingly, SAF-HOLLAND has already begun to widen its range by adding enhanced-quality products. According to forecasts, China will move through a relatively rapid technology boom. As early as 2020, modern and premium vehicles are expected to account for 45% of Chinese trucks in use according to the German Automotive Industry Institute (2010: 18%).

In parallel to the expansion of activities for trucks and trailers, SAF-HOLLAND aims to tap into the growing market for bus suspension systems in Asia, starting with China and moving on to other countries in the medium term. The acquisition of Corpco Beijing Technology and Development Co., Ltd. stands as a substantial step in this direction. Corpco specializes in the production and sale of bus suspension systems. The company has been a licensee of SAF-HOLLAND's NEWAY brand of suspension systems for over ten years. These favorable conditions will be put to good use. Favorable conditions that include an international support team of specialists in sales and application development. These specialists systematically analyze the demand profile of fleet operators and accordingly adapt the Corpco and NEWAY products for the market resulting in a needs-appropriate diversification that effectively accelerates customers' success.

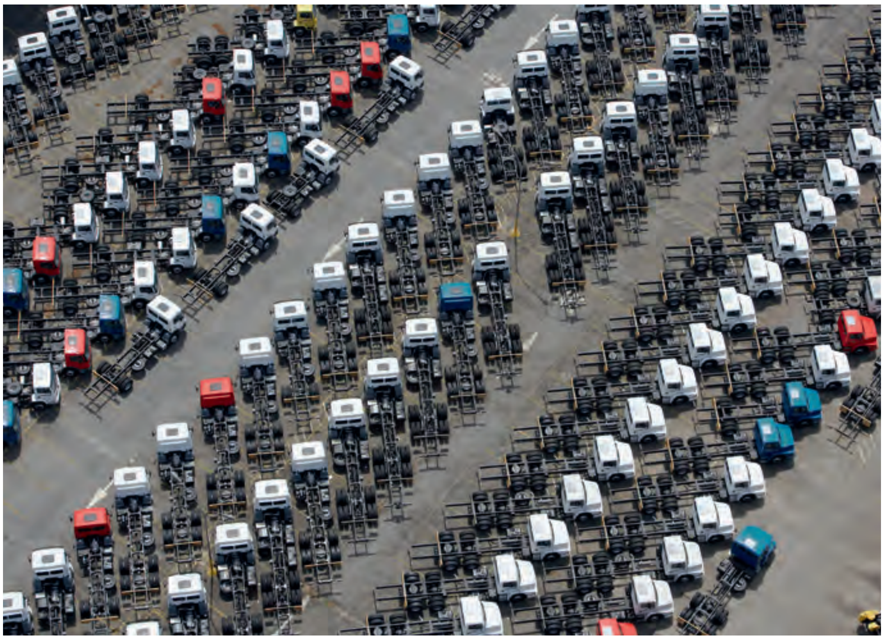
Good connections. Transport by bus plays a major role in the megacities of emerging markets. Beijing alone can boast more than 20 million public transport users on any given day riding the city's 15 subway and 2,080 bus lines.



At home all over the world

Establishing the widest possible footprint in new regions and the deeper penetration of established markets represent two sides of the same coin: The achievement of these two strategic objectives rests upon the competence of SAF-HOLLAND in consistently adjusting its products to meet country-specific needs. A strength which allows the company to act quickly and flexibly in BRIC countries even when customer demands move increasingly towards more high-quality products.

Crossing borders. The success achieved in entering the BRIC country markets will serve as a model for the future. SAF-HOLLAND has accordingly defined one of its five strategic pillars to support the objective of increasing the EBIT margin of the Trailer Systems Business Unit by 2015: the establishment of additional new markets that were previously not the subject of focus. These primarily include Asian and East European markets, as well as Central and South American.



WITH THE MARKET TO THE TOP

SAF-HOLLAND reels in the sales potential of the future markets in two stages: First, the company is present with a portfolio that meets current demands. As the markets develop in favor of greater quality, the product ranges are then increasingly enhanced by more sophisticated products.

Companies that wish to set economic standards must make precise market calculations – and repeat the process for every country. In order to realize additional sales potential of around EUR 100 million outside of Europe and North America in the medium term, SAF-HOLLAND focuses on products that precisely meet the needs of fleet customers, even in emerging markets. Market-appropriate components for trucks and trailers that meet local demands with proven technology at the lowest possible cost create loyalty at an early stage within the company's markets.

SAF-HOLLAND's expansion strategy is confirmed by recent success: With strong, double-digit sales growth, the new markets are contributing to the company's total sales with growing strength. Looking to the rapid growth of BRIC countries' share in the global market of up to 64% by 2020, the goals for the future are far more ambitious. According to OECD estimates, transport may increase five-fold in the four largest emerging markets by 2050. This and the continued development in the quantity and quality of traffic infrastructure go hand in hand with drawing nearer to customer demands in the established markets.

SAF-HOLLAND meets the demand for higher quality products in China with the transfer of its technologies and solutions long established in Europe and North America. A similar course is also underway in Brazil. The South American country is ensuring that the extent and quality of the transport infrastructure will meet growing transport volumes by means of extensive public investment. The improved quality of the Brazilian road network will generate growth in demand for higher quality technological solutions for trucks and trailers – a development that benefits SAF-HOLLAND.

SAF-HOLLAND ON THE CAPITAL MARKET

OVERVIEW SHARE PRICE DEVELOPMENT

German shares still in demand

The German stock market experienced a dynamic upswing in 2013. In the course of the trading year, the DAX reached multiple new record levels. To kick off, in early March the German blue-chip index climbed above the 8,000-point mark for the first time in five years. After a brief consolidation, from the middle of the year it rose strongly once again and in November jumped to an all time high above the threshold of 9,000 points. At the end of the year the DAX closed with 9,552.16 points – an increase by 25.5% compared to the previous year.

The stock markets also showed good growth rates in many other countries in 2013. For example the EURO STOXX 50 climbed 17.9% in the reporting year; the US Dow Jones achieved an annual increase of 26.5%. The international impetus for share prices was mainly the combination of expansionary monetary policy, low interest rates and improved economic prospects. Against this background, as part of their investment decisions, more and more investors decided to change from government bonds and commodities to shares.

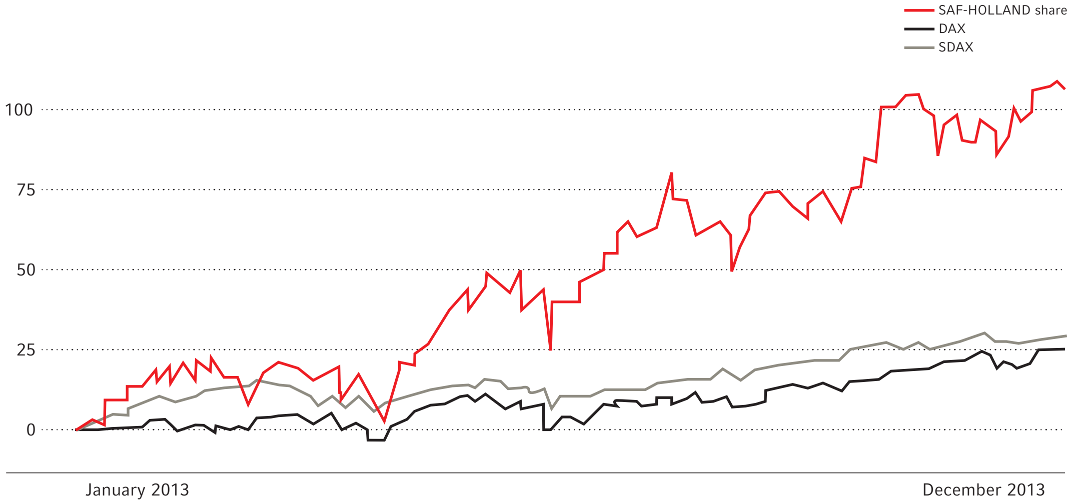
SAF-HOLLAND share price more than doubled

Whereas primarily DAX shares benefited from investor interest in German shares in the previous year, other shares followed in 2013. This was also reflected in the SDAX. This index, which includes our share, moved steadily upwards in the reporting year. It increased significantly in the second half of the year in particular, reaching a new all-time high in October. With a year-end figure of 6,788.79 points, the SDAX achieved a total increase of 29.3% in 2013.

The SAF-HOLLAND share recorded an even better annual performance than the DAX and SDAX. After an initial increase at the beginning of the year, the price leveled out for the most part. It corresponded to the general market trend, which in the spring was dominated by discussions about the Cyprus bailout, the prospect of a less accommodating monetary policy from the US Federal Reserve and worries about liquidity bottlenecks in Chinese banks.

From mid-April, the SAF-HOLLAND share price climbed again sharply and in the following months showed much stronger percentage growth than the DAX and SDAX. On December 27, 2013 the share price reached its annual high of EUR 10.91 (previous year: EUR 6.82). The share ended the year with a closing price of EUR 10.81 (previous year: EUR 5.24) thereby achieving an increase of 106.3% over the year (previous year: 47.2%). Due to the significant growth, SAF-HOLLAND's market capitalization increased from the prior-year level to EUR 490.4 million (previous year: EUR 237.7 million).

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

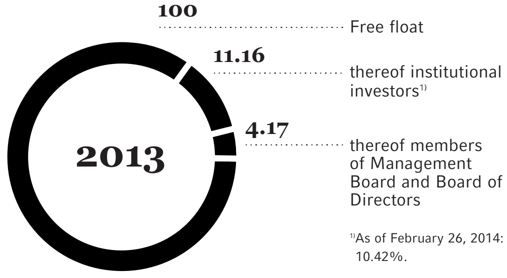


100% free float

SAF-HOLLAND's share is listed on the regulated market of the Frankfurt Stock Exchange. It meets the strict transparency criteria of the Prime Standard of the German Stock Exchange and has been a component of the SDAX index since 2010. The average trading volume in the reporting year amounted to 216,447 shares per trading day (previous year: 421,673 shares).

The free float of our share is 100%. Significant positions are held by institutional investors. These include, among others, investment companies from the USA, the United Kingdom and Germany. The US investor FMR LLC, Boston, Massachusetts, informed us on April 15, 2013 that it held 5.06% of SAF-HOLLAND shares. This corresponds to 2,294,277 voting rights. On November 28, 2013, we received notice from Deutsche Bank AG, Frankfurt, of the ownership of 6.10% of our shares, which is associated with 2,767,258 votes. On January 9, 2014, Deutsche Bank informed us that on January 2, 2014, its voting share fell below the 5% mark. On February 26, 2014, Deutsche Bank informed us that its voting share with 5.36% (2,430,473 votes) has exceeded again the 5% mark. By the end of the year the members of the Management Board and the Board of Directors of SAF-HOLLAND owned around 4.2% of the shares of the company (previous year: 4.8%).

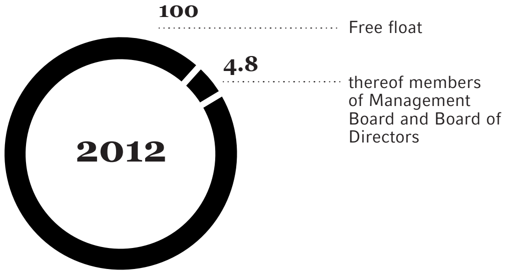
SHAREHOLDER STRUCTURE 2013 in %



[1] As of February 26, 2014: 10.42%.

As of December 31, 2013

SHAREHOLDER STRUCTURE 2012 in %



As of December 31, 2012

Analyst ratings nearly all positive

SAF-HOLLAND is regularly analyzed by several banks and brokers. They produce studies on the business and evaluate our share. During the year, the number of analysts increased and now includes Hauck & Aufhäuser Institutional Research AG, Bankhaus Lampe KG and Close Brothers Seydler Bank AG. This widened the coverage of SAF-HOLLAND once again which fortunately pushes the share even more into the focus of private and institutional investors. At the time of publication of this annual report, seven analysts estimates were on „buy" with one on "sell" and one on "hold".

CURRENT ANALYST ESTIMATES

March 4, 2014	Kepler Cheuvreux	buy
March 3, 2014	Commerzbank AG	hold
February 27, 2014	Hauck & Aufhäuser Institutional Research AG	buy
December 16, 2013	Equinet Bank AG	buy
December 12, 2013	Bankhaus Lampe KG	buy
November 28, 2013	Close Brothers Seydler Bank AG	buy
October 11, 2013	Deutsche Bank AG	buy
September 16, 2013	Montega AG	sell
August 8, 2013	Steubing AG	buy

Recommendation for payment of a dividend

SAF-HOLLAND is committed to allowing our shareholders to participate in the success of the company by paying out 40 to 50% of the available net earnings as a dividend. The condition for the dividend payment is an equity ratio of about 40% reported in the annual financial statements. As this target was achieved during the reporting year, the Board of Directors proposes to the Annual General Meeting the distribution of a dividend of EUR 0.27 per share which corresponds to an amount of EUR 12.2 million and a share of 50% of the result for the period. This would result in a dividend yield of 2.5%. Subject to the resolution of the Annual General Meeting, the dividend will be paid on April 25, 2014.

SHARE DETAILS

WKN / ISIN	A0MU70 / LU0307018795
Stock exchange symbol	SFQ
Number of shares	45,361,112 shares
Designated sponsors	Commerzbank AG, Close Brothers Seydler Bank AG, Kepler Cheuvreux
Highest/lowest price for the year[1]	EUR 10.91 / EUR 5.32
Closing price at end of year[1]	EUR 10.81
Market capitalization	EUR 490.4 million
Adjusted earnings per share[2]	EUR 0.63

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

CORPORATE BOND OVERVIEW

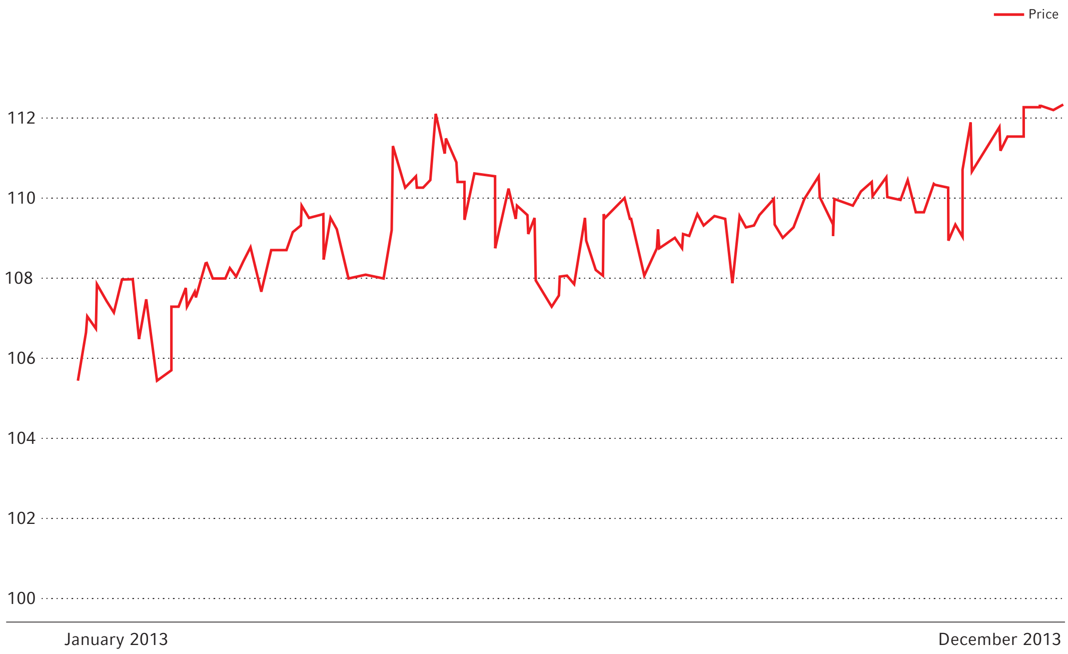
Corporate bonds still in demand

In 2013 the bond market was once again affected by the central bank policies. The continued expansionary monetary policy of the central banks enabled low interest rates to continue. However, signs increasingly pointed to the end of market intervention through purchases, which fueled expectations of rising interest rates. In early summer, in particular, speculation that the US Federal Reserve Bank may change its monetary policy led to bond sales and declining prices on the bond market. The prospect of rising interest rates placed particular pressure on government bonds. Corporate bonds on the other hand gained in stature as an attractive alternative and continued to be well rated. The European corporate bonds also benefited from the general economic recovery and growing consumer demand.

Corporate bond with attractive returns

SAF-HOLLAND's corporate bond has an investment grade credit rating of BBB, with a stable outlook. At the beginning of 2013, the bond was trading at a price of 105.5%. In the following months the bond showed especially positive development. With a closing price at the end of the year of 112.4%, it reached an above-average increase of around 7% during the year. Bonds from European companies, which are not active in the financial sector and are also graded BBB, in contrast achieved an average price growth of 4.4%.

DEVELOPMENT OF THE SAF-HOLLAND CORPORATE BOND PRICE in %



Our corporate bond is listed in the Prime Standard for corporate bonds. This premium segment of the Frankfurt Stock Exchange guarantees investors a high level of transparency and tradability of the bond. The total nominal value of the bond amounts to EUR 75.0 million in a private investor-friendly denomination of EUR 1,000. The bond has an interest coupon of 7.00% and a maturity until April 26, 2018.

Corporate credit rating improves again

Even before the issue of our bond in the fall of 2012, the rating agency Euler Hermes had carried out an evaluation of SAF-HOLLAND's credit standing and sustainability. This rating which lies within the investment grade range was upgraded in September 2013 again: After a further detailed evaluation, Euler Hermes raised its rating from BBB- to BBB, describing the twelve-month outlook as stable. Further information about the company rating and the reasons for the increase can be found on page 64 of the Management Report.

KEY FIGURES FOR THE CORPORATE BOND

WKN	A1HA97
ISIN	DE000A1HA979
Volume	EUR 75.0 million
Denomination	EUR 1,000
Coupon	7.00% p.a.
Interest date	April 26
Term	5.5 years
Maturity	April 26, 2018
Bond segment	Prime Standard
Exchange	Frankfurt
Status	Not subordinate
Company rating	BBB, outlook stable (Euler Hermes)
Closing price at end of year[1]	112.35%

[1] Closing price Frankfurt Stock Exchange.

INVESTOR RELATIONS AND CAPITAL MARKET RELATIONSHIPS

Financial communications further expanded in Europe and overseas

SAF-HOLLAND's investor relations activities focus on providing timely and comprehensive information to investors and analysts. As part of our open dialogue with the capital market stakeholders, we explain the ongoing business development and international growth strategy of the company.

SAF-HOLLAND intensively participated in roadshows and in investor conferences in Germany and abroad. The focus was on presentations in Germany, France, the United Kingdom, Italy, Switzerland and the USA. This year's Capital Markets Day was held on December 10, 2013 in Frankfurt and many investors and analysts accepted the company's invitation. The whole Management Board reported extensively on the development and strategies in all Business Units as well as in their respective areas of responsibility. Our capital market activities were complemented by a number of conference calls and individual meetings with investors and analysts.

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

Direct communications

At the 2013 Capital Markets Day in Germany's financial center Frankfurt, SAF-HOLLAND provided its shareholders, investors and analysts up-to-date and first-hand information.

The annual conference has established itself as a fixed event in the schedules of many analysts and institutional investors. Participants once again took advantage of the opportunity to speak to the company's management in person. The management team's presentations and talks were positively received by guests at the very well attended conference. This could also be seen over the following days in the upward progression of our share price and the corporate bond. SAF-HOLLAND's next Capital Markets Day will be held in autumn 2014 on the occasion of the IAA Commercial Vehicles international trade fair in Hanover, Germany.

In dialogue. After presentations of the business development and strategic alignment, the management team and the Investor Relations department were open for questions and discussions.

Together on the path to success

COOPERATION IN A SPIRIT OF PARTNERSHIP

Products, components and systems from SAF-HOLLAND are consistently geared to the needs of the fleet operator. Fleet customer focus has the highest priority throughout the company. Many employees and the top management alike, including the Management Board, have long been onboard – a good basis for in-depth knowledge of the transportation industry and strong relationships with a broad, global customer base.

If you want to offer practical solutions, you need to know exactly what fleet customers, the end users of SAF-HOLLAND, want and need. This is very difficult to determine from a distance. Personal conversations, close contacts and making an honest effort to see the customer's business through their eyes are much more effective approaches. SAF-HOLLAND goes directly to the fleet managers and asks what their needs are. Fleet customer focus of this kind is a key success factor – for SAF-HOLLAND and for EURO-Leasing / MAN Rental, one of the largest commercial vehicle rental companies in Europe.

performance-enhancing

PARTNERSHIP

EURO-Leasing/
MAN Rental

Sittensen, Germany

»Our goal is to provide effective support so that the transport operators in Europe remain continuously on course for success.«

fleet customer focus + industry knowledge

With modern, environmentally friendly vehicles and pioneering service elements, we guarantee our rental customers the highest mobility and vehicle availability, optimal fleet management and make them fit for competition.

Marco Reichwein,
CEO of EURO-Leasing GmbH

COOPERATION IN A SPIRIT OF PARTNERSHIP

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Success for rent. Whether for peak order periods or seasonal business: If transport capacity must be expanded quickly and flexibly, rental vehicles are often the first choice. One of Europe's leading truck rental companies and specialists for fleet management is EURO-Leasing GmbH, founded in 1997 and based in Sittensen in the north of Germany. The company, which belongs to utility vehicles manufacturer MAN, rents out both tractors and semi-trailers as well as special vehicles under the brands EURO-Leasing and MAN Rental. The concept is characterized by the combination of modern rental fleets with flexible rental options, exceptional services and pan-European service structures.

performance-enhancing

PARTNERSHIP

end customer focus + industry knowledge

EURO-Leasing / MAN Rental has 13,000 units in its inventory for short-term or long-term rental. The tractors, semi-trailers and special vehicles are all premium class. The right vehicle is available for every application. There are semi-trailers with tilting beds, box bodies and curtain sides, as well as push floors and swap bodies. There are a number of value added services that make up an integral part of the service concept, such as a service network of workshops across Europe which provides a 24-hour mobility guarantee.

COOPERATION IN A SPIRIT OF PARTNERSHIP

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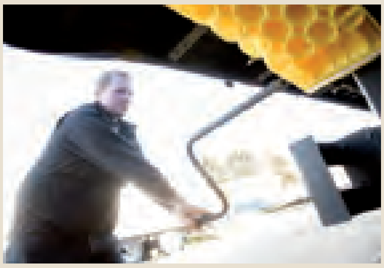
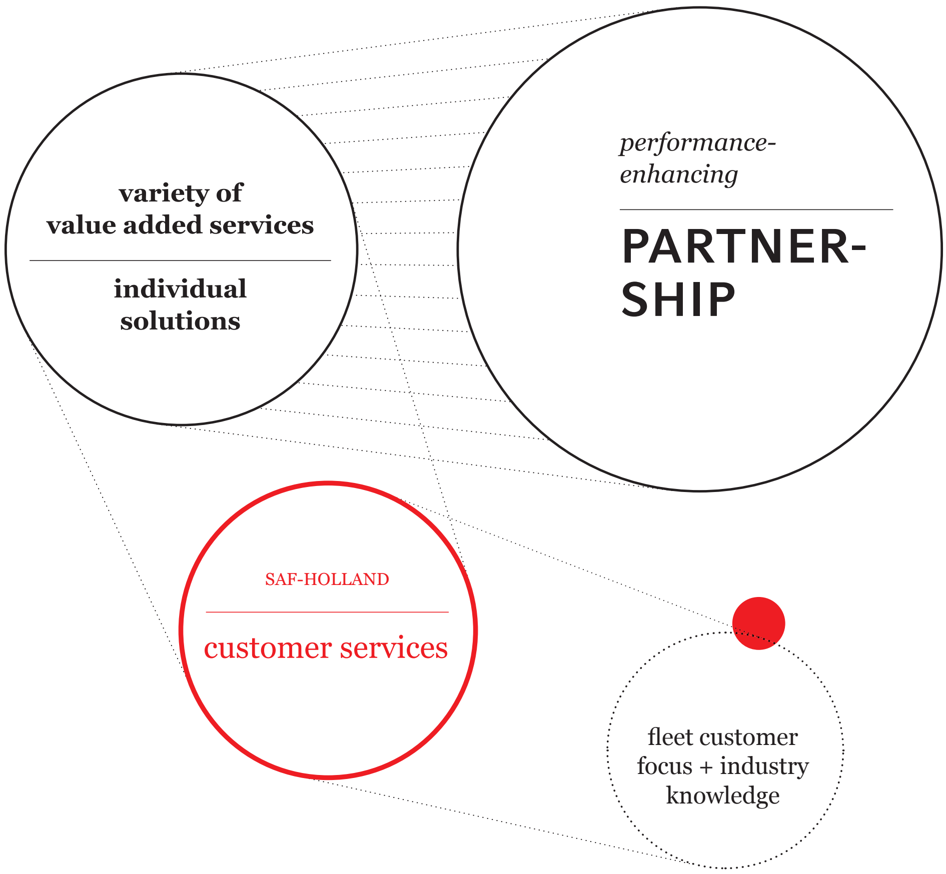
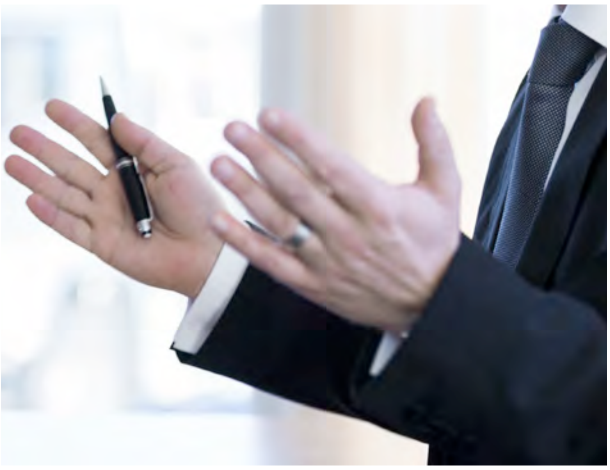



variety of
value added services
individual
solutions
performance-
enhancing
PARTNER-
SHIP
SAF-HOLLAND
customer services
fleet customer
focus + industry
knowledge

What customers want

EURO-Leasing / MAN Rental is one of the best addresses in the field of European commercial vehicle hire. Marco Reichwein, Chief Executive, talks about customer wishes, customer requirements and customer focus as a success factor.



EURO-Leasing / MAN Rental is one of Europe's leading full-service providers for fleet management. Rental and service structures are currently being built up in Europe starting from the German hub.

EURO-Leasing / MAN Rental trusts axles and suspension systems from SAF-HOLLAND.

Mr. Reichwein, fleet operators often configure their vehicles with selected components from specific suppliers. Is this also the case for your company?
___________ Yes, at least for important components such as axles and brakes, we have a limited number of selected suppliers. We don't have any exclusive suppliers, however.

What are the key criteria for you when equipping your vehicles?
___________ We have defined our standard fittings based on customer requirements. We always look for maximum application flexibility and observe current challenges, such as the rapidly growing use of telematics for example.

You equip your fleets with SAF-HOLLAND products. Why?
___________ SAF-HOLLAND has been with us since our launch in 1998. For more than fifteen years, we have had very good experiences with SAF-HOLLAND components. The products are very popular with our rental customers. SAF-HOLLAND is one of the premium manufacturers whose global service extends across the whole of Europe and even beyond. This is a very important prerequisite to ensure our vehicles can be readily operated internationally.

What must vehicles definitely be able to achieve in order to meet the requirements of fleet operators?
___________ Maximum loading capacity at peak utilization with minimum maintenance and repair costs. Downtime must be reduced to the minimum, this is especially true for unplanned stops.

You are the owner of a fleet, but you don't work in the transport business yourself. How important is it for you to think and work in a customer focused way?
___________ It's vital for survival because our customers operate in a field that is difficult both economically and in terms of transport policies. Customer focus is our first priority, because this is the only way we as a service provider can create added value for our clientele. All activities at EURO-Leasing / MAN Rental are oriented around the customer.

How important are personal customer contacts for business success?
___________ As a trendsetter in commercial vehicle hire, we have always been very close to the customer, not least through our Germany-wide regional offices. With intensive personal care and communicative exchanges, we can recognize our customers' urgent and future requirements and develop customized solutions.

»In order to really understand the customers and develop innovative solutions for the future, personal contacts have been and will remain the key to success.«

»Having a trusting relationship with the supplier is one of the most important criteria for fleet customers.«

Long-term partnerships

Customer focus and industry knowledge are essential requirements for a market oriented service spectrum. However, to form successful long-term customer relationships, more is needed. Jack Gisinger, who has been at SAF-HOLLAND for 33 years, talks about continuity, strong customer focus and the benefits of networked relationships.

JACK GISINGER

is a member of the SAF-HOLLAND Management Board, President of the Powered Vehicle Systems Business Unit.

It is often said that senior managers rarely, if ever, visit customers. What's it like at your company, Mr. Gisinger?

__________ I believe we hold ourselves to a different standard. Every year I visit many customers, both OEM and fleet operators. In addition, meetings are arranged at industry events, i.e. at major trade fairs or exhibitions.

What do fleet customers gain from good connections to the supply companies?

__________ Having a trusting relationship with the supplier is one of the most important criteria for fleet customers. For good reason: If the supplier is uncompromisingly customer-focused, they will also address individual needs quickly and provide solutions. For example, if a fleet customer needs a special fifth wheel coupling, he can be sure that we will provide it – either through our wide range of products or by modifying a model so that it matches the specific requirements of the customer.

You've been with SAF-HOLLAND for more than 30 years. What distinguishes the company as a partner of the fleet operators?

__________ In my view, five main points: contacts at all levels of the fleet organization; reliable service in every conceivable situation; assistance in the implementation of special requests relating to our products; active partnership support; and the availability of spare parts anywhere and anytime. This means that we make suggestions in line with our customers, for example in terms of efficiency, safety or training.

Is personal customer contact becoming more important or is it losing its meaning in the digital age?

__________ The digital age provides the ability to stay in constant contact and to keep track of continuously changing customer needs. But face-to-face conversations and personal relationships still remain the essential foundations for a successful, long-term partnership.

Are there clients whom you have been in contact with for decades?

__________ There are definitely ongoing connections that have now lasted for years. The heavy commercial transportation industry here is a relatively small community and people do not tend to leave it.

Are good customer relations a particular strength of SAF-HOLLAND?

__________ Excellent customer relationships are the basis on which SAF-HOLLAND was built. We take customers seriously. Outstanding service was and is our number one goal.

At the heart of the industry

Ongoing dialogue and constant exchange of information with customers are essential components of the management philosophy for SAF-HOLLAND. The close links with the broad customer base promotes a service and product range that, with special practical orientation, sharpens and focuses the secure vision for future market developments.

Even the emergence of today’s SAF-HOLLAND from the transatlantic merger of corporate groups SAF and Holland in 2006 illustrates a key strength of the company: international alignment with fixed integration in the core markets of the industry. From more than 100 years of history in Europe and North America respectively, SAF-HOLLAND has created an industry-unique network to all players in the industry. Operators of small and large fleets are included in this, as are the manufacturers of trucks and trailers.

The company places strong emphasis on trusting cooperation with several hundred manufacturers of trailers and semi-trailers as well as almost all truck manufacturers. In all business areas and at almost all corporate levels, SAF-HOLLAND fosters continuous contact with customers that extends far deeper than just regular surveys.

Also in relation to management, continuity is a key characteristic. All members of the Management Board have been in the company for a long time. So it is no coincidence that SAF-HOLLAND has distinguished itself for years by the accurate identification of trends and having a steady hand in the assessment of the overall markets.

CONSISTENT CUSTOMER FOCUS

Even for the standard products, the SAF-HOLLAND range stands out through diversity and its focus on market-specific requirements. Providing individual solutions does the rest: The technological competence of the company ensures that products meet the special requirements of our customers.

FINANCIAL POSITION AND FINANCIAL PERFORMANCE

GENERAL FRAMEWORK CONDITIONS

Overall economic development

The global economy rallied in the second half of 2013; viewed as a whole, however, the growth rate remained low for the year. According to the Kiel Institute for the World Economy (IfW), global production presumably increased in the reporting period by 2.9% compared with growth of 3.1% in the previous year. Global trade also started to pick up towards the end of the year, but its development remained weak with growth of 2.7%.

__ Europe: breaking away from recession
The measures for overcoming the sovereign debt crisis are gradually starting to bear fruit in the Euro zone: From the second quarter of 2013, overall economic production was back on the rise thereby putting an end to an 18-month recession period. As a result of the initial modest nature of the economic upturn, the gross domestic product (GDP) for the full year remained in the negative area but was less pronounced than in the previous year. With expected GDP growth of 0.4% according to IfW, Germany once again counted among the countries with above-average economic growth.

__ North America: accelerated growth in second half of the year
The United States made progress in balancing private household debt. This, however, was still opposed by insecurity surrounding the financial policy and relating to the clash of the political parties on the US government budget. For the full year 2013, IfW expects GDP growth of 1.6%.

__ BRIC countries: high growth rates persist in China
In 2013, growth in the emerging markets was again dampened by the reduced demand of advanced economies. Added to this were a number of local economy difficulties and adverse effects from financial markets according to the IfW. The most important BRIC countries for SAF-HOLLAND showed varying economic activity. Russia experienced one of its lowest GDP growth rates in the past 15 years. In Brazil, on the other hand, GDP increased substantially and India recorded a slightly improved growth rate. China was still in the lead of these countries expanding its economic output in the reporting year by 7.5% as compared to the previous year according to IfW.

ECONOMIC GROWTH 2013 IN IMPORTANT MARKETS

	2013	2012
European Union	0.0%	-0.3% [1]
Euro zone	-0.4%	-0.7%
Germany	0.4%	0.7% [1]
United States	1.6%	2.8%
Brazil	2.0%	0.9%
Russia	1.5%	3.4%
India	4.0%	3.7%
China	7.5%	7.8%

[1] Joint Economic Forecast Project Group (October 2012)

Source: Institute for the World Economy IfW (December 2013)

Industry-specific development

The global truck market is expected to have seen stronger growth than the global economy in 2013. Frost & Sullivan calculates growth of 3.6% for heavy trucks as compared to 2012 with growth of 5.6% for medium duty vehicles.

__ Europe: commercial vehicles market on the road to recovery

The European commercial vehicles market developed well in 2013: In the second half of the year, the number of new registrations in every month except August was higher than the figures of the prior year. Heavy trucks over 16 tons made particularly noticeable gains and more than made up for the backlog accumulated in the first half of the year. For the full-year 2013, the number of new European vehicle registrations in this segment increased by 8.6% as compared to 2012. For medium and heavy duty trucks, the number of new vehicle registrations increased to 304,333 units, according to the calculations of industry association ACEA, which represents an increase of 6.2% on the previous year.

The increase in new vehicle registrations was especially dramatic in December. This indicates that the market benefited from pre-buy effects in anticipation of the Euro 6 emmission standard. Since the beginning of 2014, this strict European exhaust regulation affects all newly registered heavy trucks. The strong growth at the end of 2013 could thereby result in weaker sales at the beginning of the current year. According to the manufacturers' association VDIK, approximately one third of newly registered heavy commercial vehicles in Germany fulfilled the Euro 6 standard in early December 2013.

__ North America: market development weaker than expected

Following high growth rates in the previous years, the 2013 North American market experienced a lull in growth. In the trailer segment, the number of trailers supplied once again increased slightly by 1.2% as compared to 2012. The truck market was in decline, even more so than initially expected. According to ACT Research, the production of class 8 trucks decreased by 11.1% as compared to the previous year. A decrease of 4.9% had been anticipated as compared to 2012 at the beginning of the reporting year. Primarily contributing to the weak development of sales were uncertainties in relation to the financing of the US government budget. This was in addition to the reduced public spending policy and delayed orders as a result of the government shutdown.

The general upward trend in the North American market can be viewed as positive. The production figures are expected to improve sharply within the current year. Signs of this appeared towards the end of 2013 with the number of class 8 trucks increasing by 50% in December as compared to the same month of the previous year. The number of orders received per month also achieved more than 30,000 vehicles for the first time since April 2011.

__ BRIC countries: strong growth rates in Brazil and China

Demand continued to rise in Brazil as expected. According to industry association Anfavea, the number of newly registered trucks increased by just over 11% in the year-on-year comparison. Demand for higher weight classes was above average: With a total of 116,894 units, 18% more medium and heavy duty trucks were registered as in the previous year. For the Russian commercial vehicles market, the VDA expects an increase of 1% to 148,000 units of medium and heavy duty vehicles as compared to 2012. Interest in high quality technologies was also on the rise: In the heavy duty segment over 15 tons, one in every eight trucks is now a German brand. The Indian commercial vehicles market remained weak. For the financial year ending in March 2014, the producers' association SIAM expects a decrease in production of 10% as compared to 2012/2013. The market in China, however, began to pick up speed after a two-year lull. In the truck segment, sales volumes increased by nearly 6% to 3.5 million units as compared to the previous year. Vehicles in the higher weight classes were also in strong demand with sales figures increasing by just under 22% as compared to the prior year.

OVERVIEW OF BUSINESS DEVELOPMENT

Increase in adjusted EBIT despite slight decrease in sales

SAF-HOLLAND recorded more dynamic development of the business over the course of 2013. Following a slow start to the year, sales volume increased noticeably in the second quarter both in North America and Europe as well as in other regions. With the beginning of the second half of the year, the upwards trend slowed down particularly due to unfavorable conditions in North America. Restraint of the public sector to award orders was predominately noteworthy in the fourth quarter of 2013 as well as a decreased willingness to invest among private-sector clients. Negative exchange rate effects related to the conversion of sales from US dollar to euro also burdened the sales situation.

A more positive second half of the year was recorded in Europe where the market saw a turnaround in the middle of the year. As a result of rising demand, we recorded a substantial increase in orders received. The sales increase generated in Europe and regions outside of our core markets was largely, but not completely, able to compensate for the lower sales of the North American business. In total, SAF-HOLLAND generated Group sales of EUR 857.0 million (previous year: EUR 859.6 million). Adjusted for exchange rate effects, total sales in the reporting year amounted to EUR 869.7 million. Further progress was recorded in earnings. Adjusted EBIT rose to EUR 59.3 million in the Group (previous year: EUR 58.2 million); the adjusted EBIT margin slightly increased to 6.9% (previous year: 6.8%).

Targets achieved 2013

As a consequence of our activities for the improvement of the equity ratio, we announced in 2011 that SAF-HOLLAND plans to resume dividend payments on the medium term and shall strive to distribute 40 to 50% of available net earnings as dividends. The condition for dividend payment was defined as an equity ratio of about 40% reported in the annual financial statements. We achieved this ratio in the reporting year. The Board of Directors therefore proposes to the 2013 Annual General Meeting the distribution of a dividend of EUR 0.27 per share. This corresponds to a distribution amount of EUR 12.2 million and a 50% share of the available net earnings.

With respect to the reporting year at the beginning of 2013, SAF-HOLLAND had expected a weaker first half and stronger development of business in the second half. This assumption was based on the expected slow recovery in the European market in the second half of the year. For North America, we anticipated increasing sales volumes in the second half of the year.

The European market dynamic increased as expected. The demand, which primarily increased starting from October, substantially expanded our order backlog and, in part, generated sales within the reporting year. The market in North America, however, did not develop as expected. The North American market is generally moving in the positive direction, but the lull in growth was nevertheless longer and more pronounced than generally expected owing to uncertainties with relation to the national budget and government shutdown in the USA.

In retrospect, the expectations of the outlook were only fulfilled in part. In addition to the above, unusually strong currency effects related to the conversion of sales from US dollar to euro burdened SAF-HOLLAND's 2013 Group sales in the amount of EUR 12.7 million. Against this backdrop, it was not possible to achieve our target of generating total sales of at least EUR 875 million in financial year 2013.

CURRENCIES: LOSS AGAINST THE EURO (2013)[1]

North America	
US dollar	-3.2%
Canadian dollar	-6.0%

[1] Average rates of financial year 2012 versus financial year 2013.

The target for the adjusted EBIT margin was reached during the reporting year: SAF-HOLLAND achieved an adjusted EBIT margin of 6.9% for the Group in 2013. The goal was to reach an adjusted EBIT margin of at least 6.8%. However, on the earnings side, SAF-HOLLAND set the target of an adjusted EBIT of at least EUR 60 million for the Group in 2013. Adjusted EBIT increased to EUR 59.3 million, meaning that this target was nearly achieved despite the low level of sales due to intensive efforts to optimize costs. The remaining difference is also characterized by a disproportionate amount of warranty services in the Trailer Systems area. They result from strong sales in the high-volume years prior to the financial and economic crisis of 2008/2009 and required an increased number of service measures in Canada, Australia and Western Europe.

In financial year 2012, we announced the continuation of our growth strategy for 2013 with the following areas of focus: Tapping further potential in the Trailer Systems segment, the global expansion of our activities in the Aftermarket Business Unit and the ongoing penetration of BRIC markets. With this intention, we carried out our plans in the reporting year of doubling axle production capacities in North America, expanding the service network in Central and South America and – with the beginning of financial year 2014 – strengthening our activities in China through the acquisition of Corpco Beijing Technology and Development Co., Ltd.

The focus of product development in 2013 remained on weight-reducing innovations as planned. We primarily invested in new products, expanded manufacturing capacities – especially in axle production – and optimized our processes including improved IT subgroup interfaces.

Significant events in the 2013 financial year

__ Acquisition in China supports strategic growth initiatives

In the second half of 2013, SAF-HOLLAND concluded a contract for the acquisition of 80% of the shares in Corpco Beijing Technology and Development Co., Ltd. (Corpco) with the option to acquire the remaining shares in the company. Corpco produces and sells suspension systems for buses and is one of the leading Chinese suppliers. The company has manufactured and sold suspension systems for the SAF-HOLLAND NEWAY brand as a licensee for over ten years.

The acquisition accelerates the expansion of our activities in BRIC countries and at the same time increases independence from demand developments in the truck and trailer areas by strengthening the bus area. With Corpco, not only do we expand our presence in the promising Chinese market, we also gain access to additional country markets for bus suspensions with Corpco`s expanded product line. This benefits our activities in India which have always focused primarily on the bus segment. Our Indian joint venture with a local partner was ended in 2013 and replaced by a new subsidiary named SAF-HOLLAND India Pvt. Ltd.

There are also powerful advantages to be achieved from the reciprocal transfer of technologies between our North American and Chinese locations. And not least the Aftermarket Business Unit benefits from the acquisition as Corpco contributes over 70 service stations, 43 spare parts warehouses and four distribution centers in China to our global service network. The acquisition was completed in January 2014. For further information please refer to Events after the Balance Sheet Date on page 92.

__ Expansion of axle production in the core markets

Our manufacturing capabilities were optimized and considerably expanded in 2013. The focus of this was on the expansion of axle production in the core markets of Europe and North America. A new friction welding system went into operation at the Bessenbach location in Germany at the beginning of 2013. It provides technical back-up services for other facilities and also offers additional capacities for servicing the pent-up demand in Europe.

In North America, where we aim to reach a market share of up to 30%, we have doubled planned manufacturing capacities at the Warrenton, Missouri plant. This new production potential will be utilized on a gradual basis. In that vein, several large orders have already been won including a multi-year contract with a major customer that awarded SAF-HOLLAND with the "Diamond Supplier of the Year" title. Supplying North American customers with axle and suspension systems is a significant element of our growth strategy.

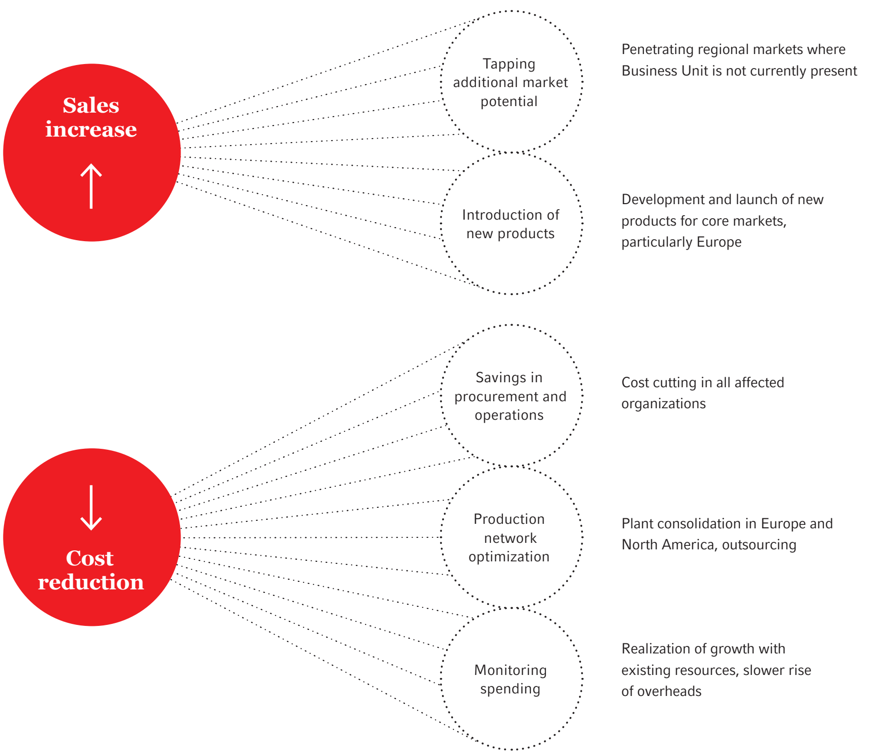
__ Trailer Systems: package of measures to boost profitability

In order to boost the profitability of the Trailer Systems Business Unit, we initiated a wide-ranging package of measures in the reporting year with the intention of improving the Business Unit's adjusted EBIT margin to 5 to 6% by the end of 2015. This supports our goal of reaching an adjusted EBIT margin of 9 to 10% and sales of EUR 980 million to EUR 1.035 billion for the Group as a whole in 2015.

The package of measures introduced in the reporting year aims at capturing additional sales potential while at the same time reducing costs. In order to increase business volume, various initiatives have been combined – they range from the development and introduction of new products to the expansion of sales activities to countries outside of our core markets and BRIC countries. Cost-cutting and efficiency boosting programs range from structural adjustments within the organization to the streamlining of various production processes. Savings in the areas of procurement and logistics are also planned.

The optimization of the German production network is one important component of structural change. By the end of 2015, we intend to merge the Wörth plant into the plants at the main site in Bessenbach, which we will expand for the purpose. Additionally, the activities of the logistics service center at the Frauengrund plant in Bessenbach will be transferred to an external logistics service provider in early 2014. For further information on the personnel aspects of the reorganization, please see the Employees chapter on page 75.

PACKAGE OF MEASURES TO INCREASE PROFITABILITY OF TRAILER SYSTEMS



__ Powered Vehicle Systems: reorganization completed

The optimization of the Powered Vehicle Systems Business Unit's European organizational structures was successfully concluded in 2013. The absorption of SAF-HOLLAND Verkehrstechnik GmbH in Singen, Germany, by Holland Europe GmbH was an important component of the process. As of October 1, 2013, the affected assets were transferred to SAF-HOLLAND GmbH. Afterwards, Holland Europe GmbH was re-named as SAF-HOLLAND Verkehrstechnik GmbH. With this new structure, we made it possible to further centralize functional areas. We could then leverage synergies that open up cost advantages to the business process and strengthen our competitive positioning.

__ Aftermarket: global presence expanded again

In order to boost spare parts sales in Central and South America, we opened a parts distribution center (PDC) in Mexico in March 2013. We also established sales offices in Colombia, Peru and Argentina in the first quarter. These new locations strengthen our presence in important growth markets and, at the same time, enable us to achieve the strategic goal of expanding the Aftermarket Business Unit on a global basis. Parallel activities were undertaken to open a PDC in Kuala Lumpur, Malaysia, which will serve the Southeast Asian market from the first quarter of 2014.

PARTS DISTRIBUTION CENTERS (PDC): 10 LOCATIONS WORLDWIDE

1 **Central PDC**
Germany
USA

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

3 **PDC in Mexico**
(opened Q1/2013)

4 **PDC in Malaysia**
(planned opening Q1/2014)

SAF-HOLLAND opened its first company-owned service station in Poland in December 2013. Focusing on trucks and trailers, it is located at an important Polish traffic hub that approximately 10,000 trucks travel through each day. We are not entering into competition with other workshops with our own service station. Our intention is to strengthen our global network of SAF-HOLLAND affiliated service and spare part stations exactly where that need can be ideally covered. The main goal, therefore, is to further increase the density of our service network within suitable regions for our fleet customers. For further information on the service station in Poland, see page 82.

__ Substantial progress in the Group wide harmonization of IT

We have been working on the fundamental optimization of our information technology systems in a multi-stage IT project since 2011. In the reporting year, we successfully concluded the most important stages in the consolidation of the previously separate North American and European SAP systems. At the beginning of July 2013, the platform was rolled out in the North American locations and can now be utilized throughout the Group. Three months later it was connected to our European organization. This joint access to a uniform platform leads to higher transparency and makes it possible to optimize processes which, in turn, lead to improved cost structures and optimal net working capital. In addition, there is now a shared database for global product data management in research and development.

__ Company rating increased to BBB, stable outlook

In September 2013, the rating agency Euler Hermes increased the SAF-HOLLAND S.A. company rating from BBB- to BBB with a continued stable outlook. The deciding factor for this increase was the vastly improved capital structure as a result of refinancing, issuing a bond and the capital increase in 2012. Euler Hermes also took positive consideration of our large market shares in Europe and North America. With a view to the favorable development of orders and the stable economic situation in the core markets, the rating agency expects deeper market penetration for all of SAF-HOLLAND's Business Units. For further information on the company rating see the Capital Market chapter on page 48.

EARNINGS SITUATION

Group sales reach EUR 857.0 million

In financial year 2013, SAF-HOLLAND recorded Group sales of EUR 857.0 million (previous year: EUR 859.6 million). The slight decrease on the previous year resulted from the weaker development of the business in North America and from the conversion of US dollar sales to euro at an exchange rate which was not in favor of SAF-HOLLAND as compared to the year 2013. We continued to expand the volume of sales in Europe as planned and once again recorded over-proportional sales growth in emerging markets including the BRIC countries.

__ Europe: increasing demand well served
SAF-HOLLAND was able to take sustainable advantage of the European market upswing that started in the middle of 2013: We recorded a significantly higher number of orders received both in the truck area as well as in the trailer segment. Since demand increased in both areas, we believe that the upward trend is not solely attributable to pre-buy effects from the more stringent exhaust standard Euro 6. Signs indicate much more that European end customers are slowly starting to make overdue investments in the modernization of their fleets.

The strong development in orders received could only partially impact sales in the reporting period. Nevertheless, sales in Europe increased in 2013 by EUR 13.0 million to EUR 447.9 million (previous year: EUR 434.9 million). With a share in Group sales of 52.3% (previous year: 50.6%), the region again strengthened its position as one primary source of sales for SAF-HOLLAND.

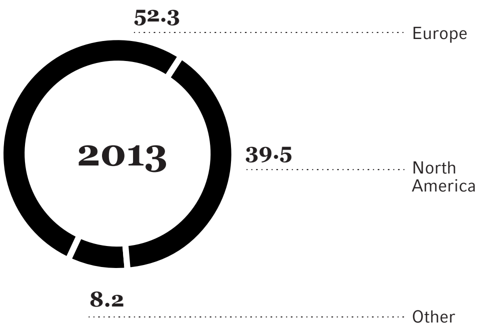
__ North America: market weakness leaves its mark
In North America in 2013, SAF-HOLLAND was active in an overall increasingly challenging market that was particularly characterized by uncertainties concerning the US budget. The national budget situation was particularly a burden on demand in the fourth quarter. The public cost-cutting policy and the government shutdown in October 2013 also resulted in the delay of orders for SAF-HOLLAND.

On the whole, we generated sales of EUR 339.1 million in North America in 2013 (previous year: EUR 367.1 million). Sales adjusted for exchange rate effects reached EUR 350.4 million in 2013. Approximately 39.5% of Group sales were therefore generated in this core market (previous year: 42.7%). When comparing this figure to the previous year, it is important to consider that sales generated in North America in the previous year also benefited from structural developments. In the first half of 2012, SAF-HOLLAND generated sales in the region that were much higher than normal due to a backlog in demand resulting from 2011. This effect did not continue in the reporting year.

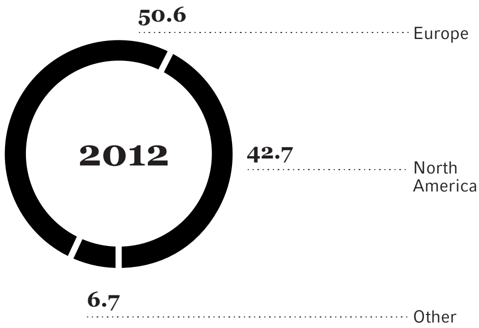
__ High growth in emerging markets
In regions outside of our core markets of North America and Europe, sales rose to EUR 70.0 million (previous year: EUR 57.6 million), corresponding to a share in Group sales of 8.2% (previous year: 6.7%). In Brazil we generated a substantial increase in sales in the trailer sector, and we are also working on the further implementation of cost-reduction programs. Our activities in Dubai once again developed exceptionally well in the reporting year. The subsidiary founded in the Emirate in 2011 supports the Middle East as well as North and Central Africa.

Currently the topics of safety, quality and service within the standard segment do not count as the most important reason for making purchases among clients in the Chinese as well as the Indian markets. Nevertheless, we are seeing a rise in interest in these countries for higher quality and safety and we expect trends will change on the medium term. In Russia, we also see this as a positive development for us. As a result of proximity to the Western European market with its high-quality vehicles and transport solutions, customers in Russia are increasingly focusing on quality and safety. The developments on the above markets confirm our strategic positioning.

SHARE IN GROUP SALES BY REGION in %



SHARE IN GROUP SALES BY REGION in %



Gross margin at the prior-year level

The Group's gross profit was approximately at the same level of the previous year with EUR 155.6 million (previous year: EUR 156.2 million) and the gross margin was 18.2%, the same figure as in financial year 2012.

With respect to most important types of cost, our expenditure remained for the most part unchanged. Expenditure for research and development amounted to the same level as the previous year with EUR 18.0 million. In relation to total sales, this represents an unchanged ratio of 2.1%. Selling expenses were also approximately at the same level of the previous year at EUR 53.3 million (previous year: EUR 53.5 million), and therefore continued to represent 6.2% of Group sales.

Administrative expenses amounted to EUR 38.0 million (previous year: EUR 39.3 million). Their share of Group sales decreased to 4.4% (previous year: 4.6%). The reduction is influenced by higher capitalized expenses in the amount of EUR 2.1 million from the global IT system harmonization. If these are not considered, administrative expenses would amount to EUR 40.1 million.

INCOME STATEMENT

EUR million		2013		2012
Sales	857.0	100%	859.6	100.0%
Cost of sales	-701.4	-81.8%	-703.4	-81.8%
Gross profit	**155.6**	**18.2%**	**156.2**	**18.2%**
Other income	3.1	0.3%	1.5	0.2%
Selling expenses	-53.3	-6.2%	-53.5	-6.2%
Administrative expenses	-38.0	-4.4%	-39.3	-4.6%
Research and development costs	-18.0	-2.1%	-18.0	-2.1%
Impairment of intangible assets	–	0.0%	-3.2	-0.4%
Reversal of impairment of intangible assets	–	0.0%	1.8	0.2%
Operating result	**49.4**	**5.8%**	**45.5**	**5.3%**
Finance result	-17.8	-2.1%	-30.8	-3.6%
Share of net profit of investments accounted for using the equity method	-0.1	0.0%	1.3	0.2%
Result before income tax	**31.5**	**3.7%**	**16.0**	**1.9%**
Income taxes	-7.1	-0.9%	-8.6	-1.0%
Result for the period	**24.4**	**2.8%**	**7.4**	**0.9%**
Number of shares[1]	45,361,112		41,546,655	
Earnings per share in EUR	**0.54**		**0.18**	

[1] Weighted average number of ordinary shares.

Earnings before tax in the reporting year increased sharply to EUR 31.5 million, almost double the amount of the prior year (previous year: EUR 16.0 million). In addition to the higher operating result, this increase was primarily attributable to the improved finance result of EUR -17.8 million (previous year: EUR -30.8 million) which was burdened by unplanned unrealized exchange rate losses of EUR 3.7 million (previous year: EUR 1.2 million). This reflects positive results of our comprehensively optimized external financing in the second half of 2012 which has captured lasting interest rate advantages for SAF-HOLLAND. In addition, the comparison figure of the previous year was characterized by one-off effects in the context of the refinancing of 2012 and expenses in connection with the release of interest-rate hedges. These led to a burden on the finance result in the amount of EUR 12.4 million in the previous year. The result for the period of the reporting year amounted to EUR 24.4 million (previous year: EUR 7.4 million). This striking increase was partly a result of the substantially lower income tax burden as well as improved earnings before taxes.

RECONCILIATION OF ADJUSTED EARNINGS FIGURES

EUR million	2013	2012
Result for the period	24.4	7.4
Income taxes	7.1	8.6
Finance result	17.8 [1]	30.8 [2]
Depreciation and amortization from PPA[3]	6.1	6.4
Impairment of intangible assets	–	3.2
Reversal of impairment of intangible assets	–	-1.8
Restructuring and integration costs	3.9	3.6
Adjusted EBIT	**59.3**	**58.2**
as a percentage of sales	6.9	6.8
Depreciation and amortization	11.8	14.5
Adjusted EBITDA	**71.1**	**72.7**
as a percentage of sales	8.3	8.5
Depreciation and amortization	-11.8	-14.5
Finance result	-17.8 [1]	-30.8 [2]
Restructuring and integration costs	–	13.6 [4]
Adjusted result before taxes	**41.5**	**41.0**
Income tax	12.7 [5]	-12.6 [6]
Adjusted result for the period	**28.8**	**28.4**
as a percentage of sales	3.4	3.3
Number of shares[7]	45,361,112	41,546,655
Adjusted earnings per share in EUR	**0.63**	**0.68**

[1] The finance result includes unrealized losses on foreign currency loans in the amount of EUR 4.3 million. Unrealized foreign exchange gains of EUR 0.6 million had an opposing effect.
[2] The finance result includes unrealized foreign exchange losses on foreign currency loans in the amount of EUR 1.2 million.
[3] Purchase price allocation (PPA) from the acquisition of the SAF Group and Holland Group in 2006 as well as Austin-Westran Machinery Co., Ltd. and the current SAF-HOLLAND Verkehrstechnik GmbH in 2008.
[4] Mainly one-time effects from the redemption of bank loans of EUR 9.3 million and swaps of EUR 3.1 million as well as unrealized foreign exchange gains on foreign currency bonds in an amount of EUR 1.2 million.
[5] In the calculation of the adjusted result for the period, a uniform tax rate of 30.70% was assumed.
[6] A uniform tax rate of 30.80% was assumed for the adjusted result for the period.
[7] Weighted average number of shares issued in the period under review.

Increase in adjusted EBIT to EUR 59.3 million

Adjusted EBIT increased in the reporting year by EUR 1.1 million to EUR 59.3 million (previous year: EUR 58.2 million). In relation to sales, this results in an adjusted EBIT margin slightly improved to 6.9% (previous year: 6.8%). Adjusted earnings before taxes reached EUR 41.5 million (previous year: EUR 41.0 million); adjusted earnings per share were at EUR 0.63 (previous year: EUR 0.68). The weighted average number of shares outstanding in 2013 was, with 45.4 million shares (previous year: 41.5 million), approximately 9% above the figure of the previous year due to the capital increase in November 2012.

FIVE-YEAR OVERVIEW OF EARNINGS SITUATION

EUR million	2013	2012	2011 [1]	2010	2009
Sales	857.0	859.6	831.3	631.0	419.6
Adjusted EBIT	59.3	58.2	58.0	37.1	1.5
as a percentage of sales	6.9	6.8	7.0	5.9	0.4
Adjusted EBITDA	71.1	72.7	72.0	52.7	16.7
as a percentage of sales	8.3	8.5	8.7	8.4	4.0
Adjusted result before taxes	41.5	41.0	34.9	4.1	-21.8
as a percentage of sales	4.8	4.8	4.2	0.6	n.d.
Adjusted result for the period	28.8	28.4	24.2	2.9	-15.6
as a percentage of sales	3.4	3.3	2.9	0.5	n.d.
Adjusted earnings per share in EUR	0.63 [2]	0.68 [3]	0.66 [4]	0.14 [5]	-0.75 [6]

[1] Adjusted for the effects of applying IAS 19R as from financial year 2012.
[2] On the basis of 45,361,112 shares.
[3] On the basis of 41,546,655 shares.
[4] On the basis of 36,502,894 shares.
[5] On the basis of 20,702,275 shares.
[6] On the basis of 19,438,287 shares.

Performance of the Business Units

In Europe, all three Business Units succeeded in expanding their business volume and recorded higher sales than in the previous year. Our expectations for sales in the reporting year were largely met or even exceeded. The North American business, however, could only develop at a slow rate in 2013, which is particularly attributable to the substantially weaker market situation when compared to the prior year.

When looking to the earnings development of the Business Units, it should be taken into consideration that we changed the allocation mode of overhead costs in the fourth quarter of 2013: Administrative expenses in the total amount of approximately EUR 6 million were retroactively allocated to individual segments and transferred there accordingly. The change in allocation mode decreases the Business Units' reported adjusted EBIT and therefore also their respective adjusted EBIT margin. For more details on the implementation and the resulting adjustments, see the Notes to the Consolidated Financial Statements on page 133 ff.

	2013				
	Before converting the accounting modalities			After converting the accounting modalities	
EUR million	Adjusted EBIT	Adjusted EBIT margin	Share of overhead costs	Adjusted EBIT	Adjusted EBIT margin
Trailer Systems	13.8	2.8%	-3.2	10.6	2.2%
Powered Vehicle Systems	13.3	9.2%	-0.9	12.4	8.6%
Aftermarket	37.8	16.7%	-1.5	36.3	16.0%

	2012				
	Before converting the accounting modalities			After converting the accounting modalities	
EUR million	Adjusted EBIT	Adjusted EBIT margin	Share of overhead costs	Adjusted EBIT	Adjusted EBIT margin
Trailer Systems	14.3	3.0%	-2.6	11.7	2.5%
Powered Vehicle Systems	15.6	9.9%	-0.9	14.7	9.3%
Aftermarket	33.1	14.5%	-1.3	31.8	13.9%

OVERVIEW OF THE BUSINESS UNITS

	Business Unit Trailer Systems		Business Unit Powered Vehicle Systems		Business Unit Aftermarket		Adjustments / eliminations		**Total**	
EUR million	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Sales	485.7	473.5	144.7	157.6	226.6	228.5	–	–	**857.0**	**859.6**
Cost of sales	-443.9	-429.3	-119.6	-131.2	-163.0	-167.1	25.1	24.2	**-701.4**	**-703.4**
Gross profit	**41.8**	**44.2**	**25.1**	**26.4**	**63.6**	**61.4**	**25.1**	**24.2**	**155.6**	**156.2**
as a percentage of sales	8.6	9.3	17.4	16.8	28.1	26.9	–	–	**18.2**	**18.2**
Other income and expense	-31.2	-32.5	-12.7	-11.7	-27.3	-29.7	-25.1	-24.2	**-96.3**	**-98.0**
Adjusted EBIT	**10.6**	**11.7**	**12.4**	**14.7**	**36.3**	**31.8**	**–**	**–**	**59.3**	**58.2**
as a percentage of sales	2.2	2.5	8.6	9.3	16.0	13.9	–	–	**6.9**	**6.8**

__ Trailer Systems targets higher profitability

The Trailer Systems Business Unit increased its sales to EUR 485.7 million (previous year: EUR 473.5 million) and contributed 56.7% of Group sales (previous year: 55.1%) despite negative exchange rate effects related to the conversion of sales from US dollar to euro. Sales volume in Europe gained increasingly in momentum and we were able to raise capacities at the beginning of the fourth quarter and introduce expanded shift models. The Business Unit also recorded increased sales on the previous year in North America. Here we particularly benefited from increasing interest in our axle and suspension systems. SAF-HOLLAND won, among other things, a large order from a major trailer manufacturer which maintains two plants in the United States and a production location in Canada.

The gross profit of the Trailer Systems Business Unit decreased in the reporting year by about 5% to EUR 41.8 million (previous year: EUR 44.2 million). Adjusted EBIT reached EUR 10.6 million (previous year: EUR 11.7 million), and the adjusted EBIT margin was at 2.2% (previous year: 2.5%). The key earnings figures of the Business Unit were influenced by increased investment in the expansion of the business. Accordingly, there was an increase in expenditure as compared to the prior year for intensifying sales as well as for research and development. Added to this were substantially higher guarantee costs resulting from the above-average production volumes in the years prior to the 2008/2009 crisis. The cause for the guarantee claims have long since been resolved which means the effect will expire within the course of the current year 2014.

We still see substantial room for optimization in Trailer Systems with regard to sales as well as earnings. In order to expand business volume and at the same time significantly improve profitability, a package of measures was initiated with the intention of improving the adjusted EBIT margin of the Business Unit to 5 to 6% by the end of 2015. For more information please see page 62 f.

__ Powered Vehicle Systems with a good European business

In 2013, the Powered Vehicle Systems Business Unit benefited from a stronger business in Europe as compared to the prior year. In the Business Unit's focus region of North America, however, the Business Unit had to prove itself in a difficult environment: For class 8 trucks, the market declined by just over 11% which was much more severe than forecast at the beginning of the year. Overall, the Business Unit generated annual sales of EUR 144.7 million (previous year: EUR 157.6 million). For comparison to the previous year, it should be considered that in 2012 Powered Vehicle Systems recorded above normal results in the first half of the year as a result of meeting a backlog demand from 2011. The segment generates a major portion of its sales in the US dollar currency area. Therefore, the Business Unit's sales were influenced by negative exchange rate effects related to the translation of sales from US dollar to euro. The Business Unit's contribution to Group sales in the reporting year was at 16.9% (previous year: 18.3%).

Gross profit of the Business Unit in 2013 decreased to EUR 25.1 million (previous year: EUR 26.4 million). Adjusted EBIT totaled EUR 12.4 million (previous year: EUR 14.7 million) with an adjusted EBIT margin of 8.6% (previous year: 9.3%). In Europe, we succeeded in substantially improving both adjusted EBIT as well as the adjusted EBIT margin. This was attributable to initial positive effects of the realignment of European organizational structures concluded in 2013 in addition to higher sales, among other things.

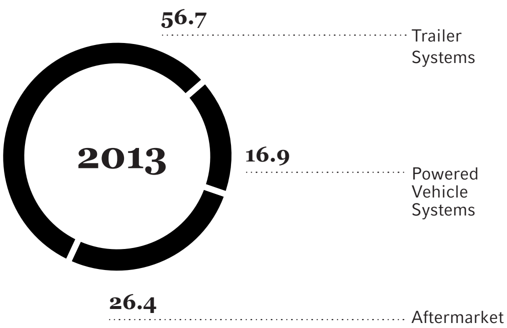
__ Aftermarket still highly profitable

After a slow first half, the Aftermarket business was able to increase its sales volume considerably in the second half of 2013 and come closer to the sales level of the previous year. Overall, annual sales came to EUR 226.6 million (previous year: EUR 228.5 million). The slight decrease is on the one hand affected by negative exchange rate effects related to the conversion of sales from US dollar to euro and on the other hand influenced by structural effects: This Business Unit also serviced an order backlog from 2011 in 2012 which lead to correspondingly higher annual sales. In addition, a fifth wheel market launch was delayed in the reporting year because the process of selecting a qualified supplier took longer than expected.

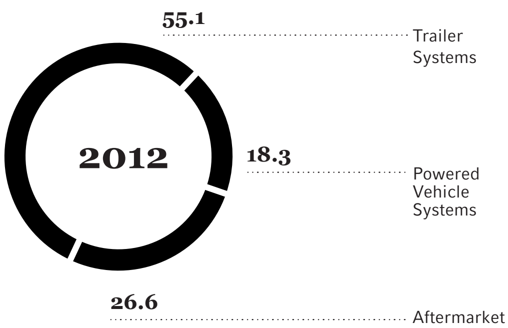
We intend to expand the Business Unit's share in SAF-HOLLAND's total sales to approximately 30% by the end of 2015. Our global parts distribution centers (PDC) play an important role in this regard. We made the forward-looking investment in spare parts sales in Central and South America through the PDC opened in Mexico in March 2013 and thereby substantially expanded sales volume generated in the region.

The gross profit of the Aftermarket Business Unit of EUR 63.6 million (previous year: EUR 61.4 million) reflects an adjusted allocation mode in connection with Group-internal billing. The Business Unit's adjusted EBIT increased to EUR 36.3 million (previous year: EUR 31.8 million). In relation to sales, this results in an improved adjusted EBIT margin of 16.0% (previous year: 13.9%).

SHARE IN GROUP SALES BY BUSINESS UNIT in %



SHARE IN GROUP SALES BY BUSINESS UNIT in %



FINANCIAL POSITION

Principles and objectives of financial management

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

Improved financing structure brings sustainable advantages

With the realignment concluded in 2012, SAF-HOLLAND's company financing was sustainably optimized. It is now based on many pillars and utilizes a balanced mix of liabilities to banks and other sources of financing. SAF-HOLLAND also benefits from more favorable interest rate conditions and less borrowed capital. The syndicated loan ensures financial security until October 2017. Our corporate bond reaches maturity in April 2018.

As of December 31, 2013, the interest bearing loans and borrowings amounted to EUR 146.9 million (December 31, 2012: EUR 160.4 million). Net debt also decreased, amounting to EUR 123.0 million as of the balance sheet date (December 31, 2012: EUR 141.8 million). It was thereby reduced by EUR 18.8 million.

As a result of the lower level of borrowings and more favorable interest rate conditions, interest expenses in connection with interest bearing loans and borrowings were substantially lower than in the previous year. These totaled EUR 9.7 million in the reporting year (previous year: EUR 12.7 million), corresponding to a reduction of 23.6%. The interest rate margin for our credit lines is tied to the development of certain key figures. Further interest advantages therefore come as a result of improved key figures, such as a lower utilization of credit lines. Against this backdrop, the interest level related to the bank loans once again decreased by a quarter of a percentage point at the beginning of July 2013.

Cash flow up on previous year

Cash flow from operating activities before income tax increased in the reporting year to EUR 63.0 million (previous year: EUR 59.5 million). Among others, early customer payments in December 2011 resulted in a reduced cash inflow of approximately EUR 6.0 million in early 2012.

Besides non-recourse factoring, to a lesser extent SAF-HOLLAND utilizes off-balance sheet financial instruments of the operating lease, for example when purchasing motor vehicles, IT hardware or production facilities.

As a result of improved net working capital management, net working capital decreased to EUR 76.1 million (previous year: EUR 82.4 million). In relation to Group sales, this corresponds to a rate of 9.4% (previous year: 10.2%). We have therefore achieved our internal target figure of keeping net working capital requirements under 10%.

Cash flow from financing activities amounted to EUR -24.9 million (previous year: EUR -29.3 million) and was particularly influenced by scheduled repayment of financial debt in the amount of EUR 7.1 million and lower utilization of our credit lines. As in financial year 2012, cash flow from investing activities of EUR -23.5 million (previous year: EUR -21.3 million) was characterized by expenses in connection with the harmonization of our IT systems in the amount of EUR 7.6 million (previous year: EUR 6.0 million).

FIVE-YEAR OVERVIEW OF FINANCIAL POSITION

EUR million	2013	2012	2011[1]	2010	2009
Cash flow from operating activities before income tax paid	63.0	59.5	46.5	46.0	48.3
Net cash flow from investing activities	-23.5	-21.3	-12.1	-7.2	-7.5
Net cash flow from financing activities	-24.9	-29.3	-22.3	-45.3	-28.4
Investments	23.2	22.3	15.6	8.3	8.1
as a percentage of sales	2.7	2.6	1.9	1.3	1.9

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

Investments in production and information technology

We generally orient investment decisions based on return on investment (ROI). ROI should be achieved in less than twelve months for investments in rationalization.

SAF-HOLLAND’s total investments in the Group amounted to EUR 23.2 million in the reporting year (previous year: EUR 22.3 million), corresponding to an investment ratio of 2.7% (previous year: 2.6%). Investments which benefit the company’s competitive position remained our target. Major points of focus included the expansion of our production capacities within the core markets of Europe and North America as well as the one-time expenses in the course of the global IT project. For further information on these, please refer to page 62 ff.

As of the balance sheet date no significant investment obligations existed.

ASSETS

Equity ratio fulfills dividend requirement

The balance sheet structure was once again improved. The equity ratio developed particularly well: With equity increasing to EUR 222.2 million (previous year: EUR 197.9 million), the equity ratio improved to 41.4% (previous year: 36.9%). The Board of Directors recommends the Annual General Meeting of April 24, 2014 to approve a dividend of EUR 0.27 per share. This would result in a total distribution amount of EUR 12.2 million, which corresponds to a 50% share of available net earnings. Further information on the dividend policy and recommendation can be found on page 46.

FIVE-YEAR OVERVIEW OF ASSETS

EUR million	2013	2012	2011[1]	2010	2009
Total assets	536.4	536.7	541.3	484.7	458.1
Equity	222.2	197.9	175.6	24.9	23.8
Equity ratio	41.4%	36.9%	32.4%	5.1%	5.2%

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

Non-current liabilities substantially reduced once again

Compared to the previous year, the balance sheet total remained virtually unchanged and amounted to EUR 536.4 million (previous year: EUR 536.7 million). Non-current assets corresponded approximately to the level of the previous year with EUR 329.2 million (previous year: EUR 330.1 million). Current assets reached EUR 207.3 million (previous year: EUR 206.6 million). As of December 31, 2013, trade receivables amounted to EUR 76.1 million (previous year: EUR 87.3 million) at 34 days outstanding (previous year: 39 days). Inventories were at EUR 100.2 million at the reporting date (previous year: EUR 88.2 million), with 54 days of inventory outstanding (previous year: 48 days). The target figure of 45 days could not be reached due to the substantial increase in order backlog in Europe towards the end of the year.

On the liabilities side, non-current liabilities dropped by EUR 32.3 million to EUR 197.9 million (previous year: EUR 230.2 million). One contributing effect here was the decrease in liabilities to banks. As a result of the increased business volume with higher inventories particularly towards the end of the year in Europe, trade payables rose contributing to an increase in current liabilities to EUR 116.3 million (previous year: EUR 108.6 million).

Liquidity: higher cash level with respect to Corpco acquisition

Cash available amounted to EUR 23.9 million as of December 31, 2013 (previous year: EUR 18.6 million). The disproportionately high amount was utilized for the provision of the purchase price in the acquisition of Corpco Beijing Technology and Development Co., Ltd. at the beginning of January 2014. Our objective is to stabilize the development of cash and cash equivalents under EUR 10 million. We therefore extended our cash pooling, which we have been using for some time in Europe, to our American companies in 2013. This can improve cash management within the Group, which also improves the interest position.

If cash available were also to include the agreed credit line, total liquidity would amount to EUR 144.8 million as at the balance sheet date December 31, 2013 (previous year: EUR 140.5 million). It should be taken into account, however, that the bank loans decreased as planned due the contractual biannual repayment by EUR 3.7 million on both March 1, 2013 and September 1, 2013, as well as by EUR 14.0 million as a result of a special payment in December 2013.

TABLE SUMMARIZING THE DETERMINATION OF OVERALL LIQUIDITY

kEUR	12/31/2013 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	53,195	53,195	53,195	–	–
Facility A2	11,080	11,080	15,980	–	4,900
Facility B1	3,000	3,000	80,000	23,856	100,856
Facility B2	–	–	39,063	–	39,063
Total	**67,275**	**67,275**	**188,238**	**23,856**	**144,819**

Debt on December 31, 2013 primarily included interest-bearing loans and borrowings in the amount of EUR 146.9 million. These exist exclusively in the Group currency euro. As at the balance sheet date, there were no interest-bearing loans and borrowings in any other currencies.

Number of employees increases slightly

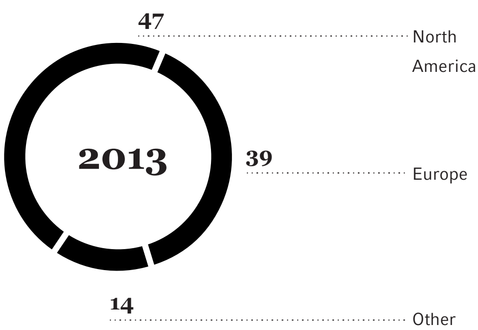
As of December 31, 2013, SAF-HOLLAND employed 3,169 people worldwide including temporary workers (previous year: 3,059). The annual average number of employees at the company was 3,106 (previous year: 3,118).

DEVELOPMENT OF EMPLOYEE NUMBERS BY REGION

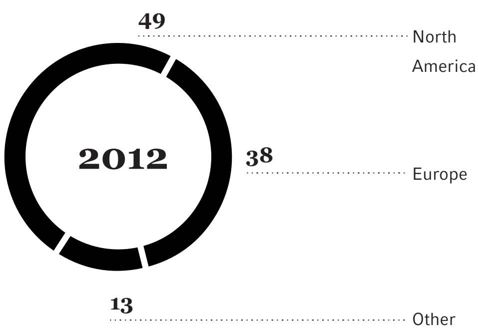
	2013	2012	2011	2010	2009
Europe	1,247	1,159	1,130	990	896
North America	1,498	1,497	1,615	1,387	1,092
Other	424	403	410	397	343
Total (Dec. 31)	**3,169**	**3,059**	**3,155**	**2,774**	**2,331**
Annual average	**3,106**	**3,118**	**3,107**	**2,619**	**2,320**

Nearly half of SAF-HOLLAND employees belong to one of the North American companies. Approximately 39% of total employees work for the European organization and another 14% work at locations outside of the core markets.

EMPLOYEES BY REGION (DEC. 31, 2013) in %



EMPLOYEES BY REGION (DEC. 31, 2012) in %



Personnel expenses stable

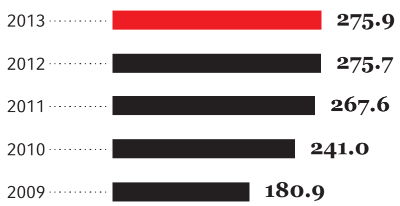
Personnel expenses in the reporting year amounted to EUR 154.3 million not including restructuring and integration costs (previous year: EUR 154.4 million). In relation to the individual employee – not including temporary workers – this amounts to an average cost of kEUR 52.0 (previous year: kEUR 52.1). Sales per employee reached kEUR 275.9 after kEUR 275.7 in the previous year.

PERSONNEL EXPENSES PER EMPLOYEE

excluding restructuring and integration costs and temporary workers (kEUR)

SALES PER EMPLOYEE

including temporary workers (kEUR)



1) Adjusted for effects of IAS 19R and correction due to IAS 8.42, see chapter “Changes in Accounting Policies” of the Notes to the Consolidated Financial Statements.

In financial year 2013, SAF-HOLLAND implemented a new long-term management remuneration program. It aims on the one hand to involve managers in the long-term success of the company and on the other hand to achieve greater company loyalty. During the last year, provisions of EUR 1.4 million were made for this purpose until December 31, 2013.

Multi-year assurance of location and job security

In the course of our initiatives to strengthen the profitability of the Trailer Systems Business Unit, we are merging the German Wörth plant into the Bessenbach location plants by the end of 2015. Furthermore, the activities of the logistics service center in Bessenbach will be transferred to an external logistics service provider. Both changes come in connection with personnel measures that SAF-HOLLAND will cushion by way of partial retirement, additional professional qualification and alternative position offerings. Due to the positive development of the business and the operational growth, we expect to be able to offer different workplaces to the affected employees.

An agreement has already been reached in negotiations with the works council and the IG Metall trade union. SAF-HOLLAND issued a commitment to secure the continued operations of the plants in Bessenbach until December 31, 2018. In addition, the employment contracts were secured for 842 employees in an agreement valid until December 31, 2017 which, however, can be adjusted again provided a significant change to the market situation occurs. For more information on the earnings initiative of the Trailer Systems Business Unit, please see page 62 f.

__ Personnel structures allow for flexible production

Market-appropriate and flexible personnel structures are an important success factor for SAF-HOLLAND. Therefore, in addition to our fixed group of employees, we also rely on fixed-term contracts, temporary workers and support from employment agencies. Given the background of rising demand in Europe, we hired 85 additional employees in the fourth quarter in Germany, initially on temporary contracts. With these new hires, we can reduce delivery times on the one hand and, paired with the expanded shift models, ease the burden on our core staff while decreasing accumulated overtime on the other hand.

__ Wide spectrum of development opportunities
In the area of employee development, SAF-HOLLAND continued to focus on technical training in particular. Other areas of concentration include professional development in staff management and how to boost motivation. An additional focus was on initiatives to intensify our lean and value analysis activities. These abilities have been developed in various modules and workshops in North America as well as Europe. In parallel, we supported customer-oriented communications in the areas of engineering and sales via special training programs. Our international employee development program, which has also included USA locations since early 2013, was continued.

Financial performance indicators unchanged

The financial performance indicators remained unchanged in 2013 as compared to the previous year. Financial and non-financial performance indicators are not used with respect to sustainability at SAF-HOLLAND. Further information on corporate controlling and our key performance indicators can be found on page 33.

Non-financial value-enhancing factors

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

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

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

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

__ Organization and processing advantages through networking
We support our processes at all locations using high-performance IT architectures. As one example of this, the SAP systems used in the core markets of Europe and North America were integrated in a move that advances the Group-wide technical networking of data. In the medium term, this project involves the extension of the IT system Advanced Planner & Optimizer (APO) to our organization in North America. In Europe, we have long been using the supply chain management solution, primarily in the fields of procurement and logistics and in the planning of capacities in the plants.

Another IT project in the area of product development aims at establishing a standard system platform for product data management (PDM). To achieve this aim, we are gradually introducing a system that optimizes the international cooperation of product development teams as well as further areas of our organization. Our development and design centers in North America were connected to the new PDM system in 2013. The European region and other countries are set to follow.

The most significant advantage of the integrated solution is a highly efficient flow of information from which the respective responsible employee has quick access to digitally stored data and documents – always up to date and over the entire lifecycle of the product. It is also planned to connect this to our SAP system.

__ Sustainability as a strategic component

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

We create jobs in a wide variety of countries with our global activities and support the local situation through contracts with local or regional companies. SAF-HOLLAND thereby focuses its actions on ethical and moral principles on each continent and on the guidelines included in the Code of Conduct which has been adopted throughout the Group. Sustainability is also part of the core business: Consistently reducing the weight of our products and components contributes to decreasing fleets' fuel consumption. At the same time, the reduced emissions values contribute to climate protection and the conservation of resources.

EVALUATION OF THE CURRENT ECONOMIC SITUATION BY THE MANAGEMENT BOARD.

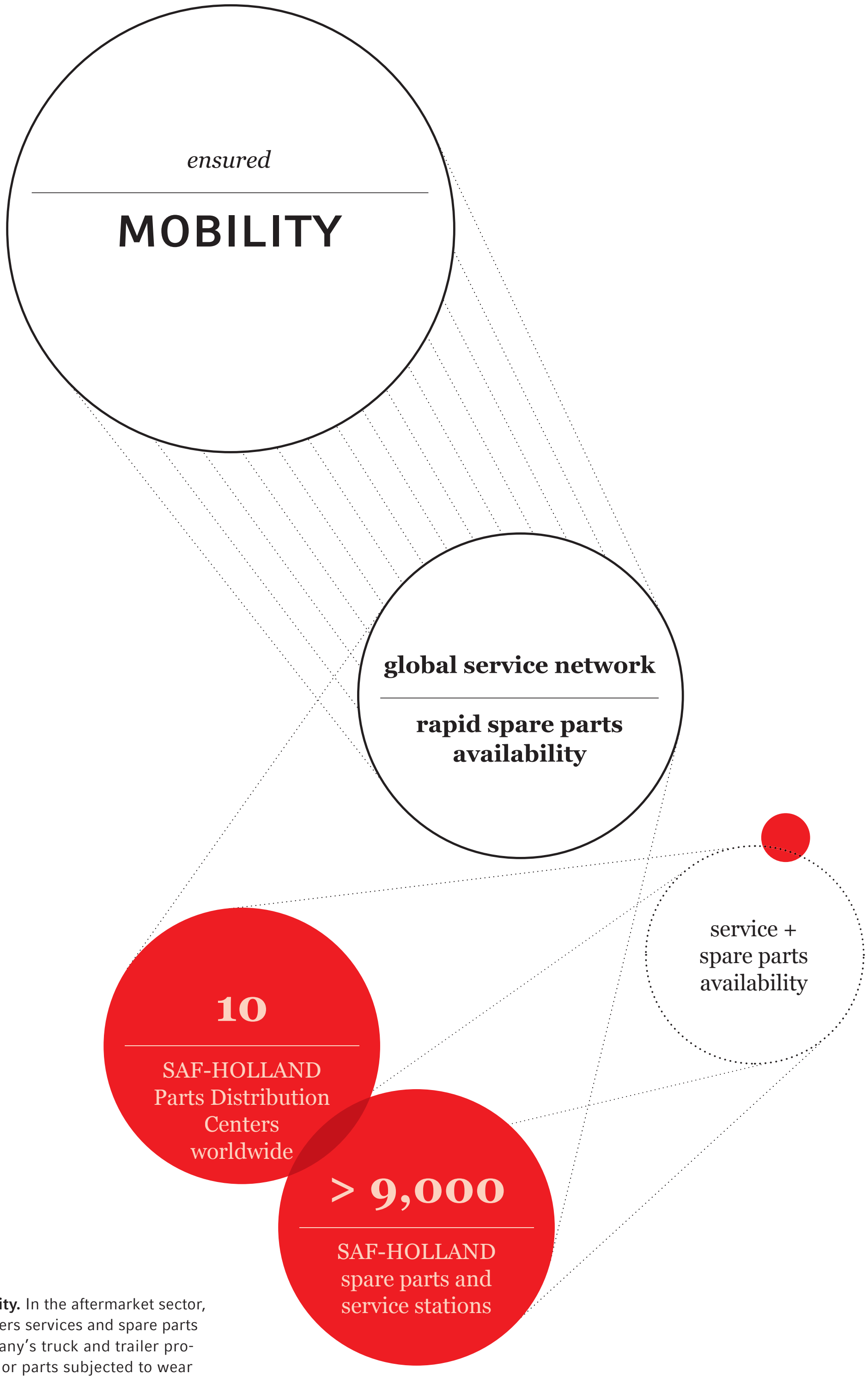
According to the Management Board, the development in financial year 2014 was very satisfactory in the months of January and February. In particular, the order situation over these months was very strong, and there has been significant growth as compared to the fourth quarter of 2013. The order situation of SAF-HOLLAND is only influenced slightly by the decrease of demand in the European truck market. The Euro 6 emmissions regulations as of January 2014 led to pre-buy effects in the European truck OEM business in the fourth quarter of 2013. As SAF-HOLLAND generates its sales of the Powered Vehicle Systems Business Unit mostly in North America, this development has no severe consequence for the positive order development of the company in January and February 2014. SAF-HOLLAND had already prepared in advance within the fourth quarter of 2013 by concluding additional contracts with temporary employees in Europe for the purpose of serving the expected increase in demand. This trend is supported by positive industry indicators and the general economic situation.

At pit stops, every second counts

SERVICE ON FIVE CONTINENTS

With more than 9,000 spare parts and service stations, dealers and garages, SAF-HOLLAND offers a unique network for customer-oriented support and rapid delivery of spare parts. The service network, which is part of the Aftermarket Business Unit, is an important reason why fleet operators specifically ask for SAF-HOLLAND components when commissioning truck and trailer manufacturers.

Trucks and trailers complete many thousands of kilometers. It is estimated that the average annual mileage of trucks in American long-distance traffic is about 100,000 miles. This is the equivalent of circling the earth four times in one year. To accomplish this feat, perfect maintenance is needed and a guarantee that any necessary spare parts will be available on demand. And not only at the home site, but wherever the tractor and trailer are traveling in their journeys.



Guaranteed mobility. In the aftermarket sector, SAF-HOLLAND offers services and spare parts for all of the company's truck and trailer products. Spare parts or parts subjected to wear and tear can be provided in a short time – in the core markets of Europe and North America, often within 24 hours. This includes a comprehensive service network that comprises more than 9,000 spare parts and service stations in over 80 countries. Wherever fleet customers vehicles may be on their journeys – the nearest service center for SAF-HOLLAND products is never far away.

68 %
of all goods are transported by trucks and trailers
80 %
of goods volumes are transported by road
1.9 million
registered trucks
5.6 million
trailers
6.5 million
trucks > 3.5 t on tour
United States
European Union

Back on the road again quickly

Strong partnerships require physical proximity: With 9,000 locations worldwide, SAF-HOLLAND is always there, where optimum service is needed. The company is continuously developing its Aftermarket services in close contact with the fleet customers. The aim: rapid availability of spare parts and flexible services.

In the course of more than 130 years of market presence, SAF-HOLLAND has created a strong reputation – particularly with international end users. When investing in trucks and trailers, about 80% of freight forwarding operators and fleet managers decide themselves which components are to be installed. Among other things, optimum service and timely availability of all spare parts – often within 24 hours – are key to decisions for SAF-HOLLAND products.

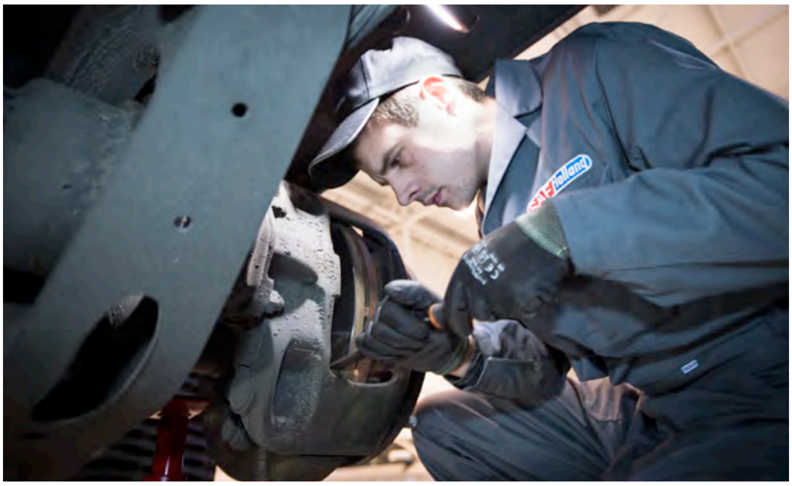
With approximately 3,600 aftermarket centers and service stations in North America, 4,300 in Europe and Russia and 1,100 in the rest of the regions, the company is always close to its end customers. Because being able to solve technical problems immediately and carry out maintenance and repair in the minimum time possible are crucial benefits for fleet customers.

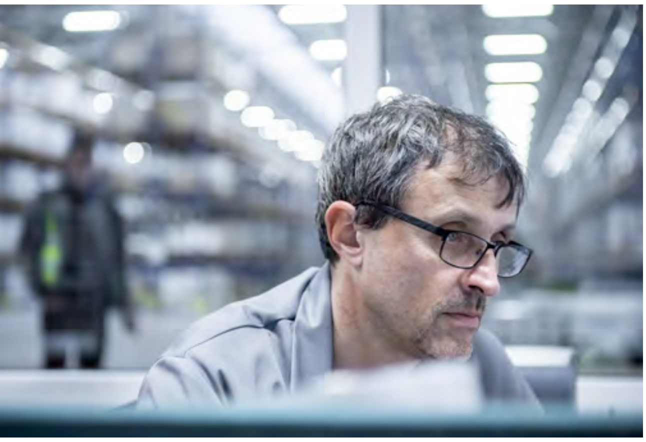
Continuous expansion of its regional presence means that SAF-HOLLAND's entire product range is also available nearly everywhere. In 2013, a particular focus was on Central and South America. Since the opening of the Parts Distribution Center in Querétaro City, Mexico, in March 2013, fleet customers in the region have benefited from even shorter delivery times and better parts availability as well as simplified order processing. In addition, new sales offices in Buenos Aires, Argentina, as well as in Bogotá, Colombia, and Lima, Peru, reinforce the service network for customers.

SAF-HOLLAND also takes advantage of the close contact with freight forwarders and transport companies to continuously improve its replacement parts portfolio. Regular customer surveys ensure that supply and demand fit together seamlessly. Cheaper A2 brands as well as products from other brands widen the product range.

COMPLETE PACKAGES WITH ADDED VALUE

Because optimum service means more than just making sure that maintenance and repair tasks are carried out carefully, SAF-HOLLAND also provides comprehensive service packages. For example, safe+easy, the specially developed offering for trailers, works with a pre-calculated mileage rate. In line with the fleet customers, it covers any unexpected costs through repair and service stays which makes planning the total costs of ownership more predictable.





With its own service station in the network

SAF-HOLLAND's global service network is closely knit. However, there are regions where an additional site would be useful but no suitable partner is available locally. To close gaps of this kind, SAF-HOLLAND is now also able to offer its own spare parts and service station.

Since December 2013, for the first time SAF-HOLLAND now has its own-run service station to add to the existing service network. In north-eastern Poland, SAF-HOLLAND provides customer-oriented support and spare part security. The town of Pila, with 75,000 inhabitants, was chosen as the new location. For good reason: Pila is located on one of the main transport hubs in the country. Two high traffic long-distance routes cross here – route 10 links Germany with the Baltic countries and Russia; route 11 connects the north and south of Poland together. Every day, about 10,000 trucks pass through Pila.

SAF-HOLLAND's base is still under construction, but by the middle of the year it should be in full operation. Fleet customers will then be able to use the station's services around the clock. Breakdowns don't happen at certain times of day and if a truck breaks down late at night, help is needed quickly. 24-hour service therefore meets the needs of the customers and makes sense even for maintenance or regular repairs. Because stopping at a repair shop means lost time for the fleet operators on the road.

The capacity of the repair shop in Pila is clear to be seen: Ten trailers or five complete trains consisting of trucks and trailers can be refloated at the same time. The most highly trained experienced professionals ensure that quality and speed fit together perfectly and the broad spectrum of services is as wide-ranging as the possible applications. It covers everything from oil changes and updates on the electronics to work on the brakes and axle repairs. Of course maintenance and inspection also belong to the range offered. Two particular features distinguish the station: it is recognized as an official TÜV (German Technical Inspection Association) station and is the first repair shop in Poland to have a 3D system for geometry checks.

Reliable services and secure access to spare parts whenever they are needed: The specialists at SAF-HOLLAND's service stations are always there to support fleet customers with their knowledge and experience.

SOUTHEAST ASIA IN FOCUS

Even outside the core markets of Europe and North America the Aftermarket business is becoming more and more of a driver for success. After the successful expansion of the service network in Central and South America, SAF-HOLLAND is now increasingly targeting the Asian market. In the near future, a Parts Distribution Center will be opened in Malaysia and the fleet customers in Southeast Asia will be looked after from there.

Perfect addition to original equipment

With the breadth and quality of its Aftermarket business, SAF-HOLLAND sets the standard in the industry. The company's message to customers: We take responsibility for the smooth operation of SAF-HOLLAND technologies in everyday transportation. Strong commitment in the Aftermarket is also advantageous for the original equipment business because the service partnership with the fleet customers is a major reason why customers opt for SAF-HOLLAND products.

One thing that freight forwarders, fleet managers and SAF-HOLLAND have in common is this: They think far beyond today. In addition to the specific product benefits, it is therefore the comprehensive services in the Aftermarket that repeatedly tip the balance for investment in trucks and trailers with SAF-HOLLAND components.

With its dense network of service points and distribution sites for replacement parts, SAF-HOLLAND is number one in both Europe and North America. Through short delivery times thanks to decentralized storage and steadily optimized logistics processes, the spare parts business is developing a market entry barrier for new competitors. In parallel, the Aftermarket sector provides more independence from economic cycles and greater stability during times when less investment in new vehicles takes place.

SAF-HOLLAND has long since established its strong position in service and spare parts availability as one of three strategic business areas. The Aftermarket division contributes around a quarter of total sales. Both the Aftermarket segment which is focused on spare parts as well as the Trailer Systems and Powered Vehicle Systems Business Units which work in the OEM business, are mutually reinforcing their success. Because while optimum service is an important trust anchor for fleet customers configuring their new vehicles, the installed base is helping to increase market potential for the Aftermarket business.

OPPORTUNITIES AND RISK REPORT

__ Risk management system

Risk management at SAF-HOLLAND is well-equipped to recognize potential risks at an early stage and to implement appropriate counter-measures. It only considers the reveal of risks but not the identification of opportunities. Once risks have been recognized, they are communicated in a timely manner, systematically analyzed and continuously reviewed. The risk management system implemented by the Management Board is valid throughout the Group. It is continually developed and monitored by the Board of Directors.

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

__ Internal control and risk management system with regards to the Group's accounting process

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

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

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

Evaluation of the risk situation

The risks that can be directly influenced by the Group are manageable. For known company-specific risks, sufficient provision has been made in the form of impairments, allowances, and risk provisions. From today's perspective, there are no risks that would jeopardize the continued existence of SAF-HOLLAND. As compared to the previous year, the company's risk profile has further improved with the repeat reduction in borrowed capital, a higher equity capitalization and the optimized liquidity situation all contributing to this development.

Company ratings

SAF-HOLLAND has had a company rating from rating agency Euler Hermes since 2012. In September 2013, Euler Hermes raised the credit rating and future potential of SAF-HOLLAND from BBB- to BBB, outlook stable. More information on this rating can be found on page 48.

OVERVIEW OF RISKS

General economic risks

SAF-HOLLAND's business development is impacted by economic developments as well as corresponding developments in transport volumes. We counter the resulting risks through our commitment to the spare parts business which is less vulnerable to economic fluctuations and which we are further strengthening through the Aftermarket Business Unit.

In addition, the increasing geographic diversification of our business segments is leading to greater independence. Regional economic developments can be more easily compensated for with an international alignment. In individual country markets, political changes can influence the business development of SAF-HOLLAND. We counter this through intensive observation and analysis of political risks both prior to and following our entry into the market.

Industry-specific risks

The principal risks include dependence on individual customers. At SAF-HOLLAND, sales distribution by customer roughly corresponds to the customers' market share. Ten major customers around the world account for approximately 45% of the OEM business. There are also a large number of small and mid-sized customers who are highly significant in their respective niches or markets. SAF-HOLLAND also increased its presence among this group of customers in particular over the last years with the development of new applications. With its continual internationalization and global positioning as a partner of the commercial vehicles industry, the Group has additionally improved its risk profile. The aftermarket business is also a stabilizing factor within the Group with a share of sales that has upward potential. This Business Unit in particular is more independent of investment cycles and large customers and improves the risk position of the entire Group significantly.

Company-specific risks

__ Strategic risks

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

__ Human resources risks

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

__ Production risks

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

__ Quality risks

SAF-HOLLAND manufactures in accordance with the highest quality standards. Our quality assurance begins as early as the development of a product and is consistently applied through to production. The effectiveness of the integration of quality and systematic thinking has been demonstrated since 2012 with a process management system. It is additionally confirmed for the European locations of the Trailer Systems and Aftermarket Business Units through certification in accordance with the international quality standard DIN ISO 9001. The German plant of the Powered Vehicle Systems Business Unit in Singen (Germany) is also certified in accordance with DIN ISO 14001. The system performance of the welding technology has been proven by the certification in accordance with ISO 3834-2. The remaining locations of the Powered Vehicle Systems Business Unit meet the specific ISO/TS 16949 requirements of the automobile industry. Guarantee assurances to our customers are insured in advance. The precautions include, among other things, relevant test specifications or promises of delivery from suppliers. Exchanges or recalls are exceptional cases. Affected suppliers are also involved in relation to absorbing the costs. In addition, we have product recall insurance and make sufficient provisions in the consolidated financial statements.

__ Procurement risks

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

__ Risks in technical development

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

__ Legal and regulatory risks

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

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

__ Information technology risks

We minimize risks related to information technology by maintaining needs-oriented, efficient structures. Our comprehensive IT security concept ranges from access limitations and controls through to data security measures. There are back-ups for important hardware structures. The probability of a production breakdown resulting from an IT failure is thus significantly reduced.

We also ensure the security of comprehensive high-priority IT projects for example through efficient, transparent project management, the inclusion of the top management in the steering committee and the use of experienced external consultants. As the major harmonization of our SAP systems in Europe and North America was successfully completed in the year under review, risks associated with these types of projects did not materialize.

__ Financial risks

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

The Group is exposed to foreign currency risks that arise from the international nature of its investing, financing, and operating activities. Individual subsidiaries predominantly conduct their operating, investing, and financing activities in their respective local currency. For this reason, the Group's foreign currency risk is generally low with regard to individual transactions. If exchange rate changes are hedged using financial instruments, the financial instruments themselves may not have an incalculable influence on the earnings and asset situation of the company.

The Group is exposed to interest rate risks as a result of its financing activities. Market-induced interest rate changes can in particular have an effect on the interest burden in connection with floating-rate loans. Changes in interest rates affect the interest related-cash flow. To hedge this cash flow risk, the Group holds interest rate swaps to transform certain variable cash flows into fixed cash flows and to hedge the interest rate.

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

We also report on financial risks and the risk management system as it relates to financial instruments in accordance with IFRS 7 in Chapter "Financial Instruments and Financial Risk Management" of the Notes to the Consolidated Financial Statements.

OVERVIEW OF OPPORTUNITIES

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

Opportunities from global demographic development

There are significant opportunities for our company resulting from the global growth in population. The United Nations expects that in 2050 there will be around 9.2 billion people living on Earth, which is almost a third more than today. As a result of rapid population growth, freight transport services are growing internationally. In addition, more and more people are moving to cities. Approximately one out of every two people currently lives in a city. By 2050, the number of city dwellers is expected to increase to two-thirds of the world's population. Since trucks are the most important method of goods transportation for cities, SAF-HOLLAND can also benefit from global urbanization.

Rapid increase in transport volumes

With the increase in world population and the globalization of the economy, goods transportation will increase sharply in the coming years. This creates promising opportunities for SAF-HOLLAND. The Organization for Economic Cooperation and Development (OECD) predicts at least a doubling of freight volumes by 2050 as compared to 2010. Depending on the economic environment, the organization believes that even a fourfold increase is possible.

The OECD envisages a well above average growth in freight volumes in emerging countries such as the BRIC countries where volumes could increase fivefold by 2050.

DEVELOPMENT OF THE GLOBAL TRANSPORT VOLUME

Source: OECD/International Transport Forum, Transport Outlook 2012

DEVELOPMENT OF THE TRANSPORT VOLUME OUTSIDE THE OECD

Source: OECD/International Transport Forum, Transport Outlook 2012

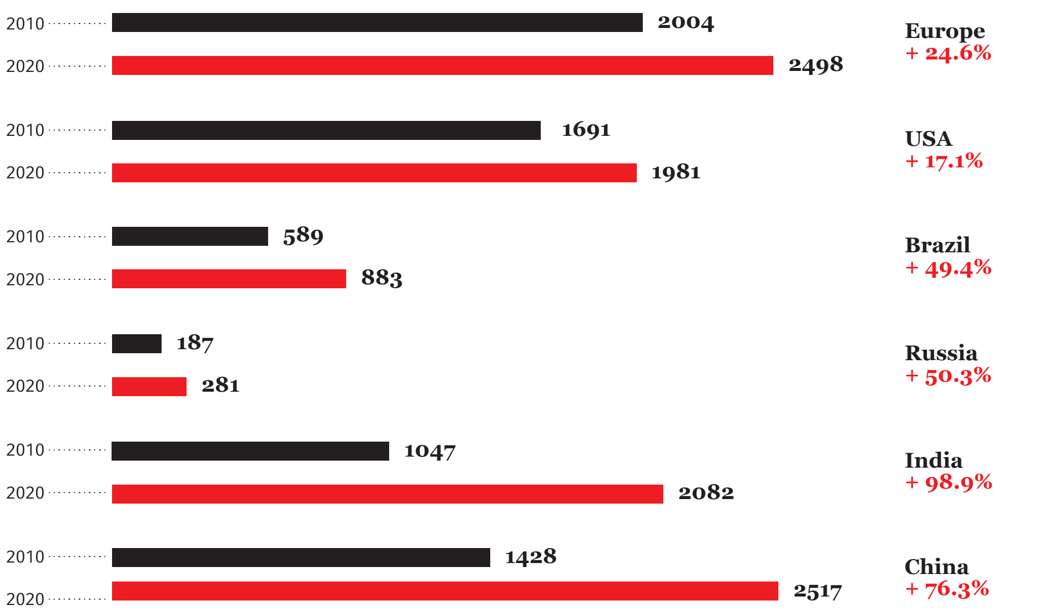
Trucks and trailers remain important methods of transport

Trucks and trailers will continue to play a significant role within international transport chains in the future. Analysts from the consulting firm Frost & Sullivan expect that, compared with 2012, the number of medium and heavy trucks sold worldwide per year will increase by around

70% to 4.6 million vehicles by 2022. Around a quarter of the sales volume growth will originate from the triad regions Europe, USA and Japan.

Emerging economies in particular will be the first to exhibit high growth rates in road transport, including the BRIC countries. With its international presence and through its increasing activities in the emerging nations, SAF-HOLLAND can participate in this development on the long-term.

PROGNOSIS ON GLOBAL FREIGHT TRANSPORTATION ON THE ROADS BY 2020 in billion ton-kilometers



Source: Statista GmbH, Outlook for Global Freight Transport in 2010 and 2020

Development of infrastructure and closer approximation to established markets

In emerging markets, there is still currently a prevailing need for simple, robust and affordable trucks and trailers. However, with increasing wealth and better road networks, the interest in higher-quality vehicles is growing. For SAF-HOLLAND this creates a good starting point for expanding our businesses locally in respect of quality and enhancing margins. The technological advancement of these markets is progressing rapidly. Institut für Automobilwirtschaft (German Automotive Industry Institute) expects, for example, that as early as 2020 in Russia about 80% of the trucks will be classified as modern or premium vehicles – an increase of around 50 percentage points compared to 2010. Over the same period in China, the proportion of sophisticated vehicles is expected to increase from 18% to 45%.

Performance-specific opportunities: presence and market position

SAF-HOLLAND is well positioned to take full advantage of the opportunities in the internationally growing commercial vehicles market. A strong presence in established and emerging markets as well as the position as an internationally recognized leader in technology and quality are crucial advantages. We have always aligned our components, systems and service offerings to criteria that are important to manufacturers and end users.

SAF-HOLLAND benefits in particular from the strong reputation that the company possesses with customers in Europe and North America as an innovative leader and premium supplier. In emerging countries, we initially supply manufacturers and customers with product components that are specifically aligned with the current regional needs. As these markets develop in favor of greater quality, we then take the next step and transition to higher-value systems through the transfer of technologies.

__ Crucial advantages of the Aftermarket business

The combination of SAF-HOLLAND's mutually stimulating original equipment and Aftermarket businesses also offers a great number of potential opportunities. The global network of spare parts and service stations is an advantage – one which makes entry into our market significantly more difficult for competitors. A further advantage: Through the second brand "Sauer Quality Parts", we can supply trucks and trailers with spare parts in line with market requirements over their entire life cycle. This brand opens up additional sales potential in emerging markets and at the same time allows for early positioning in the up-and-coming future markets.

Market advantages through more restrictive environmental and safety requirements

With regard to a more environmentally friendly configuration of road freight transport, many countries are tightening requirements for emissions and fuel consumption. The international initiatives for resource conservation and climate protection are beneficial for SAF-HOLLAND because our weight-optimized components contribute to reduced fuel consumption and thus allow for lower emissions. Both completely correspond with the wishes of the fleet customers who in this way not only ensure sustainability but also reduce their costs. Safety requirements are also becoming increasingly stringent. This also boosts the interest in our solutions, which have always been designed to the highest possible safety standards in our continuous advancement of technologies.

EVENTS AFTER THE BALANCE SHEET DATE

In January 2014, the acquisition of Corpco Beijing Technology and Development Co., Ltd. (Corpco) was concluded and the purchase price paid. For further information on the acquisition of Corpco see page 62.

OUTLOOK

ECONOMIC ENVIRONMENT

Accelerated growth of the global GDP

The Institute for World Economy (IfW) expects a substantial increase in global economic growth. This assumes that central banks will maintain a relatively expansive monetary policy while exchange rates remain stable and oil prices do not experience excessive growth. The current year may then see an increase in world production of 3.7% followed by growth of 4.0% for 2015. Global trade is expected to pick up substantially with growth of 4.5% in 2014 and 5.5% in 2015 according to the institute's estimate.

__ Europe: economy back on the upswing
Trust in the monetary union in Europe has strengthened in the opinion of IfW. The structural changes are at the same time proving effective with the result that the expansive monetary policy is increasingly leading to successes. With this environment, domestic demand is expected to gather strength. Positive impetus can also be expected from growth in international trade. Economic activities are therefore anticipated to gain steam while companies expand their investing activities. The institute forecasts an upwards economic trend for both the European Union and the Euro zone in 2014, which should only become stronger in 2015.

__ North America: more favorable conditions in the USA
In the USA, uncertainties surrounding the consolidation of the national budget have diminished. The agreements reached in the fourth quarter of 2013 alleviated the automatic budget cuts. Meanwhile prospects improved for finding a viable long-term solution for raising the debt ceiling. In combination with the reduction in private household debt, this sets the stage for a substantially more favorable economic situation. In light of this, the IfW expects GDP growth in the United States of 2.3% in the current year and 3.0% in the coming year.

__ BRIC countries: demand of industrialized nations provide impetus
Emerging markets will also reap the benefits of economic recovery in advanced economies. Most BRIC countries will consequently be able to build upon their economic growth rates in the current and subsequent year. China is once again expected to show the strongest economic growth, where production is slated to grow by 7.5% in 2014 and by 7.0% in 2015 according to IfW estimates. The gradual slowdown will surely continue, but the growth rates nevertheless remain substantially higher than those for the global economy. The Chinese government has also approved reforms that aim to support solid growth on the medium term.

PREDICTED ECONOMIC DEVELOPMENT IN IMPORTANT MARKETS

	2014	2015
European Union	1.2%	1.8%
Euro zone	0.9%	1.6%
Germany	1.7%	2.5%
United States	2.3%	3.0%
Brazil	3.5%	4.5%
Russia	2.0%	2.5%
India	5.0%	5.0%
China	7.5%	7.0%

Source: Institute for the World Economy IfW (December 2013)

Industry trend: global market stays on the growth path

International growth in road transport creates good opportunities for the truck and trailer market. For Europe and North America, industry experts also continue to expect stimulus from the increasingly urgent pent up demand from years of pushing back investments in the sustainable modernization of fleets. The market analysts at IHS Automotive expect growth in the global production of medium and heavy trucks to 3.8 million units in 2014. Compared to the previous year, this corresponds to an increase of 7.5%. The year after is expected to see production increase by 6.4% to 4.0 million units.

__ Pre-buy effects slow truck market in Europe

Particularly in the first months of the current year, weaker market development for trucks with a curb weight of over 6 tons is expected in Europe. For full-year 2014, analysts from LMC Automotive therefore expect a reduction of 3.5% on the previous year. The primary reasons involve, in addition to the still weak economic situation, pre-buy effects as a result of the stricter Euro 6 emissions regulations that take effect from the beginning of 2014. The regulations led to the early purchase of approximately 20,000 units across Europe in 2013. Analysts expect sales volume for 2015 to increase substantially.

__ North American market grows again

The North American market is expected to gather momentum once again in 2014. ACT expects a moderate 1.3% level of growth in production figures for the trailer segment in the current year followed by 0.2% in the coming year. Production of class 8 trucks is expected to rise by 11.0% in the current year as compared to 2013. For 2015, growth of 5.5% is anticipated. The number of orders have already risen sharply. In December 2013, more than 30,000 class 8 trucks had been ordered. This represents an increase of approximately 50% on the previous month. The average age of fleets shows that the North American market still has huge need to catch up on overdue investments: Class 8 trucks are currently verging on an average of 10 years of age – and the trailers are even older.

__ BRIC countries leaning towards high-quality vehicles

For BRIC countries, L.E.K. Consulting anticipates average annual production growth rates of 10% for trucks and 6% for trailers overall until 2017. In Brazil, the analysts at Roland Berger expect growth for trucks over 6 tons of at least 151,000 units in 2014 and an increase of up to 169,000 units for 2015. The heavy truck market in Russia is either expected to remain at the prior-year level in 2014 or to grow slightly. According to the industry association SIAM, the government of India is set to introduce a program to encourage growth in the market. It will support new vehicle purchases when trucks and buses that are at least 15 years old are returned. A program to buoy sales volumes for buses has already been adopted according to SIAM. The objective is to put approximately 10,000 new buses on India's streets with major nationwide orders in 2014. China looks set to accelerate its progress as the world's leading commercial vehicles market in terms of units. The rising demand for high-quality vehicles will contribute to the dynamic growth. The consultancy AlixPartners expects approximately 9% more trucks to be sold in 2014 than the previous year and that the sales mark of 1.2 million trucks will be reached in China in 2016.

FUTURE DEVELOPMENT OF SAF-HOLLAND

Growth strategy will be continued

SAF-HOLLAND is in a good position to benefit from the pending growth of commercial vehicles markets. With the goal of increasing market share both in established as well as promising emerging markets, we focus on three fields of growth: the North American trailer market, the global Aftermarket business and the emerging BRIC markets. It is not planned to make any changes to the company's operating policy.

__ Expansion of the trailer business in North America
In North America, we intend to double our market share to approximately 30% with trailer axles and suspension systems in the medium term. In order to reach this goal, SAF-HOLLAND can build upon a number of considerable strengths. As an example, we have established a full range of suspension systems for trailers in North America, and they now all come equipped with the company's own axles. Axle production capacities were doubled in 2013 in due course of expanding local production. The new capacities can now be gradually utilized, thereby affording us additional potential.

__ Accelerated service and spare parts business
The Aftermarket Business Unit, which is largely independent upon the economy, is to be expanded so that it will account for 30% of Group sales. The continually growing base in the original equipment market makes a substantial contribution to growth in the Aftermarket business, and we are advancing the business through the consistent expansion of the service station network and our stronger global activities. We have also made decisive progress in this field with the widening of our footprint in Central and South America over the past financial year, as well as the establishment of a parts distribution center for Southeast Asia, which is scheduled to open in early 2014.

__ BRIC countries contribute a growing proportion of sales
Economic recovery is leading to a strong hike in transport volumes in emerging markets as well as to growing demand for trucks and trailers. We intend to increase the contribution to sales generated outside of our core markets to around 10% of Group sales by the end of 2015. BRIC countries are at the center of this expansion. Market penetration will be achieved through activities adapted to regional considerations and products that are specifically attuned to their respective needs. The rising focus on quality in the national markets will lead to a shift to high-quality components.

Corpco acquisition strengthens business with bus suspension systems

With the acquisition of Corpco concluded in 2013 and fullfilled in 2014, SAF-HOLLAND has increased its future activities in the market for bus air suspension systems. We intend to supply the Chinese market through Corpco, but also accelerate our longstanding activities in the bus sector in India. A particular goal is to supply emerging Asian markets where the countries record high growth rates. According to CAAM, 558,900 new buses were sold in 2013 in China – growth of 10.2% over the previous year. For 2014, SIAM forecasts major country-wide contracts in India due to a government program which, by itself, looks set to put around 10,000 new buses on India's streets.

In addition to taping new sales potential, the increased bus sector activities also increase the diversification of our activities. This also lessens SAF-HOLLAND's dependence on the development of specific regional or industrial markets to a greater extent. For more information on the Corpco acquisition, please see page 62.

Future products: innovations for fleet customers

Freight forwarders and fleet operators highly value the opportunity to optimize their earnings situation by decreasing fuel consumption, transporting larger loads and decreased maintenance intervals and costs. That is why our product developments continue to focus on innovations that lead to reductions in the weight and operating costs of vehicles. This orientation also meets growing customer interest in sustainability solutions for freight transportation. And so our products and services continue to place primary importance on local market adaptations and the realization of sales potential through the transfer of technologies.

Investments in production and assembly

We will continue to invest in the harmonization of IT structures, yet not at such a high level as was previously the case now that significant project goals were reached in 2013. We are also continuing in the optimization of global production capacities. An important new focus of investment consists in the expansion of our business activities in Dubai. To expand on the existing spare parts business, assembly capacities are to be established in Dubai which will be utilized by the Trailer Systems and Powered Vehicle Systems Business Units. Therefore we will create the necessary conditions by investing in a new warehouse and production site within 2014. From Dubai we serve both the Middle East as well as North and Central Africa.

Program to increase the earnings of Trailer Systems

The implementation of a package of measures concluded in 2013 to increase the profitability of the Trailer Systems Business Unit counts as an important project for the current and following financial year. The measures aim to increase the adjusted EBIT margin of the business area to approximately 6% by the end of 2015. For more information on the measures, please see page 62 f.

GENERAL STATEMENT ON FUTURE BUSINESS DEVELOPMENT

SAF-HOLLAND is well-equipped to continue on its growth path in the global commercial vehicles market. The major strengths of our Group include high technical expertise, a modularly structured range of high-quality products and our comprehensive network of spare parts and service stations.

In North America we expect the business to progress more strongly as compared to 2013. This expectation is supported by the fact that American fleet customers have not yet fully caught up with need to modernize their vehicles. Europe is also overdue to make purchases of new trucks and trailers. In view of the rapid rise in the average age of fleets, investment in new trucks and trailers is sorely needed in order to maintain competitiveness and avoid high maintenance costs. The growth in the European truck market over the last months of the past financial year is an indication for pre-buy effects in connection with the Euro 6 standard. This could potentially dampen sales volume in the current year. It would, however, have little effect on the development of our business in Europe as we are primarily active in the trailer area in the region.

Against the backdrop of generally positive economic expectations in Europe with the slow improvement of the European debt crisis along with the improvement of industry indicators for North America and Europe, we expect positive business developments for the year 2014. The resolution of the US budget conflict at the beginning of 2014 will also support this development.

We will therefore strive for sales between EUR 920 million and EUR 945 million in financial year 2014. In addition, we anticipate adjusted EBIT of approximately EUR 70 million with an increasing adjusted EBIT margin. We stick to the medium-term target of sales between EUR 980 million to EUR 1.035 billion with an adjusted EBIT margin of 9 to 10% in 2015. This target has already been introduced on the Capital Markets Day on December 10, 2013.

Striving for a good balance of expenses

A SYNONYM FOR INNOVATION

SAF-HOLLAND has already recorded numerous successes in conceptualizing components and systems that set the standard for years to come. The company uses its leadership in technology and innovation to create advantages for trucking companies and fleet operators. It strengthens SAF-HOLLAND's position in the established commercial vehicle markets and at the same time accelerates expansion into new sales regions worldwide.

Weight-reducing solutions for vehicle components and improvements that lead to enhanced vehicle availability are among the most important initiatives at SAF-HOLLAND's innovation center. Lighter vehicles can load more freight. And trucks and trailers with longer service intervals can do what they were built to do: transport goods and earn money. Both of these approaches are right in line with the needs of end customers, especially when sustainability aspects are also taken into consideration – as with the company fleet of NTB Inc., an American truckload carrier.

sustainable

TRANSPORT-EFFICIENCY

»Our goal of consistent, high-quality service fosters lasting relationships with our customers and partners.«

innovation + technology

NTB Inc.

Grand Rapids, USA

Success in any aspect of life is generated by understanding the function related to a customer need and generating the form that meets that need in a costeffective manner.

Henry Schwarz,
CEO/President NTB Inc.

A SYNONYM FOR INNOVATION

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Advanced technologies. The story of NTB starts back in the year 1974. Dan Koster, the company's founder, had picked up a passion for trucks from his dad and sat behind the steering wheel of a truck for the first time when he was just 16 years old. Today, NTB is one of the most successful truckload carriers in the Midwestern United States, and it pays particular attention to advanced technologies. The company is based in Grand Rapids, Michigan, in the north of the USA. It has additional locations and drop lots in Illinois, Indiana, Kentucky, Michigan, Ohio and Wisconsin. The company's goal is to honor the Lord by being the best truckload carrier in the region through their service to customers, employees and shareholders.

sustainable

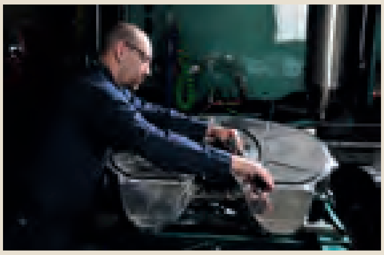
TRANSPORT-
EFFICIENCY

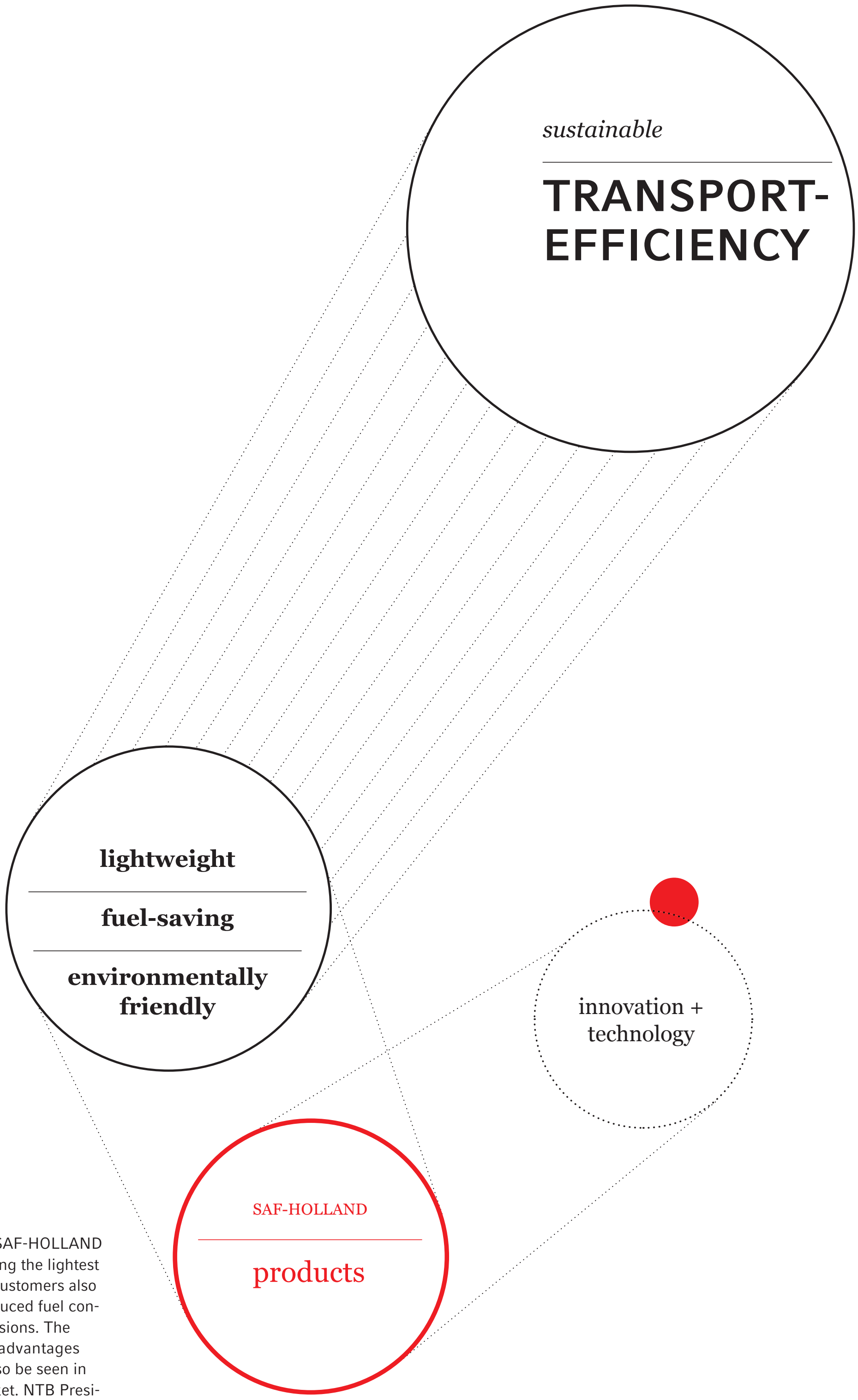
innovation +
technology

NTB has its own fleet of around 235 trucks and over 830 trailers. In order to quickly and flexibly adapt to changed customer needs, the company relies on the integration of innovative solutions. One area of focus is the wide-reaching automation of logistics, dispatch, communication, maintenance and accounting. The truckload carrier also places great importance on sustainability and high environmental standards. Among other initiatives, NTB is a member of the SmartWay Transport Partnership, an environmental initiative of the US Environmental Protection Agency and the transport industry.

A SYNONYM FOR INNOVATION

SAF-HOLLAND has already recorded numerous successes in conceptualizing components and systems that set the standard for years to come. The company uses its leadership in technology and innovation to create advantages for trucking companies and fleet operators. It strengthens SAF-HOLLAND's position in the established commercial vehicle markets and at the same time accelerates expansion into new sales regions worldwide.





Sustainable transport efficiency. SAF-HOLLAND is known for products that are among the lightest on the market. What pleases fleet customers also helps the environment because reduced fuel consumption means reduced CO_2 emissions. The idea that cost and environmental advantages make a perfect combination can also be seen in the North American transport market. NTB President Henry Schwarz: “The effect of weight reduction is enormous. If the vehicle’s weight is reduced it reduces the energy necessary to move the goods or it allows increased commodity to be moved for the same energy expenditure.”

»SAF-HOLLAND has produced
solutions that best meet the needs
as I perceive them.«

Solutions developed to meet needs

NTB Inc. has concentrated on high quality services for customers in the USA for 40 years. Its partnership with SAF-HOLLAND has also proved successful over many years. Henry Schwarz, President of NTB, discusses the importance of innovative products and technical solutions.

NTB values advanced technologies. Does this also apply with regard to the components that are built into trucks and trailers?

A sub system not only needs to be a functional, low cost solution. It is imperative that it can be easily and harmoniously integrated into the global solution. What that means from my perspective is that system design and integration into the global function is of utmost importance. The reason why SAF-HOLLAND is a great business partner is that they seek to understand and quantify the mission and objectives of the customers they serve and design business solutions that meet those needs.

NTB has established itself on the market with high reliability and supplier loyalty. The US transport company equips its fleet with fifth wheels as well as axle and suspension systems from SAF-HOLLAND.

Safety considerations are extremely important in modern fleet management. Can innovative vehicle components contribute to greater safety standards?

Absolutely! Let me share a story. One time there was a critical situation in which a motorist pulled in front of one of our vehicles. Under the usual circumstances, there would have been no way for our driver to avoid an accident. However, we had chosen innovative disc brake technology that reduces stopping distance. Because of that system, the driver was able to avoid hitting the car with multiple people in it. If the vehicle had had standard brakes, it would not have been possible to avoid a critical accident.

NTB is pushing for more sustainability in the transport of goods and is a member in the SmartWay Transport Partnership. Do modern technologies provide advantages for the environment?

As we evaluate systems we are always looking at ways to reduce environmental harm as much as possible. Innovative air suspension systems contribute to lowering roll resistance and tire wear, which also extends the component life of tires. This also saves fuel. It conserves natural resources and reduces emissions. And not least of all, modern suspension systems reduce cargo damage. The area that is seldom involved in discussions related to the environment is improvements in ergonomics resulting from modern technologies, which improve the drivers' working conditions, reduce driver fatigue and yield safety benefits.

Innovations lead to a prestigious reputation

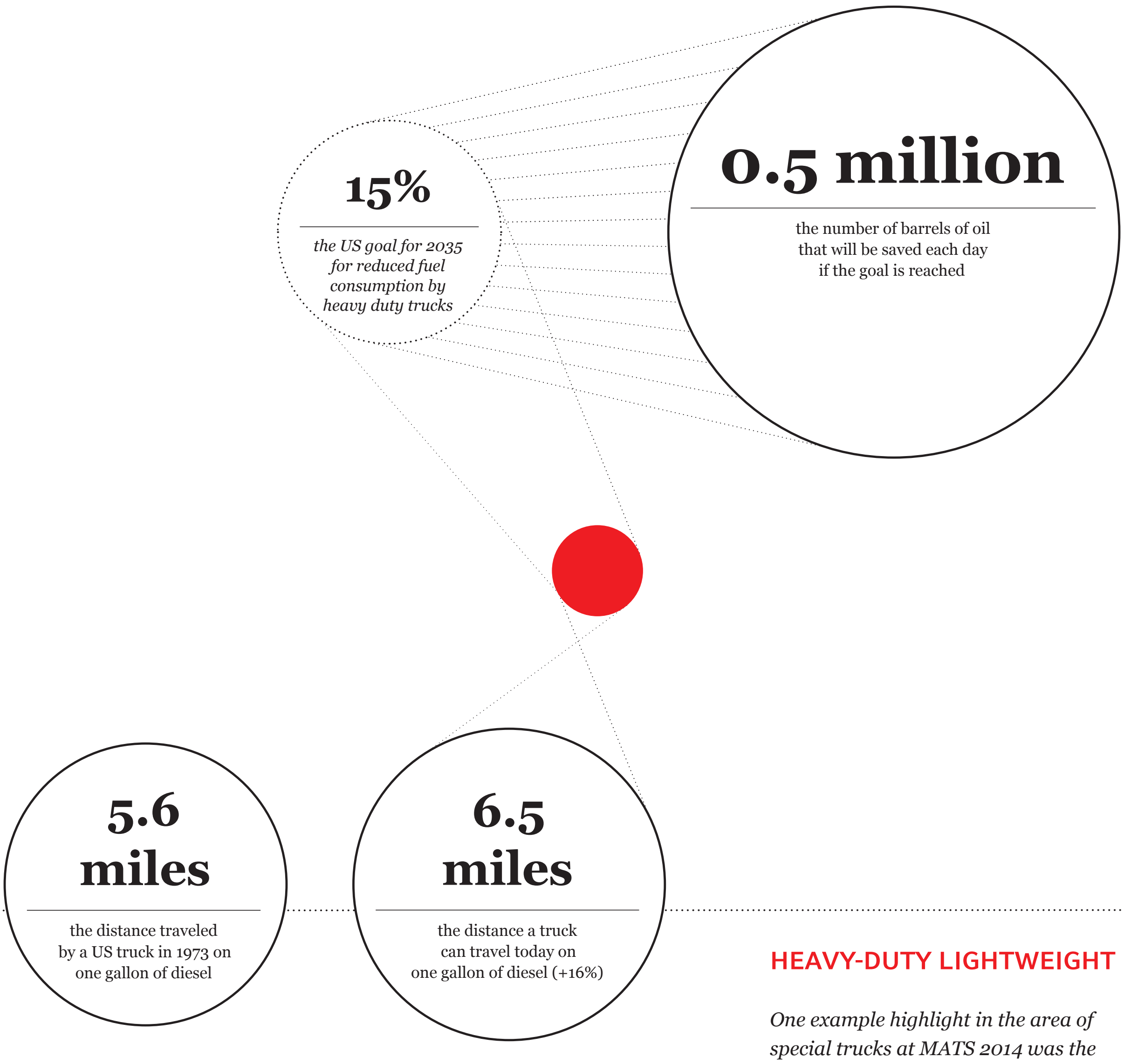
Products that shape a market sometimes become a synonym for the entire product group. This also applies for SAF-HOLLAND: In North America any kind of fifth wheel is often simply referred to as “The Holland”. The name stands for a long tradition, but also for a power to innovate that opens up excellent opportunities to customers and positions SAF-HOLLAND as a provider of solutions for highly specialized systems.

The company started supplying fifth wheels in the North American market as early as the 1930s and has been leading the industry since 1950. There are many reasons for this top position. Fifth wheels from SAF-HOLLAND have a reputation for their particularly high quality, long useful lives and their efficiency. The company also has the most diverse range of products and has made a mark with global industry records, such as: having the only fifth wheel made of aluminum; the lightest weight fifth wheel for standard applications; and the only no-lube fifth wheel. SAF-HOLLAND views this success both as a responsibility and as an inspiration. And so the intensive work on standard-setting innovations will continue.

The Mid-America Trucking Show (MATS) is the ideal forum for innovations and the most important trade fair for commercial vehicles in North America. At this year’s fair, SAF-HOLLAND presented numerous innovations that particularly focus on further reducing component weight and increasing fuel efficiency. In order to reduce consumption and emissions, the USA passed new regulations for heavy duty vehicles. They initially apply to vehicles produced from 2014 to 2018 and aim at reducing consumption by 15% by 2035. The ambitious regulations require new ideas and are also bringing new attention to the wheels and rolling resistance.

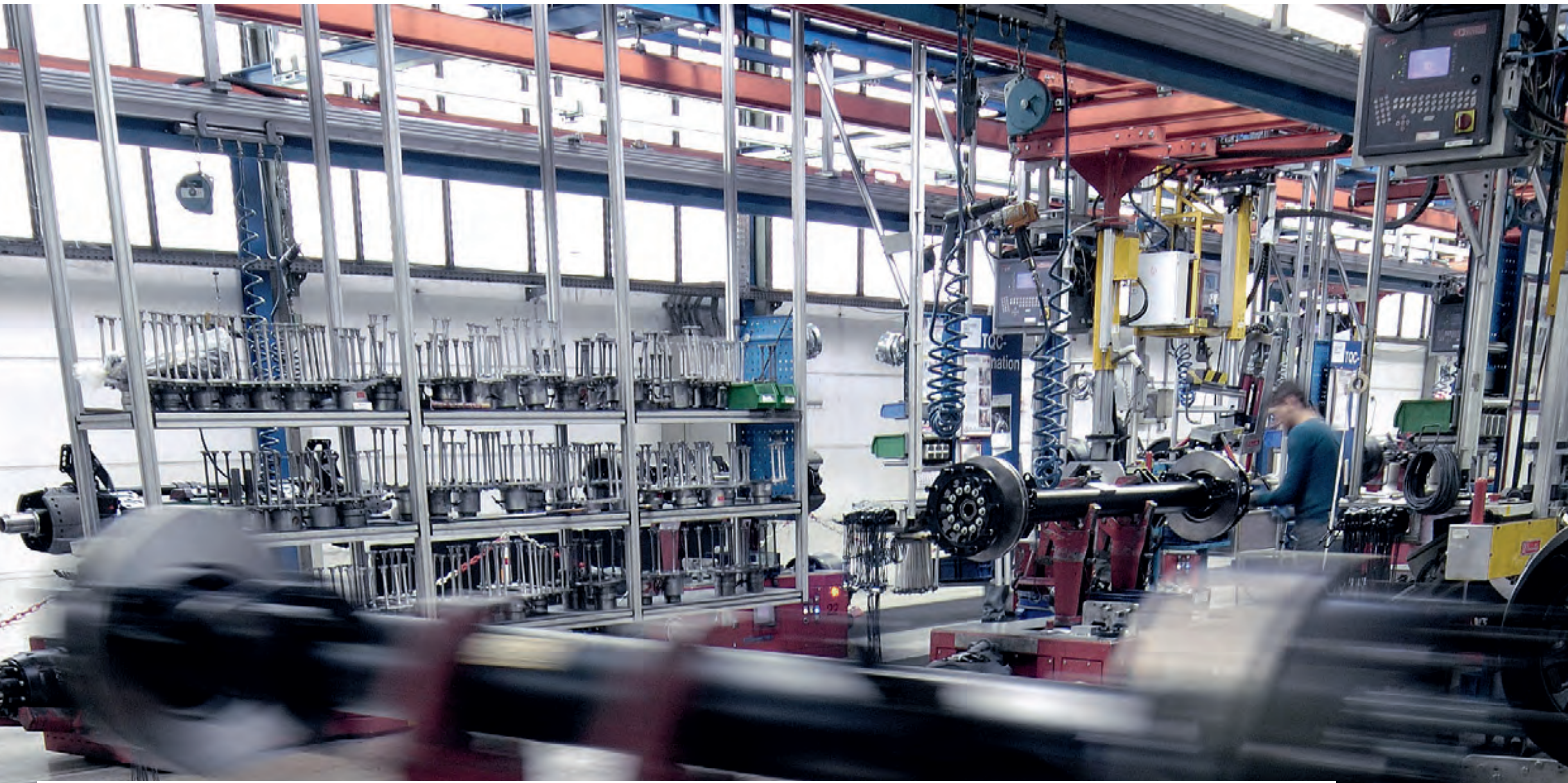
As early as 2013, SAF-HOLLAND launched its unique CBX40 trailer axle and suspension system with Auto-PosiLift® technology. Using an electronic control unit, the system determines whether only a single axle is needed to carry a load. If one is sufficient, the front axle is automatically lifted. And now the system goes one step further. It is available in a new version with the company’s own world-class INTEGRAL disc brakes. The pioneering CBX40 provides substantial advantages for fleet customers not just in the area of fuel efficiency, but also in terms of ensuring longer useful lives for tires and likewise by cutting back on wear and tear on the suspension and axle components.

Setting the bar. From lightweight disc brakes to no-lube fifth wheels: SAF-HOLLAND expands its market position with intelligent solutions and a clear target in its sights. Being leaders in innovation and technological competence has changed the ecological and economic challenges of the industry into many promising opportunities.



HEAVY-DUTY LIGHTWEIGHT

One example highlight in the area of special trucks at MATS 2014 was the Powered Vehicle Systems Business Unit's NEWAY LSZ Auxiliary Steerable Lift Axle Suspension System – one of the lightest and most compact air suspension systems on the market. In addition to greater load capacities and better fuel efficiency, it offers fleet customers additional safety because the LSZ design eliminates bounce while the suspension is stowed.



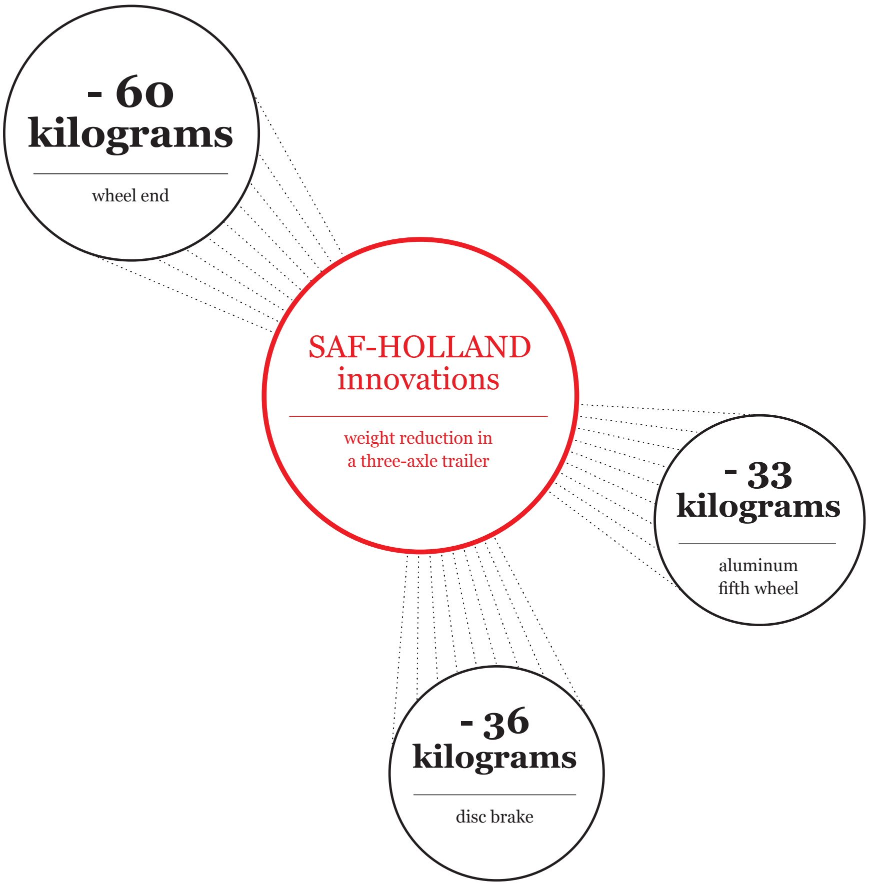
Technologies for a promising future

Solutions that work in practice and meet all the demands of customers, governments and the environment are produced by the truckload at SAF-HOLLAND. The company invests in research and development to build upon its technological leadership – and therefore invests in the future at the same time.

More than 90% of the costs incurred by trucking companies and fleet managers during the useful lives of trucks, trailers and semi-trailers is generated on the road. With its lightweight components and systems, SAF-HOLLAND optimizes the total costs of ownership for fleet customers across the entire product range.

The combination of high market standards in quality and safety with progressive weight-reducing optimizations embody a strength that makes a significant contribution to SAF-HOLLAND's success on the market. It has been made possible by virtue of the long-standing, continuous drive to perfect the company's expertise in materials, mechanical construction and process engineering. The company's development facilities are therefore evolving into centers of competence for ultra-modern, lightweight construction solutions, whose advantages benefit both the end customers and OEM partners.

SAF-HOLLAND's proven power to innovate can be found in a multitude of applications that counter the major challenges in the industry – such as the rise in regulations to reduce CO_2 emissions and the tightening of security standards for commercial vehicles. This cements the company's standing in worldwide markets and positions its products in ever greater quantities as indispensable components of trucks and trailers.



TRADEMARK TECHNOLOGICAL COMPETENCE

SAF-HOLLAND products are inseparably associated with pioneering development in the minds of customers. They stand for unique solutions derived directly from fleet customers' needs. When on the road, they create time and cost advantages for users, and they are another feature that distinguishes SAF-HOLLAND from the competition.

Notes to the Consolidated Financial Statements:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kEUR	Notes	2013	2012
Result for the period			
Sales	(4)	857,018	859,578
Cost of sales	(5.1)	-701,442	-703,427
Gross profit		**155,576**	**156,151**
Other income	(5.2.1)	3,063	1,536
Selling expenses	(5.2.2)	-53,304	-53,527
Administrative expenses	(5.2.3)	-38,012	-39,310
Research and development costs	(5.2.4)	-17,923	-17,959
Impairment of intangible assets	(5.2.8)	–	-3,192
Reversal of impairment of intangible assets	(5.2.8)	–	1,848
Operating result	(4)	**49,400**	**45,547**
Finance income	(5.2.5)	1,077	428
Finance expenses	(5.2.5)	-18,892	-31,295
Share of net profit of investments accounted for using the equity method	(6.3)	-142	1,295
Result before tax		**31,443**	**15,975**
Income tax	(5.3)	-7,078	-8,557
Result for the period		**24,365**	**7,418**
Other comprehensive income			
Items that will not be reclassifed to profit or loss			
Remeasurements of defined benefit plans		12,325	-7,866
Items that may be reclassifed subsequently to profit or loss in the following periods			
Exchange differences on translation of foreign operations	(6.9)	-10,093	-854
Changes in fair values of derivatives designated as hedges, recognized in equity	(6.9)/(7.1)	2,602	1,523
Income tax effects on items recognized directly in other comprehensive income	(6.9)	-4,876	1,845
Other comprehensive income		**-42**	**-5,352**
Comprehensive income for the period		**24,323**	**2,066**
Attributable to equity holders of the parent		**24,323**	**2,066**
Basic and diluted earnings per share in EUR	(7.2)	**0.54**	**0.18**

CONSOLIDATED BALANCE SHEET

kEUR	Notes	12/31/2013	12/31/2012
Assets			
Non-current assets		**329,166**	**330,083**
Goodwill	(6.1)	45,404	46,985
Intangible assets	(6.1)	139,118	138,469
Property, plant, and equipment	(6.2)	100,605	98,662
Investments accounted for using the equity method	(6.3)	9,829	9,461
Other non-current assets	(6.4)	2,879	859
Deferred tax assets	(5.3)	31,331	35,647
Current assets		**207,270**	**206,636**
Inventories	(6.5)	100,223	88,163
Trade receivables	(6.6)	76,088	87,319
Income tax assets		498	692
Other current assets	(6.7)	6,590	11,883
Financial assets		15	–
Cash and cash equivalents	(6.8)	23,856	18,579
Total assets		**536,436**	**536,719**
Equity and liabilities			
Equity attributable to equity holders of the parent	(6.9)	**222,186**	**197,863**
Subscribed share capital		454	454
Share premium		265,843	265,843
Legal reserve		22	22
Other reserve		436	436
Retained earnings		-21,145	-45,510
Accumulated other comprehensive income		-23,424	-23,382
Non-current liabilities		**197,906**	**230,232**
Pensions and other similar benefits	(6.10)	25,433	39,251
Other provisions	(6.11)	6,140	4,531
Interest bearing loans and borrowings	(6.12)	131,994	152,969
Finance lease liabilities		1,887	58
Other financial liabilities	(7.1)	205	836
Other liabilities	(6.14)	657	320
Deferred tax liabilities	(5.3)	31,590	32,267
Current liabilities		**116,344**	**108,624**
Other provisions	(6.11)	6,450	5,273
Interest bearing loans and borrowings	(6.12)	14,869	7,446
Finance lease liabilities		350	54
Trade payables		79,253	70,643
Income tax liabilities		2,107	7,102
Other financial liabilities	(7.1)	–	44
Other liabilities	(6.14)	13,315	18,062
Total equity and liabilities		**536,436**	**536,719**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2013						
	Attributable to equity holders of the parent						
kEUR	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	**Total equity** (Note 6.9)
As of 01/01/2013	**454**	**265,843**	**22**	**436**	**-45,510**	**-23,382**	**197,863**
Comprehensive income for the period	–	–	–	–	24,365	-42	**24,323**
As of 12/31/2013	**454**	**265,843**	**22**	**436**	**-21,145**	**-23,424**	**222,186**

	2012						
	Attributable to equity holders of the parent						
kEUR	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	**Total equity** (Note 6.9)
As of 01/01/2012 (as before reported)	**412**	**245,661**	**21**	**232**	**-51,341**	**-2,753**	**192,232**
Effect of the backwards adoption of IAS 19R and the correction due to IAS 8.42	–	–	–	–	-1,382	-15,277	**-16,659**
As of 01/01/2012[1]	**412**	**245,661**	**21**	**232**	**-52,723**	**-18,030**	**175,573**
Comprehensive income for the period	–	–	–	–	7,418	-5,352	**2,066**
Issue of share capital	42	21,608	–	–	–	–	**21,650**
Transaction costs	–	-1,426	–	–	–	–	**-1,426**
Other reclassifications	–	–	1	204	-205	–	**–**
As of 12/31/2012	**454**	**265,843**	**22**	**436**	**-45,510**	**-23,382**	**197,863**

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

CONSOLIDATED CASH FLOW STATEMENT

kEUR	Notes	2013	2012
Cash flow from operating activities			
Result before tax		**31,443**	**15,975**
- Finance income	(5.2.5)	-1,077	-428
+ Finance expenses	(5.2.5)	18,892	31,295
- Share of net profit of investments accounted for using the equity method	(6.3)	142	-1,295
+ Amortization, depreciation of intangible assets and property, plant, and equipment	(5.2.7)	17,876	20,884
+ Impairment of intangible assets	(5.2.8)	–	3,192
- Reversal of impairment of intangible assets	(5.2.8)	–	-1,848
+ Allowance of current assets	(6.5)/(6.6)	2,636	2,946
+/- Loss/Gain on disposal of property, plant, and equipment		4	11
- Gain on disposal of subsidiaries	(3)	–	-125
+ Dividends from investments accounted for using the equity method		253	23
Cash flow before change of net working capital		**70,169**	**70,630**
+/- Change in other provisions and pensions		1,086	670
- Change in inventories		-19,808	-1,054
+/- Change in trade receivables and other assets		9,136 [1]	2,753 [2]
+/- Change in trade payables and other liabilities		2,424	-13,471
Cash flow from operating activities before income tax paid		**63,007**	**59,528**
- Income tax paid	(5.3)	-9,045	-5,535
Net cash flow from operating activities		**53,962**	**53,993**
Cash flow from investing activities			
- Purchase of property, plant, and equipment	(6.2)	-13,830	-13,767
- Purchase of intangible assets	(6.1)	-9,386	-8,542
+ Proceeds from sales of property, plant, and equipment		337	520
+/- Purchase/Sale/Winding up of at equity investments	(3)	-788	–
+ Proceeds from sales of subsidiaries net of cash		–	270
+ Interest received		145	186
Net cash flow from investing activities		**-23,522**	**-21,333**
Cash flow from financing activities			
+ Proceeds from capital increase	(6.9)	–	21,650
- Payments for transaction costs relating to the capital increase	(6.9)	–	-1,994
- Payments for expenses relating to amended finance agreement	(5.2.5)	-396	-13,928 [3]
- Payments for replacement interest swaps	(7.1)	–	-6,335
- Payments for finance lease		-386	-28
- Interest paid		-7,008	-13,084
- Repayments of current and non-current financial liabilities	(6.12)	-21,125 [5]	-225,528 [4]
+ Proceeds current and non-current financial liabilities	(6.12)	14,000	174,356
- Change in drawings on the credit line and other financing activities	(6.12)	-9,942	-37,566
+ Proceeds from bond placement	(6.12)	–	75,000
- Payed transaction costs bond placement	(6.12)	–	-1,796
Net cash flow from financing activities		**-24,857**	**-29,253**
Net increase in cash and cash equivalents		**5,583**	**3,407**
Net foreign exchange difference		-306	-173
Cash and cash equivalents at the beginning of the period	(6.8)	**18,579**	**15,345**
Cash and cash equivalents at the end of the period	(6.8)	**23,856**	**18,579**

[1] As of December 31, 2013, trade receivables in the amount of EUR 18.7 million were sold in the context of a factoring contract. Assuming the legal validity of the receivable, no further rights of recourse exist against SAF-HOLLAND from the sold receivables, see chapter 6.6 of Notes to the consolidated financial statements.
[2] As of December 31, 2012, trade receivables in the amount of EUR 7.8 million were sold in the context of a factoring contract. Assuming the legal validity of the receivable, no further rights of recourse exist against SAF-HOLLAND from the sold receivables, see chapter 6.6 of Notes to the consolidated financial statements.
[3] Including payment of the success fee in the amount of kEUR 10,536 and payments for transaction costs in the amount of kEUR 3,392, see chapter 5.2.5 of Notes to the consolidated financial statements.
[4] Including contractual repayment of former credit lines A1 and A2 in the amount of EUR 10.9 million as well as the repayment of the former loans in the amount of EUR 166.0 million due to the refinancing in October 2012 and special repayment of the new loan of EUR 48.6 million.
[5] Repayment of facilities A1 and A2.

Notes to the Consolidated Financial Statements

For the period January 1 to December 31, 2013

1 _ CORPORATE INFORMATION

SAF-HOLLAND S.A. (the "Company") was incorporated on December 21, 2005 under the legal form of a "Société Anonyme" according to Luxembourg law. The registered office of the Company is at 68–70, Boulevard de la Pétrusse, Luxembourg. The Company is entered in the Register of Commerce at the Luxembourg district court under no. B 113.090. The shares of the Company are listed in the Prime Standard of the Frankfurt Stock Exchange under the symbol "SFQ" (ISIN: LU0307018795). They have been included in the SDAX since 2010.

The consolidated financial statements of SAF-HOLLAND S.A. and its subsidiaries (the "Group") as of December 31, 2013 were authorized for issue in accordance with the resolution of the Board of Directors on March 11, 2014. Under Luxembourg law, the financial statements must be approved by the shareholders.

2 _ ACCOUNTING AND VALUATION PRINCIPLES

2.1
BASIS OF PREPARATION

The consolidated financial statements of SAF-HOLLAND S.A. have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and effective as of the reporting date.

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

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

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

2.2
SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

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

Impairment of goodwill and intangible assets with indefinite useful lives

The Group tests goodwill and other intangible assets with indefinite useful lives for impairment at least once a year and whenever there is an indication of impairment. The Group's impairment tests as of October 1, 2013 are based on calculations of the recoverable amount using a discounted cash flow model. Future cash flows are derived from the Group's five-year financial plan. Cash flows beyond the planning period are extrapolated using individual growth rates. The recoverable amount depends heavily on the discount rate used in the discounted cash flow model, expected future cash inflows and outflows, and the growth rate used for purposes of extrapolation.

The assumptions are based on the information available at the time. In particular, expected business development reflects current conditions as well as realistic assessments of the future development of the global and industry-specific environment. The main planning assumptions are based on forecast unit volumes for the truck and trailer market as determined by market research companies and planning discussions with the Group's key customers. Although management believes that the assumptions used to calculate the recoverable amount are appropriate, any unforeseen changes in these assumptions could lead to an impairment charge that could adversely affect the Group's net assets, financial position, and results of operations. The basic assumptions for determining the recoverable amount of the various cash-generating units as well as intangible assets with indefinite useful lives, including a sensitivity analysis, are discussed in more detail in Note 6.1. As of December 31, 2013, the carrying amounts of goodwill totaled EUR 45.4 million (previous year: EUR 47.0 million), and intangible assets with indefinite useful lives amounted to EUR 31.0 million (previous year: EUR 31.4 million).

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

Measurement of property, plant, and equipment and intangible assets with finite useful lives requires the use of estimates for determining the fair value at the acquisition date, particularly for assets acquired in a business combination. Furthermore, the expected useful lives of these assets must be determined. The determination of fair values and useful lives of assets, and impairment testing in the case of indications of impairment are based on management's judgment. As of December 31, 2013, the carrying amounts of property, plant, and equipment totaled EUR 100.6 million (previous year: EUR 98.7 million), and those of intangible assets with finite useful lives amounted to EUR 108.1 million (previous year: EUR 107.1 million). Further details are given in Notes 6.1 and 6.2.

Deferred tax assets

At each balance sheet date, the Group assesses whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. Among other things, this requires management to assess the tax benefits arising from the available tax strategies and future taxable income, and to take into account additional positive and negative factors. This assumption is based on expected taxable income as assessed in the corporate planning. The reported amount of deferred tax assets could decline, if estimates are lowered for projected taxable income and for tax benefits achievable through available tax strategies, or if changes in current tax legislation restrict the timing or amount of future tax benefits.

Deferred tax assets are recognized for all unused tax loss carry-forwards to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Deferred tax assets for all unused interest carry-forwards are recognized to the extent that it is probable that they can be used in the future to reduce taxable income. As of December 31, 2013, the carrying amount of deferred tax assets for tax loss carry-forwards amounted to EUR 3.5 million (previous year: EUR 3.5 million). Unrecognized tax loss carry-forwards amounted to EUR 31.2 million (previous year: EUR 34.3 million). In addition, as of December 31, 2013, the carrying amount of recorded deferred tax assets for interest carry-forwards was EUR 29.6 million (previous year: EUR 30.2 million). Further details are given in Note 5.3.

Pensions and other similar benefits

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

Due to the long-term nature of the pension plans, such estimates are subject to significant uncertainty. As of December 31, 2013, the carrying amount of pensions and other similar benefits was EUR 25.4 million (previous year: EUR 39.3 million). Further details, including a sensitivity analysis, are given in Note 6.10.

Other provisions

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

As of December 31, 2013, other provisions amounted to EUR 12.6 million (previous year: EUR 9.8 million). Further details are given in Note 6.11.

Share-based payment transactions

The Group initially measures the cost of phantom shares and share units (appreciation rights) granted to members of the Management Board and certain managers at the fair value of the appreciation rights at the grant date and subsequently on each balance sheet date as well as on the settlement date. Estimating the fair value of share-based payment transactions entails determining an appropriate valuation technique, which is selected according to the terms and conditions of the agreements. When estimating fair value, this technique requires various inputs for which assumptions must be made. The main inputs are the expected life of the option, the volatility of the share price and the forecast dividend yield. The expected life of the phantom shares and share units is based on current management expectations with regard to the exercise patterns of the participants and is not necessarily indicative of the actual exercise patterns of the beneficiaries. The expected volatility reflects the assumption that the historical volatility of a peer group over a period similar to the expected life of the phantom shares and share units is indicative of future trends, and may therefore not necessarily be the actual outcome. Due to the past restructuring of the Group, the actual historical volatility of the Group was not used, since in management's view, it is not representative of the future share price performance. In 2013, the carrying amount of provisions was EUR 1.4 million (previous year: EUR 0.0 million). Further details are given in Note 6.11.

Derivative financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from an active market, it is determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. As of December 31, 2013, the carrying amount of derivative financial instruments was EUR 0.2 million (previous year: EUR 0.9 million). Further details are given in Note 7.1.

2.3
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

Business combinations

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

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

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

If the Group loses control over a subsidiary, it
- derecognizes the assets (including goodwill) and liabilities of the subsidiary,
- derecognizes the carrying amount of any non-controlling interest in the former subsidiary,
- derecognizes the cumulative translation differences recorded in equity,
- recognizes the fair value of the consideration received,
- recognizes the fair value of any investment retained,
- recognizes any surplus or deficit in profit or loss,
- reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, if required by IFRS.

Investments in associates and joint ventures

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

An associate is an entity over which the Group can exercise significant influence by participating in the entity's financial and operating policy decisions, but which it does not control. Significant influence is generally assumed, if the Group holds between 20% and 50% of the voting rights.

The Group has interests in joint ventures which are jointly controlled entities, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entities. Investments in associates and joint ventures cease to be included in the consolidated financial statements using the equity method when the Group no longer exercises significant influence or no longer participates in joint control. Gains and losses on transactions between the Group and an associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture.

A comprehensive list of the Group's shareholdings is provided in Note 7.6.

Foreign currency translation

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. All exchange differences are recognized in profit or loss. Non-monetary items measured at historical cost in a foreign currency are translated at the rate prevailing on the date of the transaction. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate. As of the balance sheet date, the assets and liabilities of foreign operations are translated into euros at the closing rate. Income and expenses are translated at the weighted average exchange rate for the financial year. The exchange differences arising on the translation are recognized in equity. On disposal of a foreign entity, the cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss. Exchange differences on borrowings that are part of a net investment in a foreign operation are recognized directly in equity until disposal of the net investment, at which time they are recognized in profit or loss. Deferred taxes attributable to exchange differences on those borrowings are also recognized directly in equity.

The most important functional currencies for foreign operations are the US dollar (USD) and the Canadian dollar (CAD). The exchange rates for these currencies as of the balance sheet date were EUR/USD = 1.37665 (previous year: 1.32153) and EUR/CAD = 1.47210 (previous year: 1.31700). The weighted average exchange rates for these two currencies were EUR/USD = 1.32746 (previous year: 1.28493) and EUR/CAD = 1.36634 (previous year: 1.28442).

Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are allocated to those units.

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

Intangible assets

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

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

Research costs are expensed in the period in which they are incurred. Development costs for internally generated intangible assets are only recognized as an intangible asset when the Group can demonstrate
- the technical feasibility of completing the intangible asset so that it will be available for internal use or sale,
- its intention to complete and its ability to use or sell the asset,
- the recoverability of any future economic benefits,
- the availability of resources to complete the asset, and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

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

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

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

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

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

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

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

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

Gains or losses on the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period in which the asset is derecognized.

Property, plant, and equipment

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

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

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

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

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

Depreciation is generally based on the following useful lives:

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

An item of property, plant, and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on the derecognition of the asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period in which the item is derecognized.

Borrowing costs

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

Leases

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

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

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

Investments accounted for using the equity method

Under the equity method, investments in associates and joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group’s share of net assets of the investment. The Group’s share of the profit or loss of the associate or joint venture is reported separately in the result for the period. Where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Goodwill resulting from the acquisition of an associate or joint venture is included in the carrying amount of the investment in the associates or jointly controlled entities and is neither amortized nor separately tested for impairment. After applying the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group’s investments in associates and joint ventures. The Group determines at each balance sheet date whether there is any objective evidence that investments in associates or joint ventures are impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the fair value of the investment and the carrying amount of the investment and recognizes the amount in profit or loss.

Impairment of non-financial assets

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

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

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

Financial instruments

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

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

For the purpose of subsequent measurement, IAS 39 classifies financial assets into the following categories:
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets
- At fair value through profit or loss:
  - Held for trading
  - Designated upon initial recognition at fair value through profit or loss (fair value option)

IAS 39 classifies financial liabilities into the following categories:
- Financial liabilities at amortized cost
- At fair value through profit or loss:
  - Held for trading
  - Designated upon initial recognition at fair value through profit or loss (fair value option)

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

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

__ Fair value measurement

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

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

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

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

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

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

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

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

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

__ Primary financial instruments

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

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

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

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

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

__ Derivative financial instruments

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

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

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

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

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

Only interest rate swaps, which are used as cash flow hedges, meet the criteria for hedge accounting in the Group. Cash flow hedges safeguard against fluctuations in future payment flows from recognized assets and liabilities and from highly probable forecast transactions. The effective portion of the gain or loss on these hedging instruments, taking into account deferred taxes, is recognized directly in equity, while the ineffective portion is recognized in profit or loss. The amounts taken to equity are recognized in profit or loss in the period in which the hedged transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast purchase or sale occurs. If the forecast transaction is no longer expected to occur, the amounts previously reported in equity are recognized in profit or loss.

Impairment of financial assets

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

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

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

Derecognition of financial assets and liabilities

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

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

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

Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

Raw materials and supplies	– Cost of purchase on a weighted average cost basis
Finished goods and work in progress	– Cost of direct materials and labor, an appropriate proportion of manufacturing overheads based on normal operating capacity (but excluding borrowing costs), production-related administrative expenses and conveyance costs as well as production related depreciation.

Cash and cash equivalents

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

Non-current assets classified as held for sale

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

Other provisions

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

Share-based payment transactions

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

Pensions and other similar benefits

__ Defined benefit plans and similar obligations

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method. Revaluations of defined benefit plans include actuarial gains and losses, returns on plan assets (provided they are not included in net interest expense) as well as effects from limitation (so-called asset ceiling). The Group recognizes revaluations of defined benefit plans in other comprehensive income. All other expenses in connection with defined benefit plans are immediately recognized in the result for the period.

Past service cost is recognized immediately in profit or loss.

The amount recognized as a defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets from which the obligations are to be settled directly. The value of any asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Insofar as, in connection with fund assets, payment obligations exist as a result of minimum funding requirements for benefits already earned, this can also lead to the recognition of an additional provision if the economic benefit of a financing surplus is limited for the company, taking into account the minimum funding requirements yet to be paid.

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

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

__ Defined contribution plans

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

__ Other post-employment benefit plans

The Group grants its employees in Europe the option of concluding phased retirement agreements. The block model is used for this. Obligations of the phased retirement model are accounted for as non-current employee benefits.

__ Other long-term employee benefit plans

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

Taxes

__ Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of the amount is based on the tax rates and tax legislation in force on the balance sheet date.

__ Deferred income tax

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

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

Deferred income tax assets are recognized only if it is probable that sufficient taxable profit will be available to allow the deductible temporary difference to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled. The tax rates and tax laws used to calculate the amount are those that are enacted as of the balance sheet date. Deferred income tax assets and liabilities are offset, if the Group has a legally enforceable right to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or other duties. Revenue from the sale of goods and merchandise is recognized when the significant risks and rewards of ownership of the goods and merchandise sold have passed to the buyer. This usually occurs on delivery. Interest income is recognized after a period of time using the effective interest method. Dividends are recognized when the Group's right to receive payment is established.

Government grants

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

2.4
CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous year with the following exceptions:

2.4.1 IFRS 13 "Fair Value Measurement"

Application of this standard is mandatory for the first time for 2013; it establishes a single source of guidance for fair value measurement. The Standard does not deal with the question of when assets and liabilities are measured at fair value, but only how fair value is determined appropriately under IFRS. IFRS 13 defines fair value as exit price. The Group has reviewed its accounting policies for fair value measurement as a consequence of IFRS 13. Furthermore, IFRS defines additional disclosure requirements.

The application of IFRS 13 does not have any significant effects on the Group's fair value measurement. The required disclosures can be found in the Notes on the individual assets and liabilities. The fair value hierarchy is shown in Note 7.1.

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

The amendment to IAS 1 requires a new arrangement of items of other comprehensive income. Items that will be reclassified to profit and loss in subsequent reporting periods (so-called recycling) are to be shown separately from items for which no reclassification will take place. The amendments affect presentation only and have no impact on the Group's net assets, financial position, or results of operations.

2.4.3 IAS 36 “Impairment of assets”

There were no effects of the early voluntary adoption in financial year 2013 of the changes to IAS 36 (2013) “Impairment of assets”. The amendments included a correction of disclosure requirements that were introduced in IAS 36 as a result of the new IFRS 13. According to the amendment, disclosures on the recoverable amount of a cash-generating unit or an asset need only be made if an impairment loss or reversal has been recorded in the current reporting period.

2.5
STANDARDS ISSUED BUT NOT YET EFFECTIVE

During financial year 2013, the International Accounting Standards Board (IASB) issued additional standards that are relevant for the business operations of the Group, but are not yet effective in the reporting period or have not yet been endorsed by the European Union. The Group has decided not to early adopt the following standards, which have already been issued. They will be applied at the latest in the year in which they first become effective.

IAS 27 “Separate Financial Statements” (revised 2011)

As a consequence of the new IFRS 10 and IFRS 12, the scope of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment is effective for financial years beginning on or after January 01, 2014.

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

As a consequence of IFRS 11 and IFRS 12, IAS 28 has been renamed “Investments in Associates and Joint Ventures” and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment is effective for financial years beginning on or after January 01, 2014.

IAS 32 “Offsetting a Financial Asset and a Financial Liability”

The amendments clarify the meaning of “currently has a legally enforceable right of set-off”. Furthermore, they specify the application of the offsetting criteria of IAS 32 in relation to settlement systems (such as a clearing house) that carry out a gross settlement in which individual business processes are not carried out at the same time. These amendments are not expected to have any effect on the presentation of the Group’s net assets, financial position, and results of operations. The amendment is effective for financial years beginning on or after January 1, 2014.

IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"

The amendment allows, under certain circumstances, the continuation of hedge accounting in cases, where derivatives designated as hedging instruments are transferred to a clearing organization due to legal or regulatory requirements (novation). The amendment is effective for financial years beginning on or after January 1, 2014. The Group has not carried out any novation of its derivatives in the reporting period.

IFRS 9 "Financial Instruments: Classification 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.

In October 2010, the IASB issued the second part of IFRS 9 with new requirements on the classification and measurement of financial liabilities. These new rules particularly amend the treatment of financial liabilities measured at fair value through profit or loss (the "fair value option").

In November 2013, IASB issued amendments to IFRS 9 that include new hedge accounting regulations and replace the corresponding requirements of IAS 39. These amendments add a new general hedge accounting model to the standard which expand the scope of eligible hedged items and hedging instruments. The amendments to IFRS 9 do state that an entity may select as its accounting policy for all hedging relationships to continue to apply the existing requirements of IAS 39 or to apply the new requirements of IFRS 9. Furthermore, the IASB removed the former January 1, 2015 mandatory effective date of IFRS 9. A new mandatory effective date will not be set until the standard is published in full.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the rules on group financial reporting in IAS 27 "Consolidated and Separate Financial Statements", and includes issues that were previously governed by SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the previous legal situation. The amendment is deemed to have no impact on the financial statements of the Group. The standard is effective for financial years beginning on or after January 1, 2014.

IFRS 11 “Joint Arrangements”

The standard replaces IAS 31 „Interests in Joint Ventures“ and the interpretation SIC-13 “Jointly controlled Entities – Non-monetary Contributions by Ventures”. IFRS 11 removes the option to account for joint ventures using proportionate consolidation. In the future, joint ventures must be included in the consolidated financial statements exclusively using the equity method. The amendment will not have any impact on the consolidated financial statements, in which joint ventures are already accounted for using the equity method. The standard is effective for financial years beginning on or after January 1, 2014.

IFRS 12 “Disclosure of Interests in Other Entities”

This standard establishes uniform disclosure requirements for group financial reporting and consolidates the disclosures for subsidiaries that were previously contained in IAS 27, for jointly controlled entities and associates that were previously included in IAS 31 and IAS 28 respectively, and for structured entities. A number of new disclosures are also required. The standard is effective for financial years beginning on or after January 1, 2014.

“Annual improvements to IFRSs 2010-2012 cycle”

This cycle resulted in amendments to seven IFRSs. The annual improvement process is used to make necessary, but non-urgent, amendments to existing IFRSs that will not be included as part of any other large project. The amendments are primarily effective for financial years beginning on or after July 1, 2014.

“Annual improvements to IFRSs 2011-2013 cycle”

This cycle resulted in amendments to four IFRSs. The annual improvement process is used to make necessary, but non-urgent, amendments to existing IFRSs that will not be included as part of any other large project. The amendments are primarily effective for financial years beginning on or after July 1, 2014.

3 _ SCOPE OF CONSOLIDATION

Acquisitions

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

Formations

On May 7, 2013, SAF-HOLLAND India Pvt. Ltd., Sriperambadur Taluk, India, was founded and included in the consolidated financial statements for the first time on June 30, 2013.

There were no formations in the previous year.

Deconsolidations

No company was deconsolidated in the year under review.

SAF-HOLLAND Denmark ApS, Denmark, was disposed of in the previous year and and therefore deconsolidated in 2012. Proceeds from the sale of the subsidiary (net of cash) amounted to EUR 0.3 million. In the course of the transaction, assets in the amount of EUR 0.5 million (thereof EUR 0.2 million cash) and liabilities in the amount of EUR 0.1 million were transferred.

Other Changes

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

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

4 _ SEGMENT INFORMATION

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

Trailer Systems

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

Powered Vehicle Systems

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

Aftermarket

This Business Unit focuses on the sale of components such as parts for all available systems for trailers and powered vehicles.

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

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

kEUR	2013	2012
Operating result	49,400	45,547
Share of net profit of investments accounted for using the equity method	-142	1,295
EBIT	**49,258**	**46,842**
Additional depreciation and amortization from PPA	6,075	6,389
Impairment of goodwill and intangible assets	–	3,192
Reversal of impairment of intangible assets	–	-1,848
Restructuring and integration costs	3,939	3,658
Adjusted EBIT	**59,272**	**58,233**

The presentation of segment information has changed in comparison with the previous year. Holding costs are now divided according to origin to the three Business Units. Moreover the presentation of group internal charges has been changed. In the management‘s assessment, the changed presentation allows for better steering of the Business Units. For better comparability, the segment information of the previous year was adjusted according to the changed presentation.

Segment information for the period January 1 to December 31:

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

[1] Restructuring and integration costs (kEUR -744) as well as elimination of internal Group charges (kEUR 25,822).
[2] Restructuring and integration costs (kEUR -3,195) as well as elimination of internal Group charges (kEUR -25,822).
[3] Eliminations in the Business Units relate to amortization and depreciation (kEUR 6,075) arising from the purchase price allocation.
[4] Restructuring and integration costs (kEUR 3,939) are not allocated to any Business Unit.

TEUR	2012				
	Business Units				
	Trailer Systems	Powered Vehicle Systems	Aftermarket	Adjustments / eliminations	**Consolidated**
Sales	473,487	157,585	228,506	–	**859,578**
Cost of sales	-429,304	-131,156	-167,115	24,148 [1]	**-703,427**
Gross profit	**44,183**	**26,429**	**61,391**	24,148	**156,151**
Gross margin	9.3%	16.8%	26.9%	–	**18.2%**
Selling and administrative expenses, research and development costs, other income, share of net profit of investments accounted for using the equity method, impairment and reversal of impairment	-33,869	-15,639	-31,995	-27,806 [2]	**-109,309**
Adjustments	1,360 [3]	3,934 [3]	2,439 [3]	3,658 [4]	**11,391**
Adjusted EBIT	**11,674**	**14,724**	**31,835**	–	**58,233**
Adjusted EBIT margin	2.5%	9.3%	13.9%	–	**6.8%**
Depreciation, amortization, impairment and reversal of impairment	-11,037	-6,560	-4,631	–	**-22,228**
thereof impairment and reversal of impairment	1,848	-2,591	-601	–	**-1,344**

[1] Restructuring and integration costs (kEUR -219) as well as elimination of internal Group charges (kEUR 24,367).
[2] Restructuring and integration costs (kEUR -3,439) as well as elimination of internal Group charges (kEUR -24,367).
[3] Eliminations in the Business Units relate to amortization and depreciation (kEUR 6,389) arising from the purchase price allocation. Furthermore, income from reversals of impairment losses on brands (kEUR 1,848) and expenses from the impairment of customer relationships (kEUR -3,086) and brands (kEUR -106) are contained.
[4] Restructuring and integration costs (kEUR 3,658) are not allocated to any Business Unit.

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

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

The following table presents information by geographical region:

kEUR	2013	2012
Revenues from external customers		
Europe	447,859	434,843
North America	339,146	367,095
Other	70,013	57,640
Total	**857,018**	**859,578**

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

kEUR	12/31/2013	12/31/2012
Non-current assets		
Europe	160,763	157,092
North America	126,409	123,693
Other	10,663	13,651
Total	**297,835**	**294,436**

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

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

5 _ NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.1 COST OF SALES

Cost of sales consists of the following:

kEUR	2013	2012
Cost of materials	563,411	566,683
Personnel expenses	99,656	99,678
Depreciation and amortization of property, plant, and equipment and intangible assets	8,908	11,507
Repair and maintenance expenses	7,627	8,430
Temporary worker expenses	4,464	5,049
Warranty expenses	5,518	3,513
Restructuring and integration costs	744	219
Other	11,114	8,348
Total	**701,442**	**703,427**

5.2
OTHER INCOME AND EXPENSES

5.2.1 Other income

Other income consists of the following:

kEUR	2013	2012
Income from damage claims	1,400	–
Income from reimbursements	464	422
Gain from disposal of property, plant, and equipment	65	375
Income from insurance compensations	33	38
Other	1,101	701
Total	**3,063**	**1,536**

Income from damage claims result from an out of court settlement with a supplier. The facility supplied was not accepted due to defects.

5.2.2 Selling expenses

The table below shows the breakdown of selling expenses:

kEUR	2013	2012
Personnel expenses	24,525	24,530
Expenses for distribution	6,495	6,759
Expenses for advertising and sales promotion	8,115	7,522
Depreciation and amortization of property, plant, and equipment and intangible assets	3,667	4,049
Commissions	962	1,442
Restructuring and integration costs	1,031	1,225
Other	8,509	8,000
Total	**53,304**	**53,527**

5.2.3 Administrative expenses

Administrative expenses are shown in the following table:

kEUR	2013	2012
Personnel expenses	19,600	20,065
Legal and consulting expenses	4,051	4,519
Expenses for office and operating supplies	2,698	2,948
Depreciation and amortization of property, plant, and equipment and intangible assets	2,699	2,581
Restructuring and integration costs	1,264	1,945
Other	7,700	7,252
Total	**38,012**	**39,310**

5.2.4 Research and development costs

Research and development costs consist of the following:

kEUR	2013	2012
Personnel expenses	10,563	10,111
Depreciation and amortization of property, plant, and equipment and intangible assets	2,602	2,747
Restructuring and integration costs	–	269
Other	4,758	4,832
Total	**17,923**	**17,959**

Development costs of kEUR 1,127 (previous year: kEUR 1,428) were capitalized in the financial year. Payments by the Bavarian Ministry of Economic Affairs of kEUR 383 (previous year: kEUR 82) were offset against research and development costs as grants related to income.

5.2.5 Finance result

Finance income consists of the following:

kEUR	2013	2012
Foreign exchange gains on foreign currency loans	645	–
Interest income	140	188
Other	292	240
Total	**1,077**	**428**

Finance expenses consist of the following:

kEUR	2013	2012
Interest expenses due to interest bearing loans and borrowings	-9,703	-12,736
Transaction costs	–	-9,290
Amortization of transaction costs	-758	-2,657
Finance expenses due to pensions and other similar benefits	-1,390	-1,568
Finance expenses due to derivatives	-2,176	-3,043
Other	-4,865	-2,001
Total	**-18,892**	**-31,295**

Interest expenses from interest-bearing loans and borrowings decreased as a result of the refinancing in October 2012 and the corresponding improvement in the interest rate margin.

In the previous year, transaction costs primarily resulted from the premature reversal of capitalized transaction costs as well as from the early payment of the success fee in the course of the refinancing measures carried out in October 2012.

The amortization of transaction costs of kEUR 758 (previous year: kEUR 2,657) represents the contract closing fees recognized as expenses in the period in accordance with the effective interest method.

Finance expenses in connection with derivative financial instruments include the reclassification to the financial result of the cash flow hedge reserve recorded in equity of kEUR 2,176 through profit or loss. The recycling of the cash flow hedge reserve results from the early repayment of interest rate swaps in the context of the refinancing in October 2012. The cash flow hedge reserve is released to the finance result using the effective interest method over the original term of the swaps.

Prior-year finance expenses in connection with derivatives include expenses in the amount of kEUR 2,795 from changes in value of interest rate hedges that were reclassified from equity to the financial result due to the removal of the hedge relationship for interest rate swaps in the context of the refinancing. In addition, expenses in the amount of kEUR 248 resulted from the early repayment of the interest rate swaps in the previous year.

The other finance expenses primarily comprise unrealized foreign exchange losses on inter-company foreign currency loans translated at the closing rate in the amount of kEUR 4,253 (previous year: kEUR 1,219).

More details are illustrated in Notes 6.12 and 7.1.

5.2.6 Employee Benefit Expenses

Employee benefit expenses consist of the following:

kEUR	2013	2012
Wages and salaries	-133,656	-134,230
Social insurance contributions	-19,567	-19,519
Pension expenses	-965	-567
Termination benefits	-156	-68
Total	**-154,344**	**-154,384**

Social insurance contributions include expenses from defined contribution plans in the amount of kEUR 6,460 (previous year: kEUR 6,633).

5.2.7 Depreciation and Amortization

Depreciation and amortization expenses by functional areas:

	Depreciation of property, plant, and equipment		Amortization of intangible assets		Total	
kEUR	2013	2012	2013	2012	2013	2012
Cost of sales	-8,022	-11,246	-886	-261	**-8,908**	**-11,507**
Selling expenses	-819	-910	-2,848	-3,139	**-3,667**	**-4,049**
Administrative expenses	-1,801	-1,498	-898	-1,083	**-2,699**	**-2,581**
Research and development costs	-552	-593	-2,050	-2,154	**-2,602**	**-2,747**
Total	**-11,194**	**-14,247**	**-6,682**	**-6,637**	**-17,876**	**-20,884**

Depreciation and amortization of property, plant, and equipment and intangible assets arising from the purchase price allocation amount to kEUR 6,075 (previous year: kEUR 6,389).

In the financial year 2013 the useful lives of property, plant and equipment were reviewed and partly adjusted. This resulted in minor depreciation of kEUR 2,519.

5.2.8 Reversals and Impairments on Intangible Assets

Neither reversals nor impairments of intangible assets were carried out in the financial year. In the previous year, reversals of impairment losses on intangible assets with definite useful lives were recorded in the amount of kEUR 1,848. Furthermore, intangible assets with indefinite useful lives were impaired in the previous year in the amount of kEUR 3,192. More details are illustrated in Note 6.1.

5.3 INCOME TAXES

The major components of income taxes are as follows:

kEUR	2013	2012
Current income taxes	-8,598	-9,390
Deferred income taxes	1,520	833
Income tax reported in the result for the period	**-7,078**	**-8,557**

The effective income tax rate for the Group for the year ended December 31, 2013 is 22.51% (previous year: 53.60%). The following table reconciles the actual to the expected income tax for the Group using the Group's corporate income tax rate of 30.70% (previous year: 30.80%). For German entities, as in the previous year, a corporate income tax rate of 27.20% was used, which comprised corporate income tax of 15.83% (including the solidarity surcharge) and trade tax of 11.37%. For the North American subgroup, a corporate income tax rate of 31.22% (previous year: 33.27%) was used, which comprised a federal tax rate of 30.10% and a state tax rate of 1.12%.

kEUR	12/31/2013	12/31/2012
Result before income tax	**31,443**	**15,975**
Income tax based on Group's income tax rate of 30.70% (previous year: 30.80%)	-9,653	-4,920
Recognition of previous years non-recognized interest carry-forwards	1,927	747
Unused interest carry-forwards	–	-1,525
Unused tax loss carry-forwards	-1,276	-2,146
Use of previously not recognized tax loss carry-forwards	1,908	1,525
Income taxes resulting from previous year	404	-2,322
Other	-388	84
Income tax based on effective income tax rate of 22.51% (previous year: 53.60%)	**-7,078**	**-8,557**

In the reporting period, deferred tax assets in the amount of kEUR 1,908 were recognized for the first time on unrecognized tax loss carry-forwards in the amount of kEUR 6,322. The management assumes that their future utilization can be regarded as sufficiently probable due to the improved future prospects regarding earnings.

In the reporting period, furthermore, deferred taxes of kEUR 1,927 were recognized for the first time on unrecognized tax interest carry-forwards from the previous year of kEUR 7,078. The management assumes that their future utilization can be regarded as sufficiently probable due to the changed financial structure and the improved future prospects for earnings.

Income taxes from other accounting periods result from the conclusion of a tax audit in Germany. In the previous year, income tax expenses from other accounting periods of kEUR 2,322 were recognized due to the preliminary results of the tax audit.

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

	Consolidated balance sheet		Consolidated result for the period	
kEUR	12/31/2013	12/31/2012	2013	2012
Inventories	1,492	1,553	-31	143
Pensions and other similar benefits	8,106	13,006	-1,081	-182
Other financial liabilities	56	232	–	-1,154
Other provisions	1,873	1,678	272	481
Tax loss carry-forwards	3,508	3,467	146	-2,430
Interest carry-forwards	29,646	30,240	-57	2,163
Tax effect resulting from recycling the cash flow hedge reserve	–	–	592	–
Other	3,226	2,735	597	-424
Deferred tax assets	**47,907**	**52,911**		
Intangible assets	-30,980	-32,519	1,223	1,065
Property, plant, and equipment	-10,581	-10,589	-199	782
Inventories	-7	-24	17	50
Investments accounted for using the equity method	-2,790	-2,670	-141	28
Other assets	-1,478	-1,082	-95	-367
Interest bearing loans and borrowings	-82	-1,156	1,070	549
Other	-2,248	-1,491	-793	129
Deferred tax liabilities	**-48,166**	**-49,531**		
Deferred tax income			**1,520**	**833**

As of the balance sheet date, deferred tax assets and liabilities of kEUR 16,576 (previous year: kEUR 17,264) were offset, having met the requirements for offsetting. The balance sheet thus includes deferred tax assets of kEUR 31,331 (previous year: kEUR 35,647) and deferred tax liabilities of kEUR 31,590 (previous year: kEUR 32,267).

The Group has tax loss carry-forwards of kEUR 46,259 (previous year: kEUR 47,016) that are available indefinitely or with defined time limits to several Group companies to offset against future taxable profits of the companies in which the losses arose or of other Group companies. Deferred tax assets have not been recognized with respect to tax loss carry-forwards of kEUR 31,231 (previous year: kEUR 34,270) due to insufficient taxable profits or opportunities for offsetting at the individual companies or other Group companies.

Unrecognized tax loss carry-forwards expire as follows:

kEUR	12/31/2013	12/31/2012
Expiry date		
Infinite	25,810	28,955
Within 5 years	3,730	3,525
Within 10 years	1,691	1,790
Total	**31,231**	**34,270**

In addition to tax loss carry-forwards, the Group has interest carry-forwards of kEUR 95,979 (previous year: kEUR 99,621), which are available indefinitely to various Group companies for use in the future as a tax deduction. Interest carry-forwards result from the interest limitation rules introduced by the business tax reform in Germany as well as a comparable regulation in North America.

Due to insufficient opportunities for using interest carry forwards from previous years in amount of kEUR 7,978 no deferred tax assets on this interest carry forwards where recognized in the previous year.

In financial year 2013, deferred income taxes relating to changes in the fair value of cash flow hedges amounting to kEUR 56 (previous year: kEUR 228) as well as to changes in pension liabilities amounting to kEUR -4,168 (previous year: kEUR 2,356) were recognized in equity. Furthermore, as a result of the partial release of the cash flow hedge reserve (see 5.2.5), deferred tax assets in the amount of kEUR 592, which were previously recognized in equity, were reclassified to the Statement of Comprehensive Income.

Furthermore, temporary differences associated with investments in subsidiaries for which no deferred taxes have been recognized amounted to kEUR -296.

6 _ NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 GOODWILL AND INTANGIBLE ASSETS

kEUR	Customer relationship	Technology	Development costs	Brand	Service net	Licences and Software	**Intangible assets**	**Goodwill**
Historical costs								
As of 12/31/2011	**104,169**	**21,213**	**2,803**	**32,101**	**3,495**	**10,811**	**174,592**	**76,138**
Additions	–	–	1,428	–	–	7,114	**8,542**	–
Disposals	–	–	–	–	–	200	**200**	–
Foreign currency translation	-763	-115	–	-222	–	-266	**-1,366**	**-597**
As of 12/31/2012	**103,406**	**21,098**	**4,231**	**31,879**	**3,495**	**17,459**	**181,568**	**75,541**
Additions	–	–	1,127	–	–	8,259	**9,386**	–
Foreign currency translation	-1,479	-224	–	-433	–	-409	**-2,545**	**-1,752**
As of 12/31/2013	**101,927**	**20,874**	**5,358**	**31,446**	**3,495**	**25,309**	**188,409**	**73,789**
Accumulated amortization								
As of 12/31/2011	**14,113**	**10,153**	**239**	**2,194**	**1,006**	**7,875**	**35,580**	**28,722**
Additions	2,993	1,908	211	–	175	1,350	**6,637**	–
Disposals	–	–	–	–	–	192	**192**	–
Impairment	3,086	–	–	106	–	–	**3,192**	–
Reversal impairment	–	–	–	1,848	–	–	**1,848**	–
Foreign currency translation	-155	-45	–	2	–	-72	**-270**	**-166**
As of 12/31/2012	**20,037**	**12,016**	**450**	**454**	**1,181**	**8,961**	**43,099**	**28,556**
Additions	2,836	1,879	314	–	175	1,478	**6,682**	–
Foreign currency translation	-302	-92	–	–	–	-96	**-490**	**-171**
As of 12/31/2013	**22,571**	**13,803**	**764**	**454**	**1,356**	**10,343**	**49,291**	**28,385**
Carrying amount 12/31/2012	**83,369**	**9,082**	**3,781**	**31,425**	**2,314**	**8,498**	**138,469**	**46,985**
Carrying amount 12/31/2013	**79,356**	**7,071**	**4,594**	**30,992**	**2,139**	**14,966**	**139,118**	**45,404**

The increase in intangible assets primarily results from costs associated with the project of consolidation of existing SAP systems in Europe and North America of kEUR 7,612.

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

	2013		2012	
kEUR	Netbook value	Remaining useful life in years	Netbook value	Remaining useful life in years
Customer relationship "OEM"	31,299	33	32,270	34
Customer relationship "5th-Wheel"	13,873	13	17,173	14
SAP	12,873	9.5	–	–

Impairment testing of goodwill and intangible assets with indefinite useful lives

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

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

	Trailer Systems		Powered Vehicle Systems		Aftermarket		**Total**	
kEUR	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Goodwill	16,441	16,925	–	–	28,963	30,060	**45,404**	**46,985**
Brand	25,423	25,646	5,047	5,242	522	537	**30,992**	**31,425**

__ 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 2019, it will be supplemented by the perpetual annuity. The basis for the calculation of the perpetual annuity is the assumed long-term sustainably achievable result in consideration of the cyclical nature of the market environment.

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

Discount rates – To calculate the discount rates, a weighted average cost of capital (WACC) method was applied. This method considers yields on government bonds at the beginning of the budget period as a risk-free interest rate. Furthermore, an objective surcharge was determined to reflect the risk of the Group in comparison with its peer group. As in the previous year, a growth rate deduction of 1.0% was used in the perpetual annuity.

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

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

Trailer Systems cash-generating unit
The pre-tax discount rate used to calculate the value in use as of October 1, 2013 is 13.71% (October 1, 2012: 12.84%). As in the previous year, the impairment test in 2013 did not identify any impairment of goodwill as the value in use was above the carrying amount of the cash-generating unit.

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

Aftermarket cash-generating unit
The pre-tax discount rate used to calculate the value in use as of October 1, 2013 is 14.11% (October 1, 2012: 13.11%). On the basis of the test carried out, management did not identify any impairment for this cash-generating unit.

Sensitivity to changes in assumptions
Within the scope of the value in use calculation, sensitivity analyses were carried out in relation to the main value drivers. For this purpose, alternative calculations were used without consideration of the assumed growth rate of the perpetual annuity and in consideration of an increase in the average cost of capital by 100 base points. All cash-generating units exceeded the relevant carrying amounts.

"SAF" brand
The impairment test of October 1, 2013 was carried out at the level of the Trailer Systems cash-generating unit. Please refer to the previous sections regarding the pre-tax discount rate used for the value in use of the cash-generating unit.

The impairment test did not result in an impairment (October 1, 2012: reversal of impairment of kEUR 1,848).

"Holland" brand
The impairment test of October 1, 2013 was carried out at the level of the Powered Vehicle Systems cash-generating unit. The pre-tax discount rate used to calculate the value in use is 14.49% (October 1, 2012: 13.54%).

The impairment test did not result in an impairment .

The impairment losses recognized on the brands in 2008 and 2009 were primarily attributable to unfavorable sales forecasts due to the slump in sales caused by the financial crisis. The sustained recovery of the truck and trailer market since 2010 and the improved outlook with regard to future market trends led to an adjustment in the sales and earnings forecasts for the Group and therefore to reversals of impairment losses on brands in financial years 2010, 2011 and 2012.

Customer relationships and brands of the SAF-HOLLAND Verkehrstechnik GmbH
In the previous year, a separate impairment test was carried out for SAF-HOLLAND Verkehrstechnik GmbH, as this cash-generating unit's business development was below expectations. The value in use was kEUR 3,192 below the carrying amount of the cash-generating unit. The impairment loss was attributable in the amount of kEUR 2,739 to "5th wheel" customer relations, and in the amount of kEUR 347 to the "Trilex" customer relations, as well as in the amount of kEUR 106 to the brand "Trilex".

6.2 PROPERTY, PLANT, AND EQUIPMENT

kEUR	Land and buildings	Plant and equipment	Other equipment, office furniture, and equipment	Advance payments and construction in progress	**Total**
Historical costs					
As of 12/31/2011	**62,673**	**92,898**	**13,013**	**7,292**	**175,876**
Additions	1,574	7,008	3,616	1,569	**13,767**
Disposals	158	2,653	1,216	25	**4,052**
Disposals from the scope of consolidation	–	–	54	–	**54**
Transfers	125	1,606	–	-1,731	**–**
Foreign currency translation	-402	-959	-48	-93	**-1,502**
As of 12/31/2012	**63,812**	**97,900**	**15,311**	**7,012**	**184,035**
Additions	922	5,538	2,212	7,657	**16,329**
Disposals	48	1,480	97	35	**1,660**
Transfers	1,082	6,471	2,578	-10,131	**–**
Foreign currency translation	-1,752	-3,779	-528	-137	**-6,196**
As of 12/31/2013	**64,016**	**104,650**	**19,476**	**4,366**	**192,508**
Accumulated depreciation					
As of 12/31/2011	**11,357**	**54,936**	**8,837**	**–**	**75,130**
Additions	2,367	10,095	1,785	–	**14,247**
Disposals	46	2,477	996	–	**3,519**
Disposals from the scope of consolidation	–	–	25	–	**25**
Reclassifications	7	-7	–	–	**–**
Foreign currency translation	-48	-387	-25	–	**-460**
As of 12/31/2012	**13,637**	**62,160**	**9,576**	**–**	**85,373**
Additions	2,566	6,741	1,887	–	**11,194**
Disposals	9	1,218	79	–	**1,306**
Transfers	7	-1,816	1,809	–	**–**
Foreign currency translation	-592	-2,397	-369	–	**-3,358**
As of 12/31/2013	**15,609**	**63,470**	**12,824**	**–**	**91,903**
Carrying amount 12/31/2012	**50,175**	**35,740**	**5,735**	**7,012**	**98,662**
Carrying amount 12/31/2013	**48,407**	**41,180**	**6,652**	**4,366**	**100,605**

The carrying amount of plant and equipment held under finance leases as of December 31, 2013 is kEUR 2,540 (previous year: kEUR 237). Additions during the year included kEUR 2,499 (previous year: kEUR 203) in plant and equipment hold under finance lease. The additions are primarily the result of the conclusion of a financial lease contract for a friction welding machine. The finance lease contract for this facility includes an extension and purchase option. Depreciation during the year amounted to kEUR 79 (previous year: kEUR 9).

6.3
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following investments were accounted for using the equity method:

	Country of incorporation	% Equity interest
Associates		
Lakeshore Air LLP	USA	50.0
FWI S.A.	France	34.1
Joint ventures		
SAF-HOLLAND Nippon, Ltd.	Japan	50.0
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.[1]	India	–

[1] The joint venture was terminated in May 2013.

The following table summarizes financial information on the Group's share of investments in associates and joint ventures accounted for using the equity method, whereby the information relates to the Group's share of investments in associates or joint ventures respectively:

	Investments in associates		Investments in joint ventures	
kEUR	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Current assets	8,958	8,260	704	853
Non-current assets	3,253	2,783	325	359
Current liabilities	-1,658	-1,151	-43	-57
Non-Current liabilities	-1,624	-1,581	-86	–
Foreign currency translation	–	–	–	-5
Net worth = investment carrying amount	**8,929**	**8,311**	**900**	**1,150**
Sales	12,881	16,836	622	509
Result for the period	827	1,292	-969	3

The loss of investments in joint ventures comprises a loss in amount of kEUR 900 which resulted from the termination of the joint venture Madras SAF-Holland Manufacturing (I) P. Ltd.

6.4
OTHER NON-CURRENT ASSETS

kEUR	12/31/2013	12/31/2012
Defined benefit assets	980	–
VAT reimbursement claims	1,137	163
Workers' compensation and health insurance premiums	–	206
Insurance premiums	161	–
Claims from reinsurance	478	336
Other	123	154
Total	**2,879**	**859**

6.5 INVENTORIES

kEUR	12/31/2013	12/31/2012
Raw materials	40,138	34,936
Work in progress	23,210	15,933
Finished and trading goods	29,736	31,391
Goods in transit	7,139	5,903
Total	**100,223**	**88,163**

Included in the cost of sales are allowances for inventories of kEUR 2,073 (previous year: kEUR 2,714).

6.6 TRADE RECEIVABLES

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

				Of which: not impaired on the reporting date and past due in the following periods					
kEUR	Carrying amount	Of which: neither impaired nor past due on the reporting date	Of which: impaired on the reporting date	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	Between 121 and 360 days	More than 360 days
Trade receivables as of 12/31/2013	76,088	60,734	543	7,146	3,799	1,268	847	1,131	620
Trade receivables as of 12/31/2012	87,319	68,048	146	11,796	3,672	1,210	1,013	1,297	137

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

kEUR	Allowance account
As of 12/31/2011	**3,133**
Charge for the year	753
Utilized	340
Released	521
Foreign currency translation	-10
As of 12/31/2012	**3,015**
Charge for the year	633
Utilized	424
Released	8
Foreign currency translation	-56
As of 12/31/2013	**3,160**

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

The Group disposed of receivables with a volume of kEUR 18,738 (previous year: kEUR 7,827) as of the balance sheet date in the framework of a factoring agreement. Assuming the legal validity of the receivables, no further risks of customer illiquidity exist against the factor for the sold receivables.

6.7
OTHER CURRENT ASSETS

kEUR	12/31/2013	12/31/2012
VAT receivables	2,576	3,710
Other reveivables against suppliers and customers	1,175	4,443
Prepaid expenses	1,081	1,209
Insurance premiums	339	409
Appropriated funds	–	1,173
Other	1,419	939
Total	**6,590**	**11,883**

In the previous year, the item “Other receivables against suppliers and customers” primarily comprised a claim to repayment from a supplier. The facility supplied was not accepted due to defects. In the reporting year, an out-of-court settlement was reached with the supplier.

Restricted cash of the previous year includes cash held as collateral for employee claims. These claims are no longer guaranteed as from the beginning of the financial year.

6.8
CASH AND CASH EQUIVALENTS

kEUR	12/31/2013	12/31/2012
Cash at banks and on hand	23,851	18,573
Short-term deposits	5	6
Total	**23,856**	**18,579**

6.9
EQUITY

Subscribed share capital

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

In the previous year the Company's subscribed share capital was increased by EUR 41,237.37 to EUR 453,611.12 as part of a capital increase. The share capital was increased on November 30, 2012 with the exclusion of subscription rights of the existing shareholders in the scope of the authorized capital as set by the Extraordinary General Meeting of June 4, 2012.

Share premium

As of December 31, 2013, the share premium remained at the amount of kEUR 265,843 (previous year: kEUR 265,843).

Legal reserve

The legal reserve amounted to kEUR 22 (previous year: kEUR 22).

Other reserves

Other reserves consist of a reserve that is subject to restrictions on distribution. This allowed the Group to adhere to specific requirements under Luxembourg tax law. As of December 31, 2013 the amount in the other reserves that is subject to transfer restriction is kEUR 436 (previous year: kEUR 436).

Retained earnings

Retained earnings includes the result for the period of kEUR 24,365 (previous year: kEUR 7,418).

Dividend

Dividend payments of EUR 0.27 per share are recommended for financial year 2013. The total dividend distribution amounts to kEUR 12,248, based on the total number of shares in amount of 45,361,112.

Change in accumulated other comprehensive income

	Before tax amount		Tax expense		Net of tax amount	
kEUR	2013	2012	2013	2012	2013	2012
Revaluation defined benefit plan	12,325	-7,866	-4,168	2,356	8,157	-5,510
Exchange differences on translation of foreign operations	-10,093	-854	–	–	-10,093	-854
Changes in fair values of derivatives designated as hedges, recognized in equity	2,602	1,523	-708	-511	1,894	1,012
Total	**4,834**	**-7,197**	**-4,876**	**1,845**	**-42**	**-5,352**

The total amount of exchange differences on translation of foreign operations included in accumulated other comprehensive income is kEUR -9,747 (previous year: kEUR 346).

Changes in value of hedging transactions previously recorded in equity of kEUR 2,176 (before taxes) were reclassified to the finance result in the reporting year, because the cash flow hedge reserve for the interest rate swaps canceled as part of the refinancing in October 2012 will be released using the effective interest method over the original term of the swaps.

The total amount of changes in the fair value of derivatives designated as hedges after taxes included in accumulated other comprehensive income is kEUR -1,047 (previous year: kEUR -2,941).

The total amount of revaluations of defined benefit plans included in accumulated other comprehensive income is kEUR -12,258 (previous year: kEUR -20,415).

6.10 PENSIONS AND OTHER SIMILAR BENEFITS

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

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

Future pension payments for SAF-HOLLAND Verkehrstechnik GmbH's plan depend on length of service and personal income. In February 2011, the Company restructured the form of its existing pension plans by amending the underlying works agreements. The form was changed from a direct pension commitment to an indirect pension commitment by establishing a reinsured employee benefit fund. The conversion did not change the benefits granted to employees. The pension plan still remains a defined benefit obligations within the meaning of IAS 19, which are disclosed under provisions for pensions and other similar benefits. Pension commitments provided by the employee benefit fund are covered by a group insurance contract. As these insurance policies do not constitute plan assets because the employees' claims are not protected against insolvency, the asset value of the employer's pension liability insurance of kEUR 478 (previous year: kEUR 336) is recognized under other non-current assets in accordance with IAS 19.

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

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

The freezing of pension plans in Canada have led to the recognition of an additional liability in the amount of kEUR 455 (previous year: kEUR 44) due to minimum funding requirements. This effect was directly recognized in other comprehensive income.

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

	Pension plans							
	German plan		US plan		Canadian plan		Post employment medical benefits	
kEUR	2013	2012	2013	2012	2013	2012	2013	2012
Defined benefit obligation	**11,538**	**11,875**	**45,957**	**53,469**	**12,559**	**14,514**	**7,542**	**8,199**
Fair value of plan assets	-9	-9	-40,049	-35,419	-13,899	-13,422	–	–
	11,529	**11,866**	**5,908**	**18,050**	**-1,340**	**1,092**	**7,542**	**8,199**
Amount not recognized as an asset because of the limit in IAS 19.57(b)	–	–	–	–	359	–	–	–
Additional liability recognized due to minimum funding requirements (IFRIC 14)	–	–	–	–	455	44	–	–
Benefit liabilities	**11,529**	**11,866**	**5,908**	**18,050**	**-526**	**1,136**	**7,542**	**8,199**

The defined benefit liabilities include defined benefit assets in amount of kEUR 980 (previous year: kEUR 0), which is disclosed in other non-current assets in the balance sheet.

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

	Pension plans							
	German plan		US plan		Canadian plan		Post employment medical benefits	
kEUR	2013	2012	2013	2012	2013	2012	2013	2012
Defined benefit obligation as of the beginning of the period	**11,875**	**8,234**	**53,469**	**47,901**	**14,514**	**12,579**	**8,199**	**7,855**
Interest expenses	466	436	1,939	2,134	608	726	261	332
Current service cost	46	49	324	326	348	357	247	223
Benefits paid	-408	-422	-2,276	-2,180	-385	-428	-240	-601
Revaluation of defined benefit plans	-441	3,578	-5,361	6,324	-955	1,263	-561	561
Foreign currency translation	–	–	-2,138	-1,036	-1,571	17	-364	-171
Defined benefit obligation as of the end of the period	**11,538**	**11,875**	**45,957**	**53,469**	**12,559**	**14,514**	**7,542**	**8,199**

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

	German plan		US plan		Canadian plan	
kEUR	2013	2012	2013	2012	2013	2012
Fair value of plan assets as of the beginning of the period	**9**	**–**	**35,419**	**31,173**	**13,422**	**11,879**
Expected return on plan assets	–	–	1,322	1,388	562	671
Employer contribution	–	9	2,184	3,198	876	1,041
Revaluation of defined benefit plans	–	–	4,862	3,594	915	264
Benefits paid	–	–	-2,276	-2,857	-385	-428
Foreign currency translation	–	–	-1,462	-1,077	-1,491	-5
Fair value of plan assets as of the end of the period	**9**	**9**	**40,049**	**35,419**	**13,899**	**13,422**

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

	2013 %	kEUR	2012 %	kEUR
Equities	66.00	35,611	61.00	29,802
Bonds	29.00	15,648	34.00	16,606
Cash and money market	1.00	540	2.00	977
Real estate	4.00	2,158	3.00	1,465
Total	**100.00**	**53,957**	**100.00**	**48,850**

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:

	12/31/2013	12/31/2012
Defined benefit obligation	**77,596**	**88,057**
Fair value of plan assets	-53,957	-48,850
Benefit liabilities	**23,639**	**39,207**
Experience losses (+) / gains (-) related to defined benefit obligation	-1,955	-1,706
Experience losses (+) / gains (-) related to plan assets	-5,777	2,287
Actuarial losses (+) / gains (-) due to changes in demographic assumptions	117	9
Actuarial losses (+) / gains (-) due to changes in financial assumptions	-5,480	7,278

The following table summarizes the components of net benefit expenses:

	Pension plans						Post employment medical	
	German plan		US plan		Canadian plan			
kEUR	2013	2012	2013	2012	2013	2012	2013	2012
Current service cost	46	49	324	326	348	357	247	223
Interest expenses	466	436	617	745	46	55	261	332
Effect of the impact of the additional liability due to IFRIC 14 (minimum funding obligation)	–	–	–	–	–	-388	–	–
Net benefit expenses	**512**	**485**	**941**	**1,071**	**394**	**24**	**508**	**555**
Actual return on plan assets	–	–	5,014	4,672	1,477	939	–	–

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

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

	German plan		US plan		Canadian plan	
%	2013	2012	2013	2012	2013	2012
Discount rate	3.55	3.40	4.48	3.74	4.90	4.40
Future salary increases	0.00/2.00 [1]	0.00/2.00 [1]	3.50	3.50	– [3]	– [3]
Future pension increases	2.00	2.00	– [2]	– [2]	– [3]	– [3]
Turnover rates	4.60	4.60	2.88	4.22	–	–

[1] For the calculation of SAF-HOLLAND GmbH's defined benefit obligation, no salary increases were considered because the amount of the obligation depends on the length of service of the respective employee and because the pension plan has been frozen so that no additional entitlements can be earned. The future salary increase for the plans of SAF-HOLLAND Verkehrstechnik GmbH is assessed to be 2.00%.

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

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

Healthcare inflation:

%	2013	2012
Initial rate (health care cost trend rate assumed for next year)	7.75	7.50
Ultimate rate (health care cost trend rate assumed to reduce cost)	5.00	5.00
Year of ultimate	2024	2016

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

	2013		2012	
kEUR	Increase	Decrease	Increase	Decrease
Effect on the aggregate current service cost and interest expenses	62	-53	47	-56
Effect on the defined benefit obligation	665	-584	700	-613

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

	2013			
kEUR	Germany	USA	Canada	**Total**
Increase of discount rate + 0.75%	-1,037	-4,114	-1,308	**-6,459**
Reduction of discount rate - 0.75%	1,839	4,725	1,472	**8,036**

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

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

	2012				
kEUR	2013	2014-2017	2018-2022	2023ff	**Total**
Germany	435	1,833	2,307	16,302	**20,877**
USA	3,156	13,613	18,872	62,000	**97,641**
Canada	376	2,047	4,131	20,946	**27,500**
Total	**3,967**	**17,493**	**25,310**	**99,248**	**146,018**

The weighted average duration of pension plans is described below:

	Germany	USA	Canada
Weighted average duration as at 12/31/2013	17	11	15
Weighted average duration as at 12/31/2012	17	12	15

6.11
OTHER PROVISIONS

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

kEUR	Product warranty	Partial retirement	Environmental issues	Workers' compensation and health insurance benefits	Restructuring	Other	**Total**
As of 01/01/2013	**4,266**	**739**	**858**	**1,501**	**1,454**	**986**	**9,804**
Additions	4,969	83	134	649	1,229	2,304	**9,368**
Utilized	3,077	150	216	626	1,387	594	**6,050**
Release	159	–	–	–	50	–	**209**
Interest effect from measurement	-76	–	-40	-28	–	-5	**-149**
Foreign currency translation	-129	6	39	-12	35	-113	**-174**
As of 12/31/2013	**5,794**	**678**	**775**	**1,484**	**1,281**	**2,578**	**12,590**
Thereof in 2013							
Current	3,298	426	330	362	1,281	753	**6,450**
Non-current	2,496	252	445	1,122	–	1,825	**6,140**
Thereof in 2012							
Current	2,147	377	247	376	1,454	672	**5,273**
Non-current	2,119	362	611	1,125	–	314	**4,531**

Product warranties

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

Partial retirement

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

Environmental issues

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

Workers' compensation and health insurance benefits for employees

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

Restructuring provisions

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

Share-based payment transactions

__ Phantom share plan

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

The total of 640,000 phantom shares issued in 2010 remained unchanged in financial year 2013 and breaks down as follows:

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

No phantom shares were forfeited, exercised or expired in the reporting period. The contractual term of the phantom shares as of December 31, 2013 is a maximum of 1.5 years. The phantom shares may only be exercised after a waiting period of four years and must be redeemed after five years at the latest. The participant is free to determine the exercise date within this one-year settlement period. Phantom shares that are not exercised within this one-year settlement period expire without compensation.

At the time of redemption, the participant receives the difference between the settlement price and the strike price multiplied by the number of the participant's phantom shares. The settlement price is the average price of SAF-HOLLAND S.A. shares in the three months preceding the redemption of the phantom shares, but not more than the price applicable on the day after the exercise. The uniform strike price is EUR 5.00.

An amount equal to double the respective strike price will be paid out at a maximum.

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

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

Measurement date	12/31/2013	12/31/2012
Expected remaining contractual life (years)	1.50	2.50
Share price on measurement date (EUR)	10.81	4.72
Exercise price (EUR)	5.00	5.00
Expected volatility	21.35%	43.69%
Risk free interest rate	0.12%	0.09%

The weighted average of the fair value of phantom shares amounts to EUR 4.61 per phantom share as of December 31, 2013 (previous year: EUR 0.78).

On December 31, 2013, the defined performance targets were not met. Therefore no provision was recognized.

__ Performance share unit plan

In the reporting year, a performance share unit plan for members of the Management Board and certain other managers of the Group was approved by the company. The goal of this plan is to sustainably link the interests of management and executives with the interests of the shareholders of SAF-HOLLAND S.A. in a long-term increase in enterprise value. The performance share unit plan takes into account both the performance of the company and the share price development and provides for a performance period of four years.

Participants receive virtual share units at the beginning of the performance period. The number of share units at the beginning of the performance period results from the division of the allowance value annually determined by the Board of Directors by the average market price in the last two months of the year preceding the allowance. At the end of the performance period, the allowed number of share units is adjusted through multiplication with a target-achievement factor.

The target-achievement factor is the ratio of average realized company performance (adjusted EBIT margin) during the performance period to average target value previously determined for the performance period.

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

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

The precondition for the exercisability of the appreciation rights is the achievement of a defined performance target. The performance target is fulfilled if the Group, in the period of entitlement, has achieved on the average a minimum operating performance with regard to the performance indicator „Adjusted EBIT".

The Board of Directors resolved an additional allowance as transitional allowance for 2013. This plan has a term of two years. For the transitional allowance of 2013, the amount paid out under the performance share unit plan is reduced by the amount paid out under the phantom share plan, if payment under this plan is made.

The total of share units granted in 2013 amounts to 418,295 and breaks down as follows:

	Performance share unit plan 2013-2016	Performance share unit plan 2013-2014
Share units outstanding at the beginning of the period	–	–
Share units granted during the period	278,856	139,439
Share units forfeited during the period	–	–
Share units exercised during the period	–	–
Share units expired during the period	–	–
Share units outstanding at the end of the period	**278,856**	**139,439**
Share units exercisable at the end of the period	–	–

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

	Performance share unit plan 2013-2016	Performance share unit plan 2013-2014
Expected remaining contractual life (years)	3.00	1.00
Average share price on measurement date (EUR)	9.65	10.46
Expected volatility	24.97%	30.72%
Risk free interest rate	0.19%	0.15%

The fair value is expensed over the contract term with recognition of a corresponding liability. As of December 31, 2013 this liability amount to kEUR 1,402.

6.12
INTEREST BEARING LOANS AND BORROWINGS

	Non-current		Current		**Total**	
kEUR	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Interest bearing bank loans	60,216	81,489	7,059	6,700	**67,275**	**88,189**
Bond	75,000	75,000	–	–	**75,000**	**75,000**
Transaction costs	-3,315	-3,578	-602	-882	**-3,917**	**-4,460**
Bank overdrafts	–	–	4,084	300	**4,084**	**300**
Accrued interests	–	–	4,245	1,272	**4,245**	**1,272**
Other loans	93	58	83	56	**176**	**114**
Total	**131,994**	**152,969**	**14,869**	**7,446**	**146,863**	**160,415**

In the previous year, an agreement was signed with a banking syndicate that replaced previous financing and which guarantees short and long-term finance for the Group at more favorable interest rate conditions on the long term until October 2017.

Also in the previous year, SAF-HOLLAND S.A. issued a five and a half year bond with an annual coupon rate of 7.00% and a volume of EUR 75.0 million on the Prime Standard of the Frankfurt Stock Exchange.

The current interest bearing bank loans primarily include the agreed repayment in the coming 12 months.

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

	12/31/2013				
kEUR	Amount drawn valued as at the period-end exchange rate	Amount drawn valued as at the borrowing date exchange rate	Agreed credit lines valued as at the borrowing date exchange rate	Cash and cash equivalents	Total liquidity
Facility A1	53,195	53,195	53,195	–	–
Facility A2	11,080	11,080	15,980	–	4,900
Facility B1	3,000	3,000	80,000	23,856	100,856
Facility B2	–	–	39,063	–	39,063
Total	**67,275**	**67,275**	**188,238**	**23,856**	**144,819**

	12/31/2012				
kEUR	Amount drawn valued as at the period-end exchange rate	Amount drawn valued as at the borrowing date exchange rate	Agreed credit lines valued as at the borrowing date exchange rate	Cash and cash equivalents	Total liquidity
Facility A1	71,400	71,400	71,400	–	–
Facility A2	–	–	20,000	–	20,000
Facility B1	4,682	4,682	80,000	18,579	93,897
Facility B2	12,107	12,500	39,063	–	26,563
Total	**88,189**	**88,582**	**210,463**	**18,579**	**140,460**

6.13 TRADE PAYABLES

Trade payables in the amount of kEUR 79,253 (previous year: kEUR 70,643) are non-interest bearing and are normally settled within two to six months.

6.14 OTHER LIABILITIES

	Current		Non-current	
kEUR	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Liabilities for salaries and social security contributions	9,254	11,404	–	–
Other taxes	1,208	3,650	–	–
Anniversary obligations	121	337	354	241
Other	2,732	2,671	303	79
Total	**13,315**	**18,062**	**657**	**320**

7 _ OTHER DISCLOSURES

7.1 Financial Instruments and Financial Risk Management

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

kTEUR	Category in accordance with IAS 39	Carrying amount	(Amortized) cost	Fair value recognized in equity	Fair value recognized in profit or loss	Amounts recognized in balance sheet according to IAS 17	Fair Value
	12/31/2013		Amounts recognized in balance sheet according to IAS 39				
Assets							
Cash and cash equivalents	LaR	23,856	23,856	–	–	–	23,856
Trade receivables	LaR	76,088	76,088	–	–	–	76,088
Other current assets	LaR	1,175	1,175	–	–	–	1,175
Other financial assets							
Derivates without hedging	FLHfT	15	–	–	15	–	15
Liabilities							
Trade payables	FLAC	79,253	79,253	–	–	–	79,253
Interest bearing loans and borrowings	FLAC	146,863	146,863	–	–	–	156,125
Finance lease liabilities	n.a.	2,237	–	–	–	2,237	2,237
Other financial liabilities							
Derivates with a hedging relationship	n.a.	205	–	205	–	–	205
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	101,119	101,119	–	–	–	101,119
Financial liabilities measured at amortized cost	FLAC	226,116	226,116	–	–	–	235,378
Financial liabilities held for trading	FLHfT	15	–	–	15	–	15

kTEUR	Category in accordance with IAS 39	Carrying amount	(Amortized) cost	Fair value recognized in equity	Fair value recognized in profit or loss	Amounts recognized in balance sheet according to IAS 17	Fair Value
	12/31/2012		Amounts recognized in balance sheet according to IAS 39				
Assets							
Cash and cash equivalents	LaR	18,579	18,579	–	–	–	18,579
Trade receivables	LaR	87,319	87,319	–	–	–	87,319
Other current assets	LaR	5,616	5,616	–	–	–	5,616
Liabilities							
Trade payables	FLAC	70,643	70,643	–	–	–	70,643
Interest bearing loans and borrowings	FLAC	160,415	160,415	–	–	–	168,999
Finance lease liabilities	n.a.	112	–	–	–	112	112
Other financial liabilities							
Derivates without a hedging relationship	FLHfT	44	–	–	44	–	44
Derivates with a hedging relationship	n.a.	836	–	836	–	–	836
Of which aggregated by category in accordance with IAS 39							
Loans and receivables	LaR	111,514	111,514	–	–	–	111,514
Financial liabilities measured at amortized cost	FLAC	231,058	231,058	–	–	–	239,642
Financial liabilities held for trading	FLHfT	44	–	–	44	–	44

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

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

The fair values of other financial assets and liabilities are calculated based on interest rates with matching maturities. In the balance sheet as of December 31, 2013, only derivatives of kEUR 190 (previous year: kEUR 880) were measured at fair value.

The fair value of the liabilities from interest bearing loans and borrowings and derivative financial assets and liabilities – excluding the quoted bond – are measured on the basis of factors which can be observed directly (e.g., prices) or indirectly (e.g., derived from prices). This fair value measurement can therefore be allocated to level 2 of the measurement hierarchy according to IFRS 7. The fair value of the quoted bond is based on price quotations at the reporting date (level 1). The fair value hierarchy levels are described below:

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

The net result by category is as follows:

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

	2012					
			From subsequent measurement			
kEUR	From interest	From remuneration	At fair value	Currency translation	Impairment	**Net result**
Loans and receivables	188	–	–	–	-232	**-44**
Financial liabilities measured at amortized cost	-15,393	-9,290	–	-1,219	–	**-25,902**
Financial liabilities held for trading	–	–	55	–	–	**55**
Total	**-15,205**	**-9,290**	**55**	**-1,219**	**-232**	**-25,891**

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

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

Financial risks

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

To be adequately prepared for changes in competitive and environmental conditions and to control value creation efficiently in the Group, the Management Board has implemented a risk management system that is monitored by the Board of Directors. Risk management processes, limits to be observed, and the use of financial instruments to manage risks are defined in the risk management manual and in supplementary guidelines for the Group. The aim of the risk management system is to identify and assess risks that arise. Identified risks are communicated, managed, and monitored in a timely manner.

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

Liquidity risk

The Group's liquidity risk consists of being unable to meet existing or future payment obligations due to insufficient availability of funds. Limiting and managing the liquidity risk are among the primary tasks for the Group's management. The Group monitors the current liquidity situation on a daily basis. In order to manage future liquidity requirements, a weekly 3-month forecast as well as a monthly rolling liquidity plan for 12 months are used. In addition, management continually evaluates adherence to the financial covenants as required by the long-term credit agreement.

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

	12/31/2013			
kEUR	**Total**	Remaining term of up to 1 year	Remaining term of more than 1 year and up to 5 years	Remaining term of more than 5 years
Interest bearing loans and borrowings	**146,863**	14,869	57,147	74,847
Finance lease liabilities	**2,237**	350	1,887	–
Trade payables	**79,253**	79,253	–	–
Other financial liabilities				
Derivates without a hedging relationship	**205**	–	205	–
Financial liabilities	**228,558**	**94,472**	**59,239**	**74,847**

kEUR	12/31/2012 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	**160,415**	7,446	78,091	74,878
Finance lease liabilities	**112**	54	58	–
Trade payables	**70,643**	70,643	–	–
Other financial liabilities				
Derivates without a hedging relationship	**44**	44	–	–
Derivates without a hedging relationship	**836**	–	836	–
Financial liabilities	**232,050**	**78,187**	**78,985**	**74,878**

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

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

	12/31/2012								
	Cashflows 2013			Cashflows 2014			Cashflows 2015-2018		
kEUR	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest bearing loans and borrowings	-7,685	-157	-8,328	-5,735	-148	-6,757	-26,292	-371	-149,790
Finance lease liabilities	-2	–	-55	-3	–	-51	–	–	-6
Other financial liabilities	–	–	–	–	–	–	–	–	–
Derivates without a hedging relationship	–	-44	–	–	–	–	–	–	–
Derivates with a hedging relationship	–	-435	–	–	-332	–	–	-40	–

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

Credit risk

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

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

Interest rate risk

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

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

As a result of the restructuring of Company financing in October 2012, the interest rate hedges were also realigned. Effective from October 23, 2012, the existing interest rate hedge instruments were replaced and new interest rate hedge instruments were concluded with an initial nominal volume of EUR 68.6 million. 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. For the prospective effectiveness test, the critical-terms-match method was used. The hypothetical derivative method was used for the retrospective test.

The hedging ratio as of December 31, 2013, which is the ratio of contracted interest rate derivatives to secured credit facilities, was 75%. The hedge structure consists of Euribor swaps with maturities until October 2017.

The market prices of derivatives as of the balance sheet date are as follows:

kEUR	01/01/2013 Fair value	Changes recognized in equity (before tax)	Fair value
Interest rate swaps EUR	**-836**	631	**-205**
Total	**-836**	**631**	**-205**

kEUR	01/01/2013 Fair value	12/31/2013 Fair value
Forward exchange transaction	**-44**	15

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, 2013 had been 100 base points lower (higher), the result would have been kEUR 59 (previous year: kEUR 29) higher (lower). All other variables are assumed to be constant.

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

Foreign currency risk

The Group is exposed to foreign currency risks that arise from the international nature of its investing, financing, and operating activities. Financing of Group companies is conducted primarily by SAF-HOLLAND S.A. and SAF-HOLLAND GmbH. Loans granted to the international Group companies are generally in euros. Unrealized foreign exchange gains and losses may therefore result from the translation of intercompany loans at the closing rate. Unrealized foreign exchange losses amount to kEUR 4,253 as of the balance sheet date.

7.2
EARNINGS PER SHARE

		2013	2012
Result for the period	**kEUR**	**24,365**	**7,418**
Weighted average number of shares outstanding	thousands	45,361	41,547
Basic and diluted earnings per share	**Euro**	**0.54**	**0.18**

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

The weighted average number of shares is calculated as follows:

	2013			
kEUR	Par value (EUR)	Number	Days	Weighted number
01/01/2013 - 12/31/2013	0.01	45,361,112	360	16,330,000,320
Total			**360**	**16,330,000,320**
Average		**45,361,112**		

	2012			
kEUR	Par value (EUR)	Number	Days	Weighted number
01/01/2012 - 12/02/2012	0.01	41,237,375	333	13,732,045,875
12/03/2012 - 12/31/2012	0.01	45,361,112	27	1,224,750,024
Total			**360**	**14,956,795,899**
Average		**41,546,655**		

In the period under review, the weighted average number of shares constantly amounted to 45,361,112. In 2012, the weighted average number of shares was 41,546,655.

Earnings per share can be diluted by potential ordinary shares. There were no dilutive effects in the reporting period 2013 or in the previous year. During the period between the balance sheet date and the approval of the consolidated financial statements, no additional transactions have taken place involving ordinary shares or potential ordinary shares.

7.3 STATEMENT OF CASH FLOWS

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

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

7.4 OTHER FINANCIAL OBLIGATIONS

Operating lease liabilities:

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

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

kEUR	12/31/2013	12/31/2012
Remaining term of up to 1 year	4,354	4,866
Remaining term of more than 1 year and up to 5 years	8,462	8,448
Remaining term of more than 5 years	3,814	–
Total	**16,630**	**13,314**
Operate lease payments for the reporting period	7,146	6,533

Finance lease liabilities

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

	12/31/2013		12/31/2012	
kEUR	Lease payments	Present value including residual value and initial payments	Lease payments	Present value including residual value and initial payments
Remaining term of up to 1 year	393	350	54	54
Remaining term of more than 1 year and up to 5 years	2,175	1,887	60	58
Remaining term of more than 5 years	–	–	–	–
Total	**2,568**	**2,237**	**114**	**112**

Obligations resulting from initiated acquisitions

On September 10, 2013, a contract was concluded on the acquisition of 80% of the voting shares in Corpco Beijing Technology and Development Co., Ltd., Beijing, China. The acquisition was completed upon fulfillment of the contract completion conditions on January 2, 2014. The preliminary purchase price for this acquisition amounts to EUR 8.4 million.

7.5
CONTINGENT LIABILITIES

Legal disputes

A customer made out of court claims against a Group company in the amount of kEUR 1,153 as a result of supposedly defective equipment.

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

7.6
RELATED PARTY DISCLOSURES

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

Subsidiaries	Country of incorporation	% Equity interest
SAF-HOLLAND GmbH	Germany	100.0
SAF-HOLLAND Polska Sp. z o.o.	Poland	100.0
SAF-HOLLAND France S.A.S.	France	100.0
SAF-HOLLAND Austria GmbH	Austria	100.0
SAF-HOLLAND Czechia spol.s.r.o.	Czech Republic	100.0
SAF-HOLLAND España S.L.U.	Spain	100.0
SAF-HOLLAND Italia s.r.l. unipersonale	Italy	100.0
SAF-HOLLAND Romania SRL	Romania	100.0
SAF-HOLLAND Bulgaria EOOD	Bulgaria	100.0
SAF-HOLLAND do Brasil Ltda.	Brazil	100.0
SAF-HOLLAND South Africa Ltd.	South Africa	100.0
Jinan SAF AL-KO Axle Co., Ltd.	China	100.0
OOO SAF-HOLLAND Rus	Russia	100.0
SAF-HOLLAND Middle East FZE	United Arab Emirates	100.0
SAF-HOLLAND Otomotiv Sanayi ve Ticaret Limited Sirketi	Turkey	100.0
SAF-HOLLAND Inc.	USA	100.0
SAF-HOLLAND Canada 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
SAF-HOLLAND Verkehrstechnik GmbH[1]	Germany	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
SAF-HOLLAND India Pvt. Ltd.	India	100.0

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

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.[2]	India	–

[2] The joint venture was terminated in May 2013.

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

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

BOARD OF DIRECTORS	
Bernhard Schneider	Chairman of the Board of Directors
Sam Martin	Deputy Chairman of the Board of Directors
Ulrich Otto Sauer	Deputy Chairman of the Board of Directors (resigned as of April 25, 2013)
Detlef Borghardt	Member of the Board of Directors
Anja Kleyboldt	Member of the Board of Directors
Dr. Martin Kleinschmitt	Member of the Board of Directors (from April 25, 2013)
Richard Muzzy	Member of the Board of Directors

Furthermore, Martina Merz, Chief Executive Officer of Chassis Brakes International, is designated to be member of the Board of Directors and proposed to be appointed for the Board at the Annual General Meeting on April 24, 2014. Martina Merz has been associated Member of the Board of Directors since December 1, 2013.

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

As of December 31, 2013, members of the Management Board directly or indirectly held ordinary shares of kEUR 9 (previous year: kEUR 9), while members of the Board of Directors directly or indirectly held ordinary shares of kEUR 3 (previous year: kEUR 17).

Moreover, as of balance sheet date, kEUR 961 has been accrued for appreciation rights granted to members of the Management Board.

The total remuneration of the members of the Management Board in the year under review was kEUR 2,593 (previous year: kEUR 2,875). The total remuneration of the Board of Directors was kEUR 276 (previous year: kEUR 267) and is recognized in profit or loss.

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

	Sales to related parties		Purchases from related parties	
kEUR	2013	2012	2013	2012
SAF-HOLLAND Nippon, Ltd.	912	780	–	–
Lakeshore Air LLP	–	–	64	171
FWI S.A.	–	–	26,705	23,323
Irwin Seating Company [1]	472	1,240	–	–
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.	3	35	–	–
Total	**1,387**	**2,055**	**26,769**	**23,494**

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

kEUR	Amounts owed by related parties 12/31/2013	Amounts owed by related parties 12/31/2012	Amounts owed to related parties 12/31/2013	Amounts owed to related parties 12/31/2012
SAF-HOLLAND Nippon, Ltd.	185	73	–	183
Lakeshore Air LLP	–	–	183	49
FWI S.A.	–	–	382	1,120
Irwin Seating Company[1]	–	9	–	–
Madras SAF-HOLLAND Manufacturing (I) P. Ltd.	–	177	–	–
Total	**185**	**259**	**565**	**1,352**

[1] The Irwin Seating Company is a company in which a member of the Board of Directors of the SAF-HOLLAND Group held a key management position until April 2013.

The sales to and purchases from related parties are conducted at normal market prices. Outstanding balances as of December 31, 2013 are unsecured, interest-free and paid in time. There have been no guarantees provided or received for any related party receivables or payables. As of December 31, 2013, and as for the previous year, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken in each reporting period by examining the financial position of the related parties and the markets in which these parties operate.

7.7 CAPITAL MANAGEMENT

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

	12/31/2013	12/31/2012
Interest bearing loans and borrowings	146,863	160,415
Cash and cash equivalents	-23,856	-18,579
Net debt	**123,007**	**141,836**
Equity attributable to equity holders of the parent	**222,186**	**197,863**
Equity and net debt	**345,193**	**339,699**

Under the financing agreement signed on October 5, 2012, the Group is obligated to fulfill the following financial covenants:

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

7.8 AUDITOR'S FEES

The following expenses were incurred in financial year 2013 for services provided by the auditors and related companies of the auditors:

kEUR	2013	2012
Auditing of financial statements	483	470
Tax accountancy services	299	182
Other services	80	297
Total	**862**	**949**

7.9
EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of Corpco Beijing Technology and Development Co., Ltd. (“Corpco“)

With the contract of September 10, 2013, SAF-HOLLAND GmbH has acquired 80% of voting shares – pending the approval of Chinese regulatory authorities and the granting of a business license – in Corpco Beijing Technology and Development Co., Ltd., a non-listed company headquartered in China and specialized in the manufacture of air suspensions. The takeover was completed upon fulfillment of the contract completion conditions on January 2, 2014. The purchase price in the amount of EUR 8.4 million was paid in cash in January 2014. Corpco Beijing Technology and Development Co., Ltd. will continue under the management of its founder, who retains a 20% interest in Corpco Beijing Technology and Development Co., Ltd. following the takeover. In the context of the takeover, SAF-HOLLAND GmbH was given a call option for the remaining 20% of the shares which is exercisable for three years following fulfillment of the contract completion conditions. The call option is accounted for in accordance with the requirements of IAS 39.

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

kEUR	Preliminary fair value as of acquisition date
Brand	381
Customer relationship	40
Other intangible assets	50
Property, plant, and equipment	2,051
Deffered tax assets	374
Inventories	3,948
Trade receivables	5,143
Other financial assets	1,074
Other assets	95
Cash and cash equivalents	4,335
	17,491
Deferred tax liabilities	357
Interest bearing loans and borrowings	4,198
Trade payables	5,095
Other liabilities	545
	10,195
Total of identified net assets	**7,296**
Goodwill from acquisitions	1,101
Consideration transferred	**8,397**

Preliminary goodwill in the amount of kEUR 1,101 includes non-separable intangible assets such as employee expertise and expected synergies.

Preliminary fair value of trade receivables amounts to kEUR 6,430. The gross amount of trade receivables amounts to kEUR 6,467. At the acquisition date, receivables in the amount of kEUR 37 were written down.

Non-controlling interest in the acquiree is measured at the proportionate share measured at fair value of the acquiree's identifiable net assets and amounts to kEUR 1,560 as at the acquisition date.

Preliminary cash outflow due to the acquisition of the company was as follows:

Cash outflow	8,397
Cash acquired	4,335
Actual cash outflow	**4,062**

The amount of the final purchase price depends on the amount of net debt, on impairment of inventories and on net working capital on the date of fulfillment of the contract completion conditions. The consideration is currently determined based on preliminary figures. The final valuation of the consideration will be carried out within 90 days from the day the contract is concluded.

Luxembourg, March 11, 2014

B. Schneider

Bernhard Schneider
Chairman of the Board of Directors

Detlef Borghardt

Detlef Borghardt
Chief Executive Officer
of SAF-HOLLAND GmbH

SAF-HOLLAND S.A.
Annual Financial Statements

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

kEUR	2013	2012
Result for the period		
Income from financial fixed asstes	18,812	1,053
Income from financial current assets	1,943	1,776
Total income	**20,755**	**2,829**
Other external charges	-1,536	-3,867
Staff costs	-60	-54
Other operating charges	-444	-543
Interest and other financial charges	-5,252	-892
Other taxes	-188	-93
Result before tax	**13,275**	**-2,620**
Income tax	-3	-1
Result for the period	**13,272**	**-2,621**

[1)] Figures according to Luxemburg GAAP.

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

kEUR	12/31/2013	12/31/2012
Assets		
Non-current assets	**341,272**	**320,302**
Shares in affiliated undertakings	265,638	246,638
Amounts owed by affiliated undertakings	75,631	73,661
Own shares or own corporate units	3	3
Current assets	**35,509**	**40,590**
Amounts owed by affiliated undertakings	33,750	38,444
Other receivables	–	14
Cash at bank, cash in postal cheque accounts, cheques and cash in hand	52	83
Prepayments	**1,707**	**2,049**
Total assets	**376,781**	**360,892**
Equity and liabilities		
Equity attributable to equity holders of the parent	**297,556**	**284,284**
Subscribed share capital	454	454
Share premium	276,455	276,455
Legal reserve	22	22
Other reserve	436	436
Profit or loss brought forward	6,917	9,538
Profit or loss for the financial year	13,272	-2,621
Non-current liabilities	**75,000**	**75,000**
Debenture loans	75,000	75,000
Current liabilities	**4,225**	**1,608**
Debenture loans	3,596	892
Trade payables	118	212
Amounts owed to affiliated undertakings	25	38
Tax and social security debts	210	200
Other creditors	276	266
Total equity and liabilities	**376,781**	**360,892**

[1)] Figures according to Luxemburg GAAP.

Mandates of the Board of Directors / Management Board

Bernhard Schneider

Member Board of Directors (Chairman), SAF-HOLLAND S.A.
(first election date: June 18, 2007; and extended until April 2015; Chairman since March 27, 2009)
Managing Director, Mediaprint Zeitungs- und Zeitschriftenverlag GmbH
Managing Director, Krone Media Aktiv Gesellschaft m.b.H.
Managing Director, Krone Hit Radio Medienunternehmen Betriebs- und Beteiligungsgesellschaft m.b.H.

Sam Martin

Member Board of Directors, SAF-HOLLAND S.A.
(first election date: April 28, 2011; and extended until April 2015, Vice chairman since April 25, 2013)
Member of the Board, Metal Flow Corporation

Detlef Borghardt

Member Board of Directors, SAF-HOLLAND S.A.
(first election date: October 1, 2011; and extended until April 2014)
Managing Director, SAF-HOLLAND GmbH
Managing Director, D+MB GmbH

Dr. Martin Kleinschmitt

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

Anja Kleyboldt

Member Board of Directors, SAF-HOLLAND S.A.
(first election date: April 26, 2012 until April 2014)
Director Logistics Strategy Projects & WFG Opel/Vauxhall
Member of the Board, Institut für angewandte Arbeitswissenschaften Düsseldorf

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

Richard Muzzy

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

Wilfried Trepels

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

Alexander Geis

Managing Director, SAF-HOLLAND GmbH

Jack Gisinger

Managing Director, SAF-HOLLAND GmbH

Steffen Schewerda

Managing Director, SAF-HOLLAND GmbH
Managing Director, EGAL GmbH (terminated in December 2013)

Independent Auditor`s Report

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS (ANNUAL FINANCIAL STATEMENTS)

Following our appointment by the General Meeting of the Shareholders dated 25 April 2013, we have audited the accompanying consolidated accounts of SAF-HOLLAND S.A., which comprise the consolidated balance sheet as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of SAF-HOLLAND S.A. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Thierry Bertrand

Luxembourg, March 11, 2014

Responsibility Statement

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

Luxembourg, March 11, 2014
SAF-HOLLAND S.A.

Bernhard Schneider
Chairman of the Board of Directors

Financial Glossary

A

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

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

B

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

C

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

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

D

Days inventory outstanding
Inventory / cost of sales per day
(cost of sales of the quarter / 90 days)

Days payable outstanding
Trade payables / cost of sales per day
(cost of sales of the quarter / 90 days)

Days sales oustanding
Trade receivables / sales per day
(sales of the quarter / 90 days)

E

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

Equity ratio
Equity / total assets x 100.

F

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

G

Gross margin
Gross profit / sales x 100.

I

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

M

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

N

Net working capital
Current assets less cash and cash equivalents less current and non-current other provisions less trade payables less other current liabilities less income tax liabilities.

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

P

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

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

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

R

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

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

S

Sales per employee
Sales / average number of employees (including temporary employees)

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

T

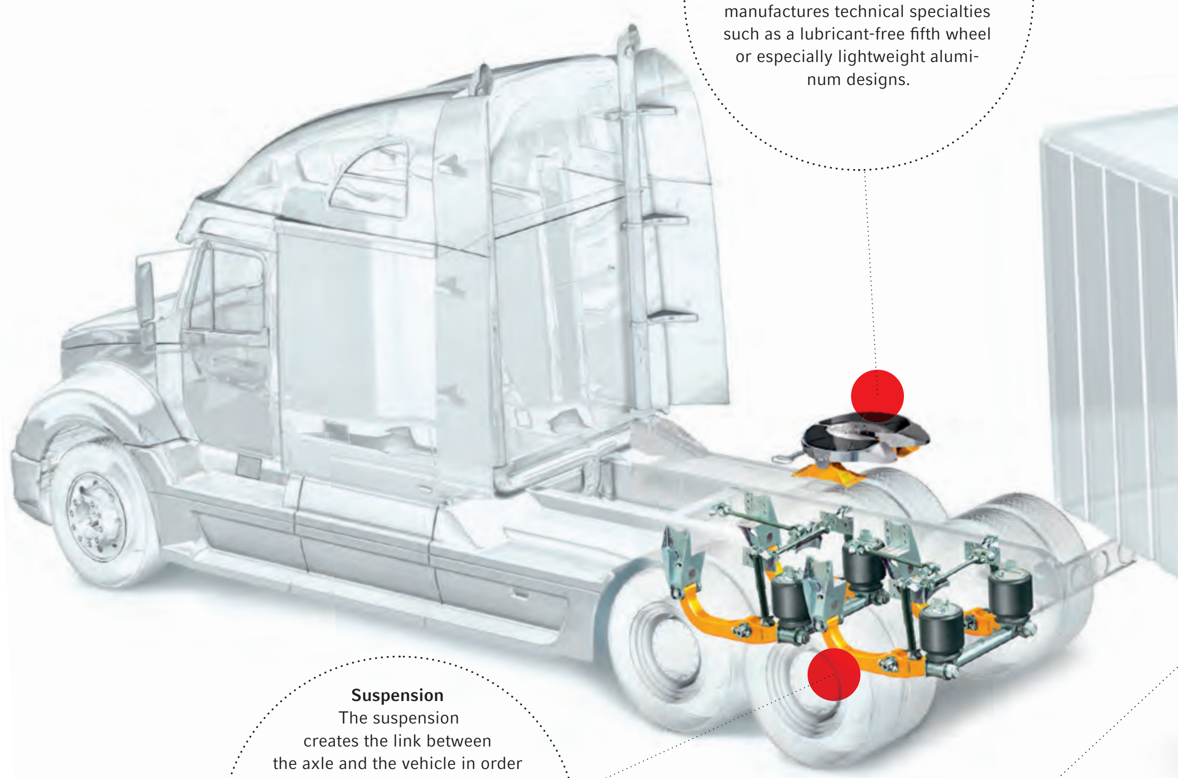
Total cost of ownership
Total cost relating to acquisition, operating and maintenance of an asset.

V

Value in use:
Present value of future cash flows from an asset.

Technical-Glossary

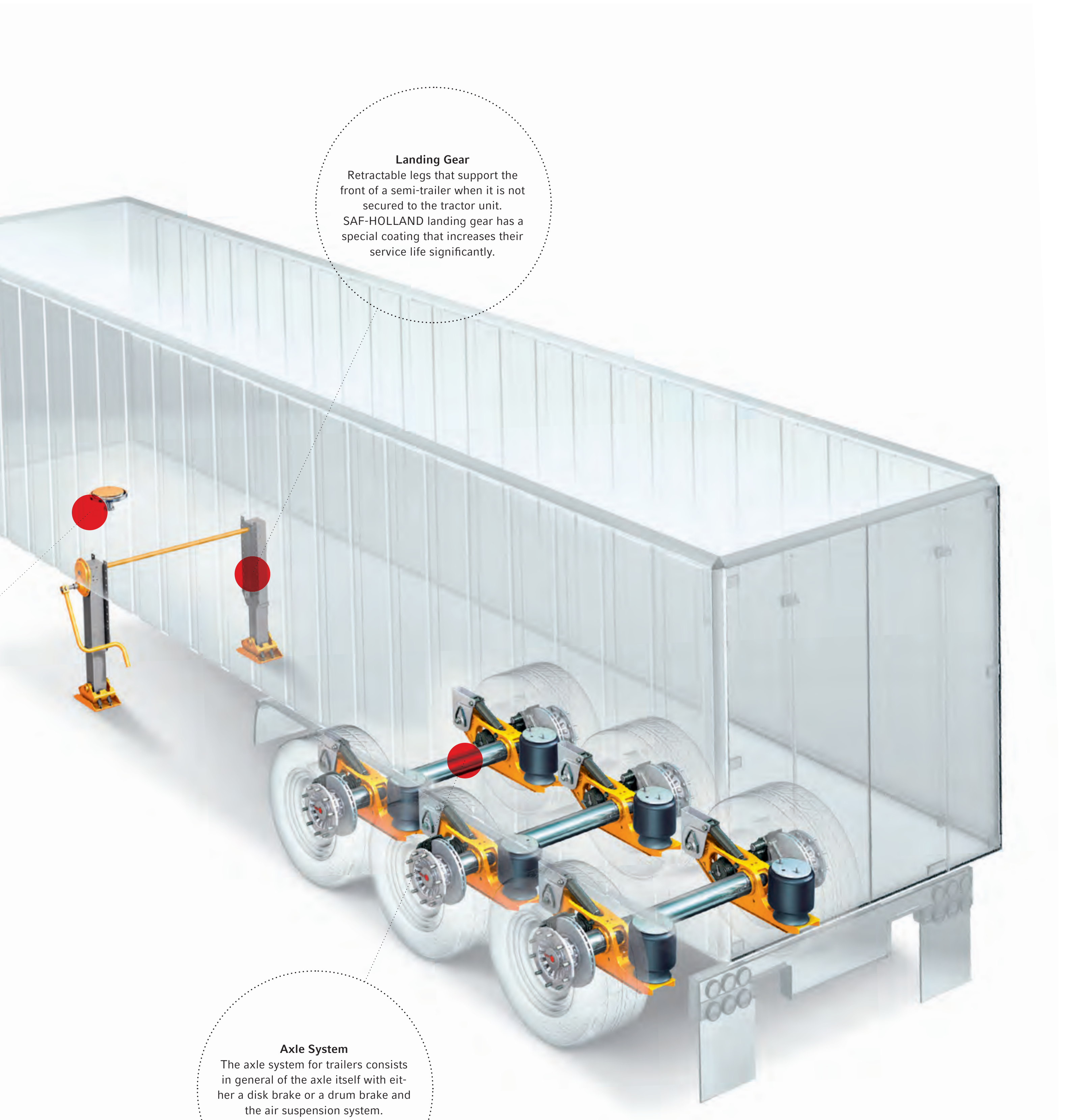
Fifth Wheel
Mounts with the kingpin and serves to secure the semi-trailer to the tractor unit. In addition to its traditional products, SAF-HOLLAND manufactures technical specialties such as a lubricant-free fifth wheel or especially lightweight aluminum designs.



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

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

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



Axle System
The axle system for trailers consists in general of the axle itself with either a disk brake or a drum brake and the air suspension system.

List of Abbreviations

A

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

B

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

C

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

D

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

E

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

F

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

G

GDP	Gross domestic product

I

IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IfW	Institut für Weltwirtschaft (German economic organization)
IG Metall	Industriegewerkschaft Metall (German labor union)
ISIN	International securities identification number
ISO	International Organization for Standardization
IT	Information technology

K

kEUR	Thousand Euro

L

LaR	Loans and receivables
LIBOR	London interbank offered rate

M

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

N

n.a.	Not applicable

O

OEM	Original equipment manufacturer
OES	Original equipment service

P

PIK	Pay-in-kind
PPA	Purchase price allocation
ppm	Parts per million

R

ROI	Return on investment
R&D	Research and development

S

SDAX	Small-cap-DAX
SWAP	Hedging instrument in which two counterparties agree to exchange contractual rights and obligations against another (to swap) to a definite existing period of time in the future and to defined conditions

U

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

V

VDA	Verband der Automobilindustrie (German Automotive Industry Association)
VDIK	Verband der Internationalen Kraftfahrzeughersteller (Association of the International Motor Vehicle Manufacturers)

W

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

Financial Calendar and Contact Information

Financial Calendar

April 24, 2014 .... Annual General Meeting
May 15, 2014 .... Report on Q1 2014 Results
August 7, 2014 .... Report on Half-year 2014 Results
November 6, 2014 .... Report on Q3 2014 Results

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