

**SAF-HOLLAND S.A.**  
**68-70, boulevard de la Pétrusse**  
**L-2320 Luxembourg**

**R.C.S. Luxembourg B 113.090**

**Annual Accounts as of 31 December 2017**  
**and**  
**Independent auditor's report**

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## **Audit report**

To the Shareholders of  
**SAF-Holland S.A.**

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### *Our opinion*

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of SAF-Holland S.A. (the “Company”) as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

### ***What we have audited***

The Company’s annual accounts comprise:

- the balance sheet as at 31 December 2017;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the annual accounts” section of our report.

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014.

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*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B65 477 - TVA LU25482518*



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*Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud). These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the Key audit matter</b>
<b><i>Recoverability of investments in subsidiaries</i></b>	
<p>Investments in subsidiaries represent a significant amount of the Company's balance sheet (93% of total assets). Those investments are represented by shares held in SAF-HOLLAND GmbH and loans granted to SAF-Holland GmbH and SAF-Holland Inc..</p> <p>These investments are illiquid by nature, therefore significant judgement and estimates are required to be applied by the Board of Directors in its assessment of the recoverability of those investments. Inappropriate judgements made in relation to the methodology and inputs used or the assumptions taken by them may have a material impact on the valuation of the investments.</p> <p>Investments in subsidiaries are stated at historical acquisition costs. Write-downs are recorded if, in the opinion of Board of Director's, a permanent impairment in value has occurred.</p>	<p>Our procedures over the recoverability of the investments in subsidiaries included, but were not limited to:</p> <p>We challenged the Board of Directors' no impairment assessment by reviewing the assumptions taken by the Board. In particular, we assessed the robustness of its impairment test, and the method for determining the future discounted cash flows. We focused our procedures primarily on the most significant investment being SAF-HOLLAND GmbH and SAF-HOLLAND Inc.. We also verified the methodology used by Management to determine the Weighted Average Cost of Capital (WACC). We challenged the reliability of the forecasted cash flows used for the determination of the recoverable value by comparing the budgeted figures to the actual figures for the year ended 31 December 2017.</p>



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*Responsibilities of the Board of Directors and those charged with governance for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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*Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts*

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;



- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 15 March 2018

A handwritten signature in black ink, appearing to read 'Patrick Schon', is written over a horizontal line.

Patrick Schon

**Annual Accounts Helpdesk :**

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RCSL Nr.: B113090

Matricule : 2005 2231 338

eCDF entry date :

**BALANCE SHEET**

**Financial year from** <sup>01</sup> 01/01/2017 **to** <sup>02</sup> 31/12/2017 (in <sup>03</sup> EUR )

SAF-HOLLAND S.A.

68-70, Boulevard de la Pétrusse  
 L-2320 Luxembourg

**ASSETS**

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>	1101	101	102
I. Subscribed capital not called	1103	103	104
II. Subscribed capital called but unpaid	1105	105	106
<b>B. Formation expenses</b>	1107	107	108
<b>C. Fixed assets</b>	1109	455.389.222,46	110 452.763.781,10
I. Intangible assets	1111	111	112
1. Costs of development	1113	113	114
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115	115	116
a) acquired for valuable consideration and need not be shown under C.I.3	1117	117	118
b) created by the undertaking itself	1119	119	120
3. Goodwill, to the extent that it was acquired for valuable consideration	1121	121	122
4. Payments on account and intangible assets under development	1123	123	124
II. Tangible assets	1125	125	126
1. Land and buildings	1127	127	128
2. Plant and machinery	1129	129	130

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B113090

Matricule: 2005 2231 338

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	131	132
4. Payments on account and tangible assets in the course of construction	1133	133	134
<b>III. Financial assets</b>	1135	<b>455.389.222,46</b>	<b>452.763.781,10</b>
1. Shares in affiliated undertakings	1137 3	137 313.238.381,02	138 313.238.381,02
2. Loans to affiliated undertakings	1139 4	139 142.150.841,44	140 139.525.400,08
3. Participating interests	1141	141	142
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143	143	144
5. Investments held as fixed assets	1145	145	146
6. Other loans	1147	147	148
<b>D. Current assets</b>	1151	<b>31.533.742,91</b>	<b>34.684.907,66</b>
<b>I. Stocks</b>	1153	153	154
1. Raw materials and consumables	1155	155	156
2. Work in progress	1157	157	158
3. Finished goods and goods for resale	1159	159	160
4. Payments on account	1161	161	162
<b>II. Debtors</b>	1163	<b>31.358.411,69</b>	<b>34.483.284,89</b>
1. Trade debtors	1165	165	166
a) becoming due and payable within one year	1167	167	168
b) becoming due and payable after more than one year	1169	169	170
2. Amounts owed by affiliated undertakings	1171	171 31.355.111,69	172 34.479.984,89
a) becoming due and payable within one year	1173 5	173 31.355.111,69	174 34.479.984,89
b) becoming due and payable after more than one year	1175	175	176
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177	177	178
a) becoming due and payable within one year	1179	179	180
b) becoming due and payable after more than one year	1181	181	182
4. Other debtors	1183	183 3.300,00	184 3.300,00
a) becoming due and payable within one year	1185	185	186
b) becoming due and payable after more than one year	1187	187 3.300,00	188 3.300,00



RC SL Nr.: B113090

Matricule : 2005 2231 338

	Reference(s)	Current year	Previous year
III. Investments			
1. Shares in affiliated undertakings	1189 _____	189 _____	190 _____
2. Own shares	1191 _____	191 _____	192 _____
3. Other investments	1209 _____	209 _____	210 _____
IV. Cash at bank and in hand	1195 _____	195 _____	196 _____
	1197 _____	197 <u>175.331,22</u>	198 <u>201.622,77</u>
<b>E. Prepayments</b>	1199 <u>7</u>	199 <u>583.966,67</u>	200 <u>1.137.507,27</u>
<b>TOTAL (ASSETS)</b>		201 <u>487.506.932,04</u>	202 <u>488.586.196,03</u>

RCSL Nr. : B113090

Matricule : 2005 2231 338

**CAPITAL, RESERVES AND LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>			
	1301 <u>6</u>	301 <u>308.135.120,68</u>	302 <u>308.333.521,86</u>
I. Subscribed capital	1303	303 453.943,02	304 453.611,12
II. Share premium account	1305	305 276.854.899,23	306 276.455.231,13
III. Revaluation reserve	1307	307	308
IV. Reserves	1309	309 765.448,26	310 765.448,26
1. Legal reserve	1311	311 45.361,11	312 45.361,11
2. Reserve for own shares	1313	313	314
3. Reserves provided for by the articles of association	1315	315	316
4. Other reserves, including the fair value reserve	1429	429 720.087,15	430 720.087,15
a) other available reserves	1431	431 720.087,15	432 720.087,15
b) other non available reserves	1433	433	434
V. Profit or loss brought forward	1319	319 10.700.342,07	320 10.700.878,65
VI. Profit or loss for the financial year	1321	321 19.360.488,10	322 19.958.352,70
VII. Interim dividends	1323	323	324
VIII. Capital investment subsidies	1325	325	326
<b>B. Provisions</b>	1331	331	332
1. Provisions for pensions and similar obligations	1333	333	334
2. Provisions for taxation	1335	335	336
3. Other provisions	1337	337	338
<b>C. Creditors</b>	1435	435 179.371.811,36	436 180.252.674,17
1. Debenture loans	1437 <u>7</u>	437 178.703.133,50	438 179.103.133,50
a) Convertible loans	1439	439 100.107.243,09	440 100.507.243,09
i) becoming due and payable within one year	1441	441 307.243,09	442 307.243,09
ii) becoming due and payable after more than one year	1443	443 99.800.000,00	444 100.200.000,00
b) Non convertible loans	1445	445 78.595.890,41	446 78.595.890,41
i) becoming due and payable within one year	1447	447 78.595.890,41	448 3.595.890,41
ii) becoming due and payable after more than one year	1449	449 0,00	450 75.000.000,00
2. Amounts owed to credit institutions	1355	355	356
a) becoming due and payable within one year	1357	357	358
b) becoming due and payable after more than one year	1359	359	360

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B113090

Matricule: 2005 2231 338

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks	1361	361	362
a) becoming due and payable within one year	1363	363	364
b) becoming due and payable after more than one year	1365	365	366
4. Trade creditors	1367	467 <b>451.818,67</b>	368 <b>180.224,56</b>
a) becoming due and payable within one year	1369	369 <b>451.818,67</b>	370 <b>180.224,56</b>
b) becoming due and payable after more than one year	1371	371	372
5. Bills of exchange payable	1373	373	374
a) becoming due and payable within one year	1375	375	376
b) becoming due and payable after more than one year	1377	377	378
6. Amounts owed to affiliated undertakings	1379	379	380
a) becoming due and payable within one year	1381	381	382
b) becoming due and payable after more than one year	1383	383	384
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	385	386
a) becoming due and payable within one year	1387	387	388
b) becoming due and payable after more than one year	1389	389	390
8. Other creditors	1451	451 <b>216.859,19</b>	452 <b>969.316,11</b>
a) Tax authorities	1393 <b>8</b>	393 <b>214.700,49</b>	394 <b>687.422,43</b>
b) Social security authorities	1395 <b>10</b>	395 <b>2.158,70</b>	396 <b>1.893,68</b>
c) Other creditors	1397	397 <b>0,00</b>	398 <b>280.000,00</b>
i) becoming due and payable within one year	1399	399 <b>0,00</b>	400 <b>280.000,00</b>
ii) becoming due and payable after more than one year	1401	401	402
<b>D. Deferred income</b>	1403	403	404
<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>		405 <b>487.506.932,04</b>	406 <b>488.586.196,03</b>

The notes in the annex form an integral part of the annual accounts

**Annual Accounts Helpdesk :**

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RCSL Nr. : B113090

Matricule : 2005 2231 338

eCDF entry date :

**PROFIT AND LOSS ACCOUNT**

Financial year from <sup>01</sup> 01/01/2017 to <sup>02</sup> 31/12/2017 (in <sup>03</sup> EUR )

SAF-HOLLAND S.A.

68-70, Boulevard de la Pétrusse  
 L-2320 Luxembourg

**PROFIT AND LOSS ACCOUNT**

	Reference(s)	Current year	Previous year
<b>1. Net turnover</b>	1701 _____	701 _____	702 _____
<b>2. Variation in stocks of finished goods and in work in progress</b>	1703 _____	703 _____	704 _____
<b>3. Work performed by the undertaking for its own purposes and capitalised</b>	1705 _____	705 _____	706 _____
<b>4. Other operating income</b>	1713 _____	713 _____ 0,00	714 _____ 900,00
<b>5. Raw materials and consumables and other external expenses</b>	1671 _____	671 _____ -1.921.415,91	672 _____ -2.959.144,00
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 _____	603 _____ -1.921.415,91	604 _____ -2.959.144,00
<b>6. Staff costs</b>	1605 _____	605 _____ -43.726,22	606 _____ -36.483,24
a) Wages and salaries	1607 _____ 10	607 _____ -36.788,75	608 _____ -31.005,60
b) Social security costs	1609 _____ 10	609 _____ -6.937,47	610 _____ -5.477,64
i) relating to pensions	1653 _____	653 _____ -5.469,41	654 _____ -4.134,11
ii) other social security costs	1655 _____	655 _____ -1.468,06	656 _____ -1.343,53
c) Other staff costs	1613 _____	613 _____	614 _____
<b>7. Value adjustments</b>	1657 _____	657 _____	658 _____
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 _____	660 _____
b) in respect of current assets	1661 _____	661 _____	662 _____
<b>8. Other operating expenses</b>	1621 _____ 12	621 _____ -557.444,35	622 _____ -655.615,52

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B113090

Matricule : 2005 2231 338

	Reference(s)	Current year	Previous year
<b>9. Income from participating interests</b>			
a) derived from affiliated undertakings	1715 _____ 5	715 _____ 21.000.000,00	716 _____ 22.459.872,00
b) other income from participating interests	1717 _____	717 _____ 21.000.000,00	718 _____ 22.459.872,00
	1719 _____	719 _____	720 _____
<b>10. Income from other investments and loans forming part of the fixed assets</b>			
a) derived from affiliated undertakings	1721 _____ 4	721 _____ 6.577.914,58	722 _____ 6.817.730,07
b) other income not included under a)	1723 _____	723 _____ 6.577.914,58	724 _____ 6.817.730,07
	1725 _____	725 _____	726 _____
<b>11. Other interest receivable and similar income</b>			
a) derived from affiliated undertakings	1727 _____ 5	727 _____ 565.348,94	728 _____ 740.824,26
b) other interest and similar income	1729 _____	729 _____ 563.042,13	730 _____ 740.824,26
	1731 _____	731 _____ 2.306,81	732 _____ 0,00
<b>12. Share of profit or loss of undertakings accounted for under the equity method</b>			
	1663 _____	663 _____	664 _____
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>			
	1665 _____	665 _____	666 _____
<b>14. Interest payable and similar expenses</b>			
a) concerning affiliated undertakings	1627 _____	627 _____ -6.252.000,00	628 _____ -6.254.337,03
b) other interest and similar expenses	1629 _____ 7	629 _____	630 _____
	1631 _____	631 _____ -6.252.000,00	632 _____ -6.254.337,03
<b>15. Tax on profit or loss</b>			
	1635 _____ 8	635 _____ 0,00	636 _____ -7.385,54
<b>16. Profit or loss after taxation</b>			
	1667 _____	667 _____ 19.368.677,04	668 _____ 20.106.361,00
<b>17. Other taxes not shown under items 1 to 16</b>			
	1637 _____ 8	637 _____ -8.188,94	638 _____ -148.008,30
<b>18. Profit or loss for the financial year</b>			
	1669 _____	669 _____ 19.360.488,10	670 _____ 19.958.352,70

SAF-HOLLAND S.A.  
Société anonyme

**Notes to the annual accounts**  
31 December 2017

**Note 1 - Organisation**

SAF-HOLLAND S.A. (the "Company") is a commercial company incorporated in Luxembourg on December 21, 2005, under the legal form of a "Société Anonyme". The registered office of the Company is at 68-70, boulevard de la Pétrusse, L-2320 Luxembourg and the Company is registered with the Register of Commerce of Luxembourg under the section B number 113.090.

The Company's purpose is to acquire directly or indirectly shareholdings (including but not limited by way of setting-up new companies) and interests, in any form whatsoever, in any connection with its subsidiaries (the "Group Companies") and any other company being in the same line of business, to acquire any securities and rights through participation, contribution, underwriting firm purchase or option, negotiation or any other way in Group Companies or other companies being in the same line of business, and generally to hold, manage, develop, sell or dispose of the same, in whole or in part, for such consideration as the Company may think fit. The Company may further grant to, or for the benefit of, any holding company, subsidiary, or fellow subsidiary, or any other company associated in any way with Group Companies, any assistance such as pledges, loans, advances or guarantees. The Company may borrow and raise money in any manner for the purpose of its investment in Group Companies and secure the repayment of any money borrowed. The Company may further borrow funds and issue bonds and other securities to a limited number of subscribers. The Company can perform all commercial, technical and financial operations, connected directly or indirectly in all areas as described above in order to facilitate the accomplishment of its purpose.

The Company prepares consolidated accounts and files these accounts with the Luxembourg Trade Registry.

The accounting year begins on January 1 and ends on December 31.

The Company is listed on the Prime Standard of the Frankfurt Stock Exchange and trades under the symbol "SFQ" (ISIN: LU0307018795). The shares of the Company have been included in the SDAX since 2010.

**Notes to the annual accounts**  
31 December 2017

**Note 2 - Summary of significant accounting policies**

The Company maintains its books in Euro ("EUR") and the annual accounts have been prepared in conformity with legal and regulatory requirements in Luxembourg as well as with generally accepted accounting principles in Luxembourg including the following significant accounting policies.

The annual accounts of SAF-HOLLAND S.A. are prepared under the assumption that the Company is a going concern.

*a) Formation expenses*

The formation expenses, which include the fees and costs for the incorporation and capital increases of the Company, are directly charged to the profit and loss account of the year in which they are incurred.

*b) Tangible assets*

Tangible assets are accounted for at their acquisition costs plus associated acquisition costs. The other fixtures and fittings, tools and equipment are depreciated on a straight-line basis over 4 years. Write-downs are recorded if, in the opinion of the directors, there is a permanent impairment in value.

*c) Financial assets and dividends*

Financial assets are stated at historical acquisition cost. Write-downs are recorded if, in the opinion of management, a permanent impairment in value has occurred. Dividends receivable from affiliated undertakings are recognised in the period in which they are declared by the entity. However dividends receivable from affiliated undertakings may be recognised in the profit and loss account in the period in which the subsidiary proposes their allocation of profits, if the following conditions are met:

- the Company is the sole shareholder of the entity and controls it;
- the Company and the subsidiary entities form a group;
- the financial year ends of the two entities coincide;
- the annual accounts of the subsidiary for the financial year in question were approved by the Annual General Meeting before the approval of the annual accounts of the parent company;
- the annual accounts of the subsidiary, for the financial year in question, show that the subsidiary appropriated profits to the Company and;
- the annual accounts of the subsidiary show a true and fair view of the financial position and of the results of its operations for the financial year concerned.

SAF-HOLLAND S.A.  
Société anonyme

**Notes to the annual accounts**  
31 December 2017

**Note 2 - Summary of significant accounting policies (continued)**

*d) Receivables, cash at banks and debts*

Receivables, cash at banks, and debts are stated at their nominal value less allowance for doubtful accounts.

*e) Foreign currency translation*

Monetary assets and liabilities stated in currencies other than EUR are translated at the exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Realised and unrealised exchange losses and realised exchange gains are recorded in the profit and loss account.

*f) Presentation*

The presentation of the annual accounts is that required by the Law of December 19, 2002, amended by the law dated December 18, 2015. The annual accounts of the Company have been established in accordance with the laws and regulations of the Grand-Duchy of Luxembourg and with generally accepted accounting principles.

**Note 3 – Shares in affiliated undertakings (in EUR)**

As of December 31, 2017 and 2016, the Company held the following participation:

Name of the Company	Country	% of ownership	Acquisition cost		Shareholders' equity	
			2017	2016	2017	2016
SAF-HOLLAND GmbH	Germany	100%	313,238,381	313,238,381	171,317,136	172.641.648

The shareholders equity disclosed above includes the profit for the period ended December 31, 2017 amounting to EUR 21,135,360 (2016: profit amounting to EUR 42,723,393).

SAF-HOLLAND GmbH, having its registered office at Hauptstraße 26, D-63856 Bessenbach, Deutschland, decided to distribute a dividend for the year 2017 to the Company for an aggregate amount of EUR 21,000,000.00 (2016: EUR 22,459,872). The dividend receivable has been booked in the amounts owed by affiliated undertakings (note 5).

As of December 31, 2017, in the opinion of the Directors, no impairment is deemed to be necessary.



**Notes to the annual accounts**  
31 December 2017

**Note 4 - Fixed assets – Loans to affiliated undertakings (in EUR)**

On October 31, 2012, the Company granted a loan amounting to EUR 73,660,417 to SAF-HOLLAND GmbH. The loan is repayable on April 26, 2022 but can be prepaid partially or fully before maturity date without penalty. During the year 2014, this loan was amended to reduce the annual interest rate from 8.3% to 4.62% starting from October 1, 2014. On October 31, 2013, the loan was partially reimbursed for an amount of EUR 42,893,803 under an assignment agreement entered into between the Company and SAF-HOLLAND GmbH. As of December 31, 2017, the outstanding nominal of the loan amounted to EUR 30,766,614 (2016: EUR 30,766,614).

On October 31, 2013, the Company granted a loan amounting to EUR 42,893,803 to SAF-Holland Inc. This loan is repayable on April 26, 2022 but can be prepaid partially or fully before maturity date without penalty. During the year 2014, this loan was amended to reduce the annual interest rate from 8.3% to 4.62% starting from October 1, 2014. As of December 31, 2017, the outstanding nominal of the loan amounted to EUR 42,893,803 (2016: EUR 42,893,803).

On January 29, 2015, the Company entered into an amendment agreement with SAF Holland Inc. in order to cancel the capitalization of the annual unpaid interest with effect on April 25, 2014 and to organise monthly payment of the interest with effect from January 1, 2015.

On October 1, 2014, the Company granted a loan amounting to EUR 99,448,500 to SAF-Holland GmbH, bearing an annual interest rate of 4.62% and repayable on September 12, 2020. This loan can be prepaid partially or fully before maturity date without penalty. On March 9, 2016, the Company decided to contribute into the free capital reserve of SAF Holland GmbH for an amount of EUR 47,600,000 by reduction of the principal of this loan (see note 3). As of December 31, 2017, the outstanding nominal of the loan amounted to EUR 51,848,500 (2016: EUR 51,848,500).

Interest income for the year on the above three loans amounting to EUR 6,577,915 (2016: EUR 6,817,730) has been classified in the line item "Income from other investments and loans forming part of the fixed assets - derived from affiliated undertakings".

The accrued and unpaid interest amounting to nil as of December 31, 2017 (2016: nil). In addition, the interest in the amount of EUR 2,625,441 (2016, 2015, 2014 and 2013: EUR 14,016,483) have been capitalized during the year and added to the principal amount of the loans. The total capitalized interest as of December 31, 2017 amounted to EUR 16,641,924 (2016: EUR 14,016,483).

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**Note 5 - Debtors - Amounts owed by affiliated undertakings (in EUR)**

On May 2009, the Company entered into a facility loan agreement with SAF-HOLLAND GmbH for a total amount of EUR 9,550,000. During the year 2014, this loan was amended to reduce the annual interest rate from 8.3% to 4.62% starting from October 1, 2014. This loan has no fixed repayment date. On December 31, 2017, the loan has been reimbursed. As of December 31, 2017, the outstanding nominal of the loan amounted to nil (2016: EUR 1,607,029).

On November 15, 2011, the Company granted a loan amounting to EUR 5,785,779 to SAF-HOLLAND GmbH. On September 13, 2012, the Company entered into an amendment agreement in order to increase the principal of the loan to an amount of EUR 10,413,083. During the year 2014, this loan was amended to reduce the annual interest rate from 8.3% to 4.62% starting from October 1, 2014. This loan has no fixed repayment date and can be paid back totally or in parts. As of December 31, 2017, the outstanding nominal of the loan amounted to EUR 10,355,112 (2016: EUR 10,413,083).

Interest income for the year on the above two loans amounting to EUR 563,042 (2016: EUR 740,824) has been classified in the line item "Other interest receivable and similar income - derived from affiliated undertakings".

The accrued and unpaid interest amounted to nil as of December 31, 2017 (2016: nil).

As of December 31, 2017, the Company recorded a dividend receivable for the year 2017 from SAF-HOLLAND GmbH in the amount of EUR 21,000,000.00 (2016: EUR 22,459,872) which is also included under the item "Income from participating interests - derived from affiliated undertakings" of the profit and loss account.

**Note 6 - Capital and reserves (in EUR)**

**Movements for the year on the capital and reserve items**

	Ordinary shares	Subscribed capital (in EUR)	Share premium account (in EUR)	Legal reserve (in EUR)	Other reserve (in EUR)	Profit or loss brought forward (in EUR)	Profit or loss for the financial year (in EUR)
<b>As of 01.01.2017</b>	<b>45,361,112</b>	<b>453,611</b>	<b>276,455,231</b>	<b>45,361</b>	<b>720,087</b>	<b>10,700,879</b>	<b>19,958,353</b>
Capital increase	33,190	332	399,668	-	-	-	-
Appropriation of profit or loss							
- Allocation of prior year result	-	-	-	-	-	19,958,353	(19,958,353)
- Allocation to the special reserve							
- Dividend distribution in 2017	-	-	-	-	-	(19,958,890)	-
Profit for the year ended December 31, 2017	-	-	-	-	-	-	19,360,488.10
<b>As of 31.12.2017</b>	<b>45,394,302</b>	<b>453,943</b>	<b>276,854,899</b>	<b>45,361</b>	<b>720,087</b>	<b>10,700,342</b>	<b>19,360,488.10</b>

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**Note 6 - Capital and reserves (continued) (in EUR)**

*a) Subscribed capital and authorised share capital*

As of December 31, 2017, the share capital of the Company amounted to EUR 453,943 (2016: EUR 453,611) represented by 45,394,302 ordinary shares with a par value of EUR 0.01, fully paid-in.

During the year the Company did not acquire any of its own shares.

*b) Legal reserve*

Under Luxembourg law, an amount equal to at least 5% of the net profit must be allocated annually to a legal reserve until such reserve equals to 10% of the share capital. This reserve is not available for dividend distribution.

*c) Other reserves*

On April 28, 2011, the Annual General Meeting resolved to allocate an amount of EUR 232,525 to a special reserve in order to reduce the net worth tax liability of the Company for the year 2010.

On April 26, 2012, the Annual General Meeting resolved to allocate an amount of EUR 203,750 to a special reserve in order to reduce the net worth tax liability of the Company for the year 2011.

On April 28, 2016, the Annual General Meeting resolved to allocate an amount of EUR 283,812 to a special reserve in order to reduce the net worth tax liability of the Company for the year 2016.

The special reserve is based on article 5, 1°, par. 8a of net worth tax law. The reserve amounts to five times the annual net worth tax deducted from the corporate income tax, and is not distributable for five years subsequent to the year in which the deduction was made.

As of December 31, 2017, the restricted position of "other reserves" is as follows:

	<b>Restricted reserve</b>
	<b>EUR</b>
Allocation for 2010 net worth tax reduction	232,525
Allocation for 2011 net worth tax reduction	203,750
Allocation for 2016 net worth tax reduction	283,812
<b>Restricted reserve as of 31.12.2017</b>	<b>720,087</b>

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**Note 7 - Debenture loans (in EUR)**

*a) Convertible loans*

On September 12, 2014, within the scope of a private placement, the Company issued an unsecured senior convertible bond with SAF-HOLLAND S.A. share conversion rights. The convertible bonds have an original issue volume of EUR 100,200,000, a term of six years (maturity: September 12, 2020) and an interest coupon of 1.0% per annum, payable semi-annually in arrears on March 12 and September 12.

The conversion right can generally be exercised at any time within the period from October 23, 2014 to September 3, 2020 in accordance with the terms and conditions of the convertible bonds at a fixed conversion price in the amount of EUR 12.3706 initially.

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

On December 27, 2017, the Company converted 400,000 bonds into 33,100 new shares with a nominal value of EUR 0.01 each. Due to this issuance of shares, the Company increased its share capital for an amount of EUR 332, the share premium for an amount of EUR 399,608 and the premium on conversion of bonds into shares for an amount of EUR 60 (see note 6).

As of December 31, 2017, the principal of the issued bonds amounted to EUR 99,800,000 (2016: EUR 100,200,000) and the accrued and unpaid interest amounted to EUR 307,243 (2016: EUR 307,243).

The total interest for the year on the bonds amounting to EUR 1,002,000 (2016: EUR 1,003,688) has been classified in the line item "interest payable and similar expenses – other interest and similar expenses".

*b) Non convertible loans*

On October 31, 2012, the Company issued bonds for a total amount of EUR 75,000,000 in the "Prime Standard" segment for corporate bonds of the Deutsche Börse (ISIN DE 000A1HA979/WKNA1HA97). The bonds have an annual coupon rate of 7% and will reach maturity on April 26, 2018.

The bonds are guaranteed by SAF-HOLLAND GmbH and SAF-HOLLAND USA, Inc.

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**Note 7 - Debenture loans (continued) (in EUR)**

As of December 31, 2017, the principal of the issued bonds amounted to EUR 75,000,000 (2016: EUR 75,000,000) and the accrued and unpaid interest amounted to EUR 3,595,890 (2016: EUR 3,595,890).

The total interest for the year on the bonds amounting to EUR 5,250,000 (2016: EUR 5,250,000) has been classified in the line item "interest payable and similar expenses – other interest and similar expenses".

The fees and expenses in connection with the above two bonds issued amounting to EUR 504,251 (2016: EUR 1,020,782) are recorded as prepaid expenses under the line item "Prepayments" and are amortized over the life of the bonds.

**Note 8 - Taxes (in EUR)**

The Company is subject to all taxes applicable to commercial companies in Luxembourg.

**Note 9 - Dividends paid (in EUR)**

During the year 2017, the Company distributed a dividend of EUR 0.44 per share to its shareholders for an aggregate amount of EUR 19,958,890 (2016: EUR 18,144,445).

**Note 10 - Staff costs**

As of December 31, 2017, the Company had 1 permanent employee (2016: 2 employees).

**Note 11 - Audit fees**

Art. 65 paragraph (1) 16° of the law of December 19, 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings (the "law") requires the disclosure of the independent auditor fees. In conformity with the law these details have been omitted as the Company prepares consolidated accounts in which this information is disclosed and these consolidated accounts and the related consolidated management report and auditor's report thereon have been lodged with the Luxembourg Trade Registry.

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***Note 12 - Board of Directors' remuneration***

The other operating charges included director's fees for attendance at Board and Committee meetings for an amount of EUR 289,589 in 2017 (2016: EUR 280,000).

***Note 13 – Off balance sheet***

The Company guaranteed some loans granted by financial institutions to SAF Holland GmbH and guaranteed to reimburse the loans in the case of SAF Holland GmbH does not satisfied its commitments.

The first guarantee given is on a loan granted to SAF Holland GmbH in relation to a facilities agreement dated June 2016 for a total amount of EUR 50,000.000.

The second guarantee given is on a loan granted to SAF Holland GmbH in relation to a loan agreement dated October 2015 for a total amount of EUR 120,000,000 and USD 35,000.000.

***Note 14 – Subsequent events***

On March 8, 2018, the Company entered into two amendment agreements with affiliated undertakings in order to postpone the maturity date of the loan dated October 31, 2012 for an amount of EUR 30,766,613 and the loan dated October 31, 2013 for an amount of EUR 42,893,803 to April 26, 2022 (see note 4).