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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

kEUR	Notes	Q1–Q4/2018	Q1–Q4/2017
Sales	(5.1)	1,300,555	1,138,933
Cost of sales	(5.2)	−1,101,292	−933,876
Gross profit		**199,263**	**205,057**
Other income	(5.3.1)	10,491	1,614
Selling expenses	(5.3.2)	−61,286	−62,079
Administrative expenses	(5.3.3)	−51,821	−53,542
Research and development costs	(5.3.4)	−19,572	−20,411
Other expenses	(5.3.5)	−834	–
Operating result		**76,241**	**70,639**
Share of net profit of investments accounted for using the equity method	(6.3)	1,729	2,086
Earnings before interest and taxes		**77,970**	**72,725**
Finance income	(5.3.6)	1,266	1,247
Finance expenses	(5.3.6)	−15,015	−17,760
Finance result		**−13,749**	**−16,513**
Result before tax		**64,221**	**56,212**
Income tax	(5.4)	−16,106	−15,252
Result for the period		**48,115**	**40,960**
Attributable to:			
Equity holders of the parent		48,151	42,887
Non-controlling interests		−36	−1,927
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	(6.10)	946	2,443
Income tax effects on items recognized in other comprehensive income	(6.10)	−45	−3,111
Items that may be reclassifed subsequently to profit or loss			
Exchange differences on translation of foreign operations	(6.10)	2,219	−24,651
Other comprehensive income		**3,120**	**−25,319**
Comprehensive income for the period		**51,235**	**15,641**
Attributable to			
Equity holders of the parent		51,522	18,002
Non-controlling interests		−287	−2,361
Basic earnings per share in EUR	(7.2)	**1.06**	**0.95**
Diluted earnings per share in EUR	(7.2)	**0.92**	**0.82**

CONSOLIDATED BALANCE SHEET

kEUR

	Notes	12/31/2018	12/31/2017
Assets			
Non-current assets		**472,284**	**377,849**
Goodwill	(6.1)	84,480	54,134
Other intangible assets	(6.1)	181,285	140,336
Property, plant and equipment	(6.2)	163,263	137,766
Investments accounted for using the equity method	(6.3)	16,833	16,234
Financial assets	(7.1)	1,309	858
Other non-current assets	(6.4)	2,686	3,180
Deferred tax assets	(5.4)	22,428	25,341
Current assets		**505,132**	**620,259**
Inventories	(6.5)	179,368	133,745
Trade receivables	(6.6)	138,875	135,662
Income tax assets		5,226	1,865
Other current assets	(6.7)	25,149	11,824
Financial assets	(7.1)	1,505	82
Other short-term investments	(6.8)	–	58,306
Cash and cash equivalents	(6.9)	155,009	278,775
Balance sheet total		**977,416**	**998,108**
Equity and liabilities			
Total equity	(6.10)	**332,550**	**300,975**
Equity attributable to equity holders of the parent		**321,480**	**298,842**
Subscribed share capital		454	454
Share premium		269,044	269,044
Legal reserve		45	45
Other reserve		720	720
Retained earnings		86,282	67,983
Accumulated other comprehensive income		−35,065	−39,404
Shares of non-controlling interests		**11,070**	**2,133**
Non-current liabilities		**469,912**	**461,880**
Pensions and other similar benefits	(6.11)	30,507	34,134
Other provisions	(6.12)	7,604	9,333
Interest bearing loans and bonds	(6.13)	364,459	361,284
Finance lease liabilities	(7.1)	38	23
Other financial liabilities	(6.15)	16,271	15,910
Other liabilities	(6.16)	626	595
Deferred tax liabilities	(5.4)	50,407	40,601
Current liabilities		**174,954**	**235,253**
Other provisions	(6.12)	9,992	8,205
Interest bearing loans and bonds	(6.13)	3,936	81,321
Finance lease liabilities	(7.1)	191	32
Trade payables	(6.14)	129,115	114,219
Income tax liabilities		4,007	8,966
Other financial liabilities	(6.15)	776	655
Other liabilities	(6.16)	26,937	21,855
Balance sheet total		**977,416**	**998,108**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

kEUR									Q1–Q4/2018
	Attributable to equity holders of the parent								
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount	Shares of non-controlling interests	Total equity (Note 6.10)
As of 01/01/2018 (as previously reported)	**454**	**269,044**	**45**	**720**	**67,983**	**–39,404**	**298,842**	**2,133**	**300,975**
Effects from the adoption of IFRS 9	–	–	–	–	–471	–	**–471**	–	**–471**
As of 01/01/2018	**454**	**269,044**	**45**	**720**	**67,512**	**–39,404**	**298,371**	**2,133**	**300,504**
Result for the period	–	–	–	–	48,151	–	**48,151**	–36	**48,115**
Other comprehensive income	–	–	–	–	–	3,371	**3,371**	–251	**3,120**
Comprehensive income for the period	**–**	**–**	**–**	**–**	**48,151**	**3,371**	**51,522**	**–287**	**51,235**
Dividend	–	–	–	–	–20,427	–	**–20,427**	–	**–20,427**
Put option for acquisition of remaining shares of V.ORLANDI S.p.A.	–	–	–	–	–7,901	–	**–7,901**	–	**–7,901**
Reclassification					–832	832	**–**	–	**–**
Transactions with non-controlling interests	–	–	–	–	–221	136	**–85**	–549	**–634**
Addition of shares of non-controlling intersts from business combinations	–	–	–	–	–	–	**–**	9,773	**9,773**
As of 12/31/2018	**454**	**269,044**	**45**	**720**	**86,282**	**–35,065**	**321,480**	**11,070**	**332,550**

kEUR									Q1–Q4/2017
	Attributable to equity holders of the parent								
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount	Shares of non-controlling interests	Total equity (Note 6.10)
As of 01/01/2017 (as previously reported)	**454**	**268,644**	**45**	**720**	**45,055**	**–14,519**	**300,399**	**5,178**	**305,577**
Effect of the retroactive correction due to IAS 8.42	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–684**	**–684**
As of 01/01/2017	**454**	**268,644**	**45**	**720**	**45,055**	**–14,519**	**300,399**	**4,494**	**304,893**
Result for the period	–	–	–	–	42,887	–	**42,887**	–1,927	**40,960**
Other comprehensive income	–	–	–	–	–	–24,885	**–24,885**	–434	**–25,319**
Comprehensive income for the period	**–**	**–**	**–**	**–**	**42,887**	**–24,885**	**18,002**	**–2,361**	**15,641**
Dividend	–	–	–	–	–19,959	–	**–19,959**	–	**–19,959**
Conversion convertible bond	–	400	–	–	–	–	**400**	–	**400**
As of 12/31/2017	**454**	**269,044**	**45**	**720**	**67,983**	**–39,404**	**298,842**	**2,133**	**300,975**

CONSOLIDATED STATEMENT OF CASH FLOWS

kEUR

		Notes	Q1–Q4/2018	Q1–Q4/2017
Cash flow from operating activities				
Result before tax			**64,221**	**56,212**
–	Finance income	(5.3.6)	–1,266	–1,247
+	Finance expenses	(5.3.6)	15,015	17,760
+/–	Share of net profit of investments accounted for using the equity method	(6.3)	–1,729	–2,086
+/–	Other non-cash transcations	(7.3)	–7,256	–
+	Amortization/depreciation of intangible assets and property, plant and equipment	(5.3.8)	29,521	24,630
+	Allowance of current assets	(6.5)/(6.6)	3,855	2,853
+/–	Loss/Gain on disposal of property, plant and equipment		1,339	187
+	Dividends from investments accounted for using the equity method		1,214	1,178
Cash flow before change of net working capital			**104,914**	**99,487**
+/–	Change in other provisions and pensions		–5,140	1,484
+/–	Change in inventories		–27,097	–13,805
+/–	Change in trade receivables and other assets		1,143[1]	–27,018
+/–	Change in trade payables and other liabilities		–7,301	13,927
Change of net working capital			**–38,395**	**–25,412**
Cash flow from operating activities before income tax paid			**66,519**	**74,075**
–	Income tax paid	(5.4)	–25,739	–17,328
Net cash flow from operating activities			**40,780**	**56,747**
Cash flow from investing activities				
–	Purchase of other short term investments	(6.8)	–	–58,083
+	Proceeds from sale of other short tem investments		58,216	–
–	Purchase of property, plant and equipment	(6.2)	–33,406	–21,761
–	Purchase of intangible assets	(6.1)	–7,380	–5,361
+	Proceeds from sales of property, plant and equipment		1,308	490
–	Payments for acquisition of subsidiaries net of cash	(3)	–58,691	–
+	Interest received		367	367
Net cash flow from investing activities			**–39,586**	**–84,348**
Cash flow from financing activities				
–	Dividend payments to shareholders of SAF-HOLLAND S.A.	(6.10)	–20,427	–19,959
–	Repayment of bonds		–75,000	–
–	Payments for finance lease		–23	–1,477
–	Interest paid		–12,793	–13,683
+/–	Change in drawings on the credit line and other financing activities	(6.13)	–15,811	1,428
Net cash flow from financing activities			**–124,054**	**–33,691**
Net increase/decrease in cash and cash equivalents			**–122,860**	**–61,292**
+/–	Effect of changes in exchange rates on cash and cash equivalents		–906	–4,501
Cash and cash equivalents at the beginning of the period		(6.9)	**278,775**	**344,568**
Cash and cash equivalents at the end of the period		(6.9)	**155,009**	**278,775**

[1] As of December 31, 2018 trade receivables in the amount of EUR 41.5 million (previous year: EUR 27.0 million) were sold in the context of a factoring contract. Assuming the legal validity of the receivables, no further rights of recourse exist against SAF-HOLLAND from the sold receivables

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the January 1 through December 31, 2018 Financial Year

1. CORPORATE INFORMATION

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

The consolidated financial statements for SAF-HOLLAND S.A. and its subsidiaries (the "Group") as of December 31, 2018 were authorized for publication by the resolution of the Board of Directors on March 19, 2019. Shareholder approval of the financial statements is required under Luxembourg law.

2. ACCOUNTING AND VALUATION PRINCIPLES

2.1 BASIS OF PREPARATION

The SAF-HOLLAND S.A. consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and applicable as of the reporting date.

The consolidated financial statements are prepared using the historical cost principle, except for derivative financial instruments, which are measured at fair value.

The balance sheet presents current and non-current assets and current and non-current liabilities. The statement of comprehensive income is prepared according to the 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 prepared in euros. Unless otherwise stated, all amounts are presented in euro thousands (kEUR). Due to rounding, individual figures may not add up precisely to the totals provided.

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 and loss as soon as they become known. The following section details the key forward-looking assumptions as well as other main sources of estimation uncertainty as of the reporting date that pose a significant risk that a material adjustment to the carrying amounts of assets and liabilities may be necessary within the subsequent 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 when there is an indication of impairment. The Group's impairment tests as of October 1, 2018 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, which was approved by the Board of Directors. 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.

Assumptions are based on the information available at the time, particularly the expected business developments, current conditions and realistic assessments of the future development of the global and industry-specific environment. The key assumptions underlying the Company's planning are based on projected unit volumes for the truck and trailer markets published by market research companies and planning discussions with the Group's major customers. Although management believes that the assumptions used to calculate the recoverable amount are reliable, 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 assumption to determine the recoverable amount for the various cash-generating

units and intangible assets with indefinite useful lives, including a sensitivity analysis, are discussed in more detail in Note 6.1. As of December 31, 2018, the carrying amount of goodwill totaled EUR 84.5 million (previous year: EUR 54.1 million), and that of intangible assets with indefinite useful lives amounted to EUR 40.2 million (previous year: EUR 33.0 million).

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

Measurement of property, plant and equipment and intangible assets with finite useful lives requires the use of estimates for determining the fair value at the acquisition date, particularly for assets acquired in a business combination. Furthermore, the expected useful lives of these assets must be determined. The determination of fair values and useful lives of assets and impairment testing in the case of indications of impairment are based on management's judgment. As of December 31, 2018, the carrying amounts of property, plant and equipment totaled EUR 163.3 million (previous year: EUR 137.8 million), and those of intangible assets with finite useful lives amounted to EUR 141.1 million (previous year: EUR 107.3 million). Further details are provided in Notes 6.1 and 6.2.

Deferred tax assets

At each reporting date, the Group assesses whether the realization of future tax benefits is probable enough to recognize deferred tax assets. Among others, this requires management to assess the tax benefits arising from the available tax strategies and future taxable income and to take into account any other positive or negative factors. In order to make this assessment, the projected taxable income is estimated based on the Company's planning. The reported amount of deferred tax assets could decline if the projected taxable income is lower than expected, or if changes in current tax legislation restrict the timing or scope of future tax benefits.

Deferred tax assets are recognized for all unused tax loss carryforwards to the extent that it is probable that there will be taxable profits against which the losses can be utilized. Deferred tax assets for all unused interest carryforwards 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, 2018, the carrying amount of deferred tax assets for tax loss carryforwards amounted to EUR 1.0 million (previous year: EUR 0.8 million). Unrecognized tax loss carryforwards amounted to EUR 48.5 million (previous year: EUR 54.9 million). In addition, as of December 31, 2018, the carrying amount of capitalized deferred tax assets for interest carryforwards was EUR 12.1 million (previous year: EUR 10.7 million). Further details are provided in Note 5.4.

Pensions and other similar obligations

The expense of defined benefit pension plans and post-employment medical benefits is determined using actuarial calculations. These actuarial valuations are based on assumptions about discount rates, future salary and wage increases, mortality rates, future pension increases, expected staff turnover and trends in healthcare costs. All assumptions are reviewed on the reporting date. Management derives the appropriate discount rates based on the interest rates on corporate bonds in the respective currency that have at least an AA rating. Bonds with higher default risks or offering much higher or lower returns (statistical outliers) compared to other bonds in the same risk category are not considered. The bonds are adjusted to the expected term of the defined benefit obligations through extrapolation. Mortality rates are based on publicly available mortality tables for the respective country. Future wage, salary and pension increases are based on expected future inflation rates for a given country and the structure of the defined benefit plan.

Due to the long-term nature of pension plans, such estimates are subject to significant uncertainty. As of December 31, 2018, the carrying amount of pensions and other similar obligations was EUR 30.5 million (previous year: EUR 34.1 million). Further details, including a sensitivity analysis, are given in Note 6.11.

Other provisions

The recognition and measurement of other provisions are based on estimates of the probability of the future outflows of benefits based on past experience and the circumstances known as of the reporting date. As a result, the actual outflow of benefits may differ from the amount recognized under other provisions.

As of December 31, 2018, other provisions amounted to EUR 17.6 million (previous year: EUR 17.5 million). Further details are provided in Note 6.12.

Share-based payments
The Group initially recognizes the cost of 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 measures them on each reporting date as well as on the settlement date. Estimating the fair value of share-based payments requires the selection of an appropriate valuation model depending on the terms and conditions of the agreements. This model incorporates a variety of inputs for which assumptions must be made to estimate the fair value. The main inputs are the expected life of the option, the volatility of the share price and the forecast dividend yield. The period of volatility is based on the remaining period of the performance share unit program. As of December 31, 2018, the carrying amount of obligations was EUR 2.5 million (previous year: EUR 4.5 million). Further details are presented in Note 6.12.

Derivative financial instruments
Where the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be derived from an active market, it is determined by using valuation models. The inputs for these models are taken from observable markets when possible; otherwise determining the fair value requires a degree of judgment. This judgment considers inputs such as liquidity risk, credit risk and volatility. Changes in the assumptions about these factors could affect the recognized fair value of financial instruments. As of December 31, 2018, the fair value of derivative financial instruments was EUR –0.6 million (previous year: EUR –0.7 million). Further details are provided in Note 7.1.

2.3 SUMMARY OF KEY ACCOUNTING POLICIES

Consolidation principles
The consolidated financial statements consist of the financial statements of SAF-HOLLAND S.A. and its subsidiaries as of December 31 of each year. The financial statements of the consolidated subsidiaries, associates and joint ventures are prepared for the same reporting date as the parent company and apply uniform accounting and measurement policies.

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

Subsidiaries are fully consolidated from the date of acquisition, i.e., from the date on which the Company obtains control. SAF-HOLLAND S.A. controls an investee when it has direct or indirect power over the investee, is exposed to the variable returns from its involvement with the company and has the ability to affect the variable returns through its power over the investee. An entity is no longer consolidated when a control relationship with the parent company no longer exists.

Business combinations
Business combinations are accounted for using the acquisition method. Under this method, the cost of an acquisition represents the total consideration transferred measured at fair value on the acquisition date, including the amount of any non-controlling interest in the acquired company. For each business combination, the acquirer measures the non-controlling interest in the acquired company either at fair value or the proportionate share of the acquired company's identifiable net assets measured at fair value. Acquisition costs related to a business combination are expensed as incurred. The contingent consideration agreed is recognized at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration, which represents an asset or liability, are recognized in profit and loss. If the contingent consideration is classified as equity, it will not be remeasured. The subsequent settlement is accounted for within equity. In a business combination achieved in stages, the acquirer's previously held interest in the acquired company is first remeasured at its fair value on the acquisition date and any resulting gain or loss is recognized is profit and loss.

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

If the parent company loses control over a subsidiary, it will

— derecognize the assets (including goodwill) and liabilities of the subsidiary,
— derecognize the carrying amount of any non-controlling interest in the former subsidiary,
— derecognize the accumulated translation differences recognized in equity,
— recognize the fair value of the consideration received,
— recognize the fair value of any investment retained,
— recognize any gains and losses in profit and loss,
— reclassify the parent company's share of other comprehensive income components to profit and loss or retained earnings, if required by IFRS.

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

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 cannot exert control or joint control over those policies. Significant influence is generally assumed when the Group holds between 20% and 50% of the voting rights.

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

The considerations for determining whether significant influence or joint control exists are similar to those for determining control over the subsidiaries. Investments in associates and joint ventures are no longer included in the consolidated financial statements using the equity method when the Group no longer exercises significant influence or participates in the joint control over decision processes. Gains and losses on transactions between the Group and an associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture.

The complete 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 reporting 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 reporting day's closing rate. All exchange differences are recognized in profit and 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 from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of this foreign operation are accounted for as assets and liabilities of the foreign operation and translated at the reporting day's closing rate. As of the reporting 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 from translation are recognized in equity. On disposal of a foreign operation, the accumulated amount recognized in equity relating to that particular foreign operation is recognized in profit and loss. Exchange differences from foreign currency loans 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 and loss.

The most important functional currencies of foreign operations are listed in the following table:

		Closing rate		Average rate	
		12/31/2018	12/31/2017	2018	2017
US-Dollar	USD	0.87428	0.83482	0.84728	0.88748
Canadian Dollar	CAD	0.64127	0.66516	0.65391	0.68374
Chinese Remimbi	CNY	0.12714	0.12824	0.12821	0.13126
Indian Rupie	INR	0.01258	0.01310	0.01242	0.01363
Turkish Lira	TRY	0.16614	0.22070	0.17999	0.24375

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 allocated as of the acquisition date 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 acquired company are allocated to those cash-generating units.

Intangible assets

Intangible assets acquired separately are measured at cost upon their initial recognition.

The acquisition cost of an intangible asset acquired in a business combination is its 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 capitalized as an intangible asset when the Group can demonstrate:

— the technical feasibility of completing the intangible asset to make it available for internal use or sale,
— the intention to complete the intangible asset 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 reliably measure the expenditure attributable to the intangible asset during its development.

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

For capitalized 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 an indication of impairment exists. The useful life and the amortization method used for an intangible asset with a finite useful life are reviewed at the end of each financial year at a minimum. Amortization is recognized in the expense category that corresponds to the intangible asset's function within the Company.

Intangible assets with indefinite useful lives are not subject to scheduled amortization but are tested for impairment at least once annually. The useful life of these intangible assets is also examined annually to determine whether the assessment of an indefinite useful life still applies. If this is not the case, the change in the assessment of indefinite to limited useful life is made prospectively.

Because the Group expects to expand acquired brands in the future, 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 network	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	8 – 13 years	8 – 10 years	Indefinite	20 years	3 – 10 years

Gains or losses on the derecognition of intangible assets are determined as the difference between the net realizable value and the carrying amount of the asset and are recognized in profit and loss in the period in which the asset is derecognized.

Property, plant and equipment

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

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

The cost of replacing components or of overhauling plant and equipment are capitalized only when 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 useful lives and depreciation methods of the assets are reviewed and adjusted prospectively at the end of each financial year when appropriate.

Scheduled 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 – 15 years	3 – 10 years

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

Borrowing costs

Borrowing costs consist of interest and other costs incurred by an entity when assuming liabilities. Borrowing costs directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to prepare for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period 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 the ownership of the leased asset are accounted for as finance leases. Under a finance lease, the Group capitalizes the leased asset at the asset's fair value or the present value of the minimum lease payments, if lower, and subsequently depreciates the leased asset over its estimated useful life or the contractual term, if shorter. Lease payments are apportioned between finance expenses and the redemption of the lease liability to achieve a constant rate of interest on the remaining carrying amount of the lease liability. Finance expenses are recognized immediately in profit and loss.

All other leases in which the Group is the lessee are accounted for as operating leases. Lease payments under a finance lease operating are recognized as an expense in profit and loss on a straight-line basis over the term of the lease.

The Group does not act as a lessor under any lease agreements.

Investments accounted for using the equity method

Under the equity method, investments in associates and joint ventures are recognized on the balance sheet at cost plus any changes in the Group's interest in the net assets of the equity investment following its acquisition. The Group's interest in the profit or loss of the associate or joint venture is reported separately in the result for the period. Any changes recognized directly in the equity of the associate or joint venture are recognized by the Group according to its share and reported in accumulated other comprehensive income. 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. At each reporting date, the Group determines whether there is any objective evidence indicating that investments in associates or joint ventures are impaired. If evidence exists, the Group calculates the amount of the impairment as the difference between the investment's fair value and carrying amount and recognizes the amount in profit and loss.

Impairment of non-financial assets

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

Impairment is recognized in profit and loss if the recoverable amount of the asset or cash-generating unit is lower than the carrying amount. The recoverable amount must be 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, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market expectations of the time value of money and the risk 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 exists, the carrying amount of the asset (the cash-generating unit; with the exception of goodwill), is increased to the amount of 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 a reversal is recognized through profit and loss.

Financial instruments

Financial instruments
A financial instrument is any contract that creates a financial asset at one entity and a financial liability or equity instrument at another entity.

Financial Assets - Initial recognition and measurement
Upon initial recognition, financial assets are classified for subsequent measurement either as at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss.

The classification of financial assets upon first-time recognition depends on the characteristics of the contractual cash flows of the financial assets and the Group's business model for managing its financial assets. With the exception of trade receivables, the Group measures a financial asset at its fair value and, in the case of a financial asset that is not measured at fair value through profit or loss, plus transaction costs. Trade receivables are measured at the transaction price determined in accordance with IFRS 15. In this context, reference is made to the accounting methods in the section 5.1.

In order for a financial asset to be classified and measured at amortized cost or at fair value through other comprehensive income, the cash flows may only consist of principal and interest payments (SPPI) on the outstanding principal amount.

Subsequent measurement
For subsequent measurement, financial assets are classified into four categories:

- Financial assets (debt instruments) measured at amortized cost
- Financial assets measured at fair value through other comprehensive income with the reclassification of accumulated gains and losses (debt instruments)
- Financial assets measured at fair value through other comprehensive income without reclassification of accumulated gains and losses on derecognition (equity instruments)
- financial assets measured at fair value through profit or loss

Financial assets (debt instruments) measured at amortized cost
This category is the most significant for the consolidated financial statements. The Group measures financial assets at amortized cost when the following two conditions are met:

- the financial asset is held under a business model whose objective is to hold financial assets to collect the contractual cash flows,
  and
- the contractual terms of the financial asset give rise to cash flows at fixed dates, which are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are measured in subsequent periods using the effective interest method and should be tested for impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets measured at amortized cost include trade receivables.

Financial assets (debt instruments) measured at fair value through other comprehensive income
The Group measures debt instruments at fair value through other comprehensive income when the following two conditions are met:

- the financial asset is held under a business model whose objective is both the collection of contractual cash flows and the sale of financial assets,
  and
- the contractual terms of the financial asset give rise to cash flows at fixed dates that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments that are measured at fair value through other comprehensive income, interest income, revaluations of foreign exchange gains and losses and impairment losses or reversals of impairment losses are recognized in the income statement and calculated in the same way as financial assets measured at amortized cost. The remaining changes in fair value are recognized in other comprehensive income. Upon derecognition, the accumulated gain or loss from changes in fair value recognized in other comprehensive income is reclassified to profit or loss.

Financial assets (equity instruments) measured at fair value through other comprehensive income
Upon initial recognition, the Group may irrevocably choose to classify its equity instruments as equity instruments at fair value through other comprehensive income if they meet the definition of equity in accordance with IAS 32 and are not held for trading. The classification is done individually for each instrument.

Gains and losses on these financial assets are never reclassified to the income statement. Dividends are recognized in the income statement as other income if there is a legal claim to payment unless the dividends recover part of the acquisition cost of the financial asset. In this case, profits are recognized in other comprehensive income. Equity instruments measured at fair value through other comprehensive income are not tested for impairment.

Financial assets measured at fair value through profit or loss
The group of financial assets measured at fair value through profit or loss includes financial assets held for trading that were designated as measured at fair value through profit or loss upon initial recognition and financial assets that must be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of sale or repurchase in the near future. Derivatives, including separately recognized embedded derivatives, are also classified as held for trading except for derivatives designated as hedging instruments that are effective as such. Financial assets with cash flows that are not solely repayments and interest payments are classified as at fair value through profit or loss, regardless of the business model, and measured accordingly.

Financial assets at fair value through profit or loss are recognized in the balance sheet at fair value, with changes in fair value being netted in the income statement.

This category includes mainly derivative financial instruments, such as currency forwards and interest rate swaps, which the Group has concluded to hedge transactions and not designated as cash flow hedges.

Derecognition
A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized (removed from the consolidated balance sheet) if one of the following conditions is met:

- The contractual rights to receive cash flows from the financial asset have expired.
- The Group has transferred its contractual rights to receive cash flows from the financial asset to third parties or has assumed a contractual obligation to pay the cash flow immediately to a third party under a transfer agreement and thereby either (a) transferred substantially all of the opportunities and risks that are related to the ownership of the financial asset or (b) neither transferred or retained substantially all of the opportunities and risks that are related to the ownership of the financial asset but transferred control over the asset.

When the Group transfers its contractual rights to receive cash flows from an asset or enters into a transfer agreement, it assesses whether and to what extent the opportunities and risks associated with ownership remain with it. If it does not transfer or retain substantially all of the opportunities and risks that are related to the ownership of the asset and nor transfers control over the asset, it will continue to recognize the transferred asset to the extent of its continuing involvement. In this case, the Group also recognizes a related liability. The transferred asset and the related liability are measured in such a way that the rights and obligations that the Group has retained are taken into account.

If the continuing involvement formally guarantees the transferred asset, then the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group may have to repay.

Impairment of financial assets
The Group recognizes impairment for expected credit losses (ECL) for all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows that are contractually payable and the total cash flows that the Group expects to receive, discounted using an approximate value of the original effective interest rate. The expected cash flows include cash flows from the sale of the collateral held or other credit guarantees that are an integral part of the terms of the contract. Expected credit losses are recognized in two steps. For financial instruments whose default risk has not significantly increased since their initial recognition, a risk provision is recognized in the amount of the expected credit losses that are based on a default event within the next twelve months (12-month ECL). For financial instruments whose default risk has increased significantly since their initial recognition, an entity must recognize a risk provision in the amount of the credit losses expected over the remaining term, irrespective of when the default event occurs (total term ECL).

For trade receivables and contractual assets, the Group applies the simplified approach under IFRS 9 to measure the expected credit losses. As a result, the credit losses expected over the term are used for all trade receivables.

The Group assumes default on a financial asset when internal or external information indicates that the Group is unlikely to fully receive the outstanding contractual amounts, even when all of the credit protection it holds is taken into account. A financial asset is impaired if there are no reasonable expectations that the contractual cash flows will be realized.

Financial liabilities - Initial recognition and measurement
Financial liabilities are classified upon first-time recognition as financial liabilities measured at fair value through profit or loss, as loans, as liabilities or as derivatives that have been designated as hedging instruments and are effective as such. All financial liabilities are initially measured at fair value upon first-time recognition and, in the case of loans and liabilities, less directly attributable transaction costs. The Group's financial liabilities include trade payables and other liabilities, loans, including overdrafts and derivative financial instruments.

Subsequent measurement
The subsequent valuation of financial liabilities depends on their classification:

Financial liabilities measured at fair value through profit or loss
Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and other financial liabilities that are initially recognized at fair value through profit or loss.

Financial liabilities are classified as held for trading when entered into for the purpose of repurchasing in the near future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships in accordance with IFRS 9. Separately recognized embedded derivatives are also classified as held for trading with the exception of derivatives that have been designated as hedging instruments and that are effective as such.

Gains and losses on financial liabilities held for trading are recognized in profit or loss.

The classification of financial liabilities measured at fair value through profit or loss takes place at the time of initial recognition, provided the criteria in accordance with IFRS 9 are met. The Group has not classified any financial liabilities measured at fair value through profit or loss.

Loans

The category "loans" has the greatest importance for the consolidated financial statements. After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method.

Interest-bearing loans usually fall into this category. Further information is provided in note 6.13.

Derecognition

A financial liability is derecognized when the underlying obligation is met, canceled or extinguished.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet 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 related 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 on the measurement date. 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 Group must have access to the principal or most advantageous market.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate an economic benefit with the asset's highest and best use or by selling it to another market participant who would make the highest and best use of the asset.

The Group uses valuation techniques appropriate for the respective circumstances and for which sufficient data is available to measure fair value while maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the following fair value hierarchy based on the lowest level of input that is significant for the fair value measurement as a whole:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level of input that is significant for the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level of input that is significant for the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether reclassifications have occurred between levels in the hierarchy by reassessing their categorization (based on the lowest level of input that is significant for the fair value measurement as a whole) at the end of each reporting period.

An analysis of the fair value of financial instruments and further details on the method of their measurement are provided in Note 7.1.

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 when the fair value is positive and as liabilities when 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 risk from recognized underlying transactions, 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 estimated future cash flows. The fair value of forward exchange contracts is determined using the mean spot exchange rate prevailing on the reporting date taking into account the forward premiums and discounts for the residual term of each contract and compared with the contracted forward exchange rate. Interest rate swaps are measured at fair value by discounting estimated future cash flows using interest rates with matching maturities.

Any measurement gain or loss is recognized immediately in profit and loss unless the derivative is designated as a hedging instrument under 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 determines the hedge relationship and strategy under the risk management objective. Depending on the type of hedge relationship, 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 new reporting 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. Call and put option granted in connection with acquistions are valued based on variable earnings figures.

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 selling expenses.

Costs incurred in bringing inventories to their present location and current 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	– direct material and labor costs, an appropriate proportion of manufacturing overheads based on normal operating capacity (but excluding borrowing costs), production-related depreciation as well as production-related conveyance and administrative costs

Cash and cash equivalents

The balance sheet item cash and cash equivalents consists of cash on hand, cash at banks and short-term deposits with an original maturity of less than three months.

Other provisions

A provision is recognized when the Group has a present obligation (legal or constructive) resulting from a past event when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation's amount can be made. If 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 expense.

Share-based payments

Members of the Management Board and certain managers of the Group receive share-based payments in the form of share units (share appreciation rights) in return for services rendered; these share appreciation rights can only be settled in cash (cash-settled payment transactions). The cost of cash-settled 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 recognizing a corresponding liability until the vesting date. The liability is remeasured at each reporting date up to and including the settlement date. Changes in the fair value are assigned to the costs of the functional areas. No cost is recognized for appreciation rights that do not vest. If the conditions for a transaction with cash settlement are changed, these changes are considered within the scope of the remeasurement on the respective reporting date. If a cash-settled payment transaction is canceled, the relevant liability is derecognized through profit and loss.

Pensions and other similar obligations

Defined benefit plans and similar obligations

The obligations resulting from defined benefit plans are determined separately for each plan using the projected unit credit method. The remeasurement of defined benefit plans includes actuarial gains and losses, returns on plan assets (provided they are not included in net interest expense) as well as effects from the upper limitation of asset values (the "asset ceiling"). The Group recognizes the remeasurement of defined benefit plans in other comprehensive income. All other expenses under defined benefit plans are immediately recognized in the result for the period.

Past service cost is recognized immediately in profit and 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 plan refunds or reductions in future contributions to the plan. Insofar as payment obligations in connection with fund assets 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 when taking into account the minimum funding requirements yet to be paid.

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

In the North American subgroup, existing obligations for the payment of post-employment medical benefits are classified as pensions and other post-employment obligations due to their pension-like nature.

Defined contribution plans

The Group's obligations under defined contribution plans are recognized in profit and 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 Germany the option of concluding phased retirement agreements. The block model is used for these agreements. 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

Actual income taxes

Actual 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 applicable on the reporting date.

Deferred income taxes

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 and tax loss carryforwards and interest carryforwards with the exception of

- 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 profit and loss according to IFRS nor the taxable profit and 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 applicable on the reporting date. Deferred income tax assets and liabilities are offset when 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 taxes relating to items recognized directly in equity are recognized in other comprehensive income rather than in profit and loss.

Sales

Sales are recognized when the control over the goods or services is transferred to the customer. Sales are recognized in the amount of consideration that the Group is expected to receive in exchange for these goods or services. The Group has basically come to the conclusion that it acts as the principal in its sales transactions, as it usually retains control over the goods or services before they pass to the customer.

Sale of goods and merchandise

Sales from the sale of goods and merchandise in the OEM and aftermarket areas are recognized at the time when the control over the asset is transferred to the customer. This is generally the case upon delivery. The usual payment term is 30 to 120 days from delivery. The Group examines whether the contract contains other commitments that represent separate performance obligations to which part of the transaction price must be allocated. When determining the transaction price for deliveries made, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and any consideration payable to a customer.

Variable consideration

If consideration under a contract contains a variable component, the Group determines the amount of the consideration it is entitled to in exchange for the transfer of the goods to the customer. Variable consideration is estimated at the contract's inception and may only be included in the transaction price if it is highly probable that there will be no significant reversal in the cumulative sales recognized once the uncertainty associated with the variable consideration no longer exists. Some contracts for the sale of goods and merchandise give customers a volume discount. These volume discounts result in variable consideration.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Expense-related grants are recognized as income over the same period as the corresponding expenses. Where the grant relates to an asset, it is recognized as deferred income and recognized as income in equal amounts over the expected useful life of the related asset.

2.4 AMENDMENTS TO ACCOUNTING AND MEASUREMENT STANDARDS

The accounting and measurement methods applied are essentially unchanged compared to those applied in the prior year, with the following exceptions:

2.4.1 IFRS 9 "Financial Instruments: Classification and Measurement"

The Group has adopted the standard IFRS 9 "Financial Instruments" with effect from January 1, 2018, without the retrospective adjustment of comparative disclosures. The reclassifications and adjustments resulting from the new rules on impairment are therefore recognized in the opening balance sheet as of January 1, 2018. The main effects of the new standard relate to the classification and measurement of financial assets, the impairment of financial assets and hedge accounting.

Classification and measurement of financial instruments

As a result of the application of IFRS 9, the Group has classified its financial assets as either at amortized cost or at fair value through profit or loss, depending on the business model used to manage these financial assets and the type of contractual cash flows of the assets. The previous classification as "at fair value through profit or loss," "loans and receivables" and "financial assets measured at amortized cost" was discontinued as of January 1, 2018. Pursuant to the transitional provisions of IFRS 9, the Group has not adjusted the previous year's figures, but classified the financial assets held as of January 1, 2018 retrospectively in accordance with the business model and based on the facts and circumstances under which the assets were held at that time. The Group's classification of financial liabilities remained unchanged.

The following presents the classification and measurement changes for the Group's financial assets and financial liabilities upon the initial application of IFRS 9:

kEUR	Original measurement category and carrying amount under IAS 39				New measurement category and carrying amount under IFRS 9		
	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortized cost	Remeasurements upon application of IFRS 9	Fair value through profit and loss	Amortized cost	Retained earnings on January 1, 2018
Assets							
Cash and cash equivalents	–	278,775	–	–	–	278,775	–
Trade receivables	–	135,662	–	–471	–	135,191	–471
Other financial assets	–	940	–	–	–	940	–
Other short-term investments	–	58,306	–	–	–	58,306	–
Total assets	**–**	**473,683**	**–**	**–471**	**–**	**473,212**	**–471**
Liabilities							
Trade payables	–	–	114,219	–	–	114,219	–
Interest bearing loans and bonds	–	–	442,605	–	–	442,605	–
Other financial liablities	15,910	–	–	–	15,910	–	–
Derivates without a hedging relationship	655	–	–	–	655	–	–
Total liabilities	**16,565**	**–**	**556,824**	**–**	**16,565**	**556,824**	**–**

Impairment of financial assets

As of January 1, 2018, the Group adjusted the method used to recognize impairments of financial assets from the incurred loss model in accordance with IAS 39 to the expected credit loss model in accordance with IFRS 9. Until December 31, 2017, the Group has estimated the losses incurred as a result of defaults or the inability of customers to pay when due. These estimates were made on an individual basis, taking into account the age structure of customer balances, specific credit conditions and the Group's past experience with credit losses. Under the new approach, it is no longer necessary for a loss to actually occur before an impairment loss is recognized. An impairment loss on the expected credit losses is recognized at the present value of the defaults over the expected useful lives of the financial assets.

The following table compares the closing balances of the impairments as of December 31, 2017 with the opening balance of the impairments as of January 1, 2018 for trade receivables measured at amortized cost upon the first-time application of IFRS 9:

kEUR	Allowance as of December 31, 2017	Allowance as of January 1, 2018
Cash and cash equivalents	–	–
Trade receivables	6,204	6,675
Other financial assets	–	–
Other short-term investments		–

Impairments on overdue trade receivables and other financial assets, which are measured at amortized cost, remain unchanged after the transition from the incurred loss model in accordance with IAS 39 to the expected credit loss model in accordance with IFRS 9. For trade receivables, which are measured at amortized cost and have not been impaired, the transition to the expected credit loss model resulted in an adjustment of EUR –0.5 million. This adjustment was recognized in retained earnings on January 1, 2018.

Hedge accounting

To limit the risk of foreign currency and interest rate fluctuations, the Group uses foreign currency derivatives and interest rate swaps to hedge the underlying cash flows. The accounting rules of IAS 39 regarding the recognition of hedge accounting were not applied because they were subject to certain conditions that have not yet been met. The accounting treatment of hedge transactions has not changed as a result of the first-time application of IFRS 9.

2.4.2 IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenues and related interpretations and, with a few exceptions, applies to all revenue from contracts with customers. This standard introduces a five-step model for accounting for revenue from contracts with customers. Under IFRS 15, revenue is recognized in the amount of consideration that an entity is expected to receive in exchange for the transfer of goods or services to a customer.

IFRS 15 requires entities to make judgments in applying each stage of the model to contracts with their customers and to consider all relevant facts and circumstances. The standard also governs the accounting of the additional costs associated with initiating a contract and the costs directly related to the contract's fulfillment.

SAF-HOLLAND has been applying the new IFRS 15 revenue recognition standard to its customer contracts since January 1, 2018. As explained in the 2017 notes to the consolidated financial statements, the application of IFRS 15 has no impact on the consolidated financial statements.

2.5 PUBLISHED STANDARDS THAT ARE NOT YET MANDATORY

The following new or amended standards and interpretations, which are relevant for the business operations of the Group, have already been adopted by the International Accounting Standards Board (IASB) but are not yet mandatory in the current reporting period or have not yet been endorsed by the European Union. The Group has decided to forego early adoption of the following standards that have already been adopted. They will be applied at the latest in the year in which they first become mandatory.

IFRS 16 "Leases"

IFRS 16 replaces IAS 17 and related interpretations. IFRS 16 requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting under IAS 17 "Leases." As a result of the first-time adoption, the majority of the obligations from operating rental and lease agreements currently presented under section 7.4 "Other financial obligations" will be presented as an extension to the balance sheet. Application of IFRS 16 is required for financial years beginning on or after January 1, 2019.

The Company will apply the regulations under the modified retrospective approach for the first time on January 1, 2019 (i.e., it will refrain from adjusting the previous year's figures). The Company has analyzed the effects of IFRS 16 during the past 2018 financial year ("impact analysis") as part of a Group-wide implementation project to introduce IFRS 16. This analysis showed that the new IFRS 16 leasing standard would not have a material effect on the presentation of the Company's net assets, financial position and results of operations. The Company expects that in the course of the first time adoption of the new leasing accounting standard that fixed assets as well as leasing liabilities will increase by roughly EUR 18 million.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the inconsistency between the rules of IFRS 10 and IAS 28 in connection with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss on the sale or contribution of assets should be fully recognized, provided that the assets constitute a business operation within the meaning of IFRS 3. Any gains or losses on the business or contribution of assets that do not constitute a business operation must be recognized only up to the amount of the share of non-affiliated other investors in the associate or joint venture. The IASB has postponed the date of first-time application of these amendments indefinitely. In the case of early application, these changes should be applied prospectively. The Group will apply these amendments as they come into force.

This change has no effect on the Group's net assets, financial position and result of operations as it is not intended to sell a subsidiary to an associated entity or joint venture.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 relate to the accounting for plan adjustments, curtailments or settlements made during a reporting period. They clarify that an entity must determine the following when a plan adjustment, curtailment or settlement has been made in the course of a financial year:

- the current service cost for the period remaining after a plan adjustment, curtailment or settlement, using the actuarial assumptions used to remeasure the net liabilities (or net assets) of defined benefit plans. Net liabilities (or net assets) reflect the benefits granted under the plan and plan assets after the date of the event.
- the net interest expense for the period remaining after a plan adjustment, curtailment or settlement, using the net liabilities (or net assets) of defined benefit plans, which corresponds to the benefits granted under the plan and the plan assets after the date of the event and the discount rate used in the remeasurement of this net liability (net asset). The amendments also clarify that any past service cost or profit/loss from a plan settlement must first be determined without taking into account the impact of the asset ceiling. The amount determined in this way is recognized through profit or loss. Next, the effects of the asset ceiling are to be determined after the plan adjustment, curtailment or settlement. Any discrepancies in relation to these effects, net of the amounts included in net interest, must be recognized in other comprehensive income.

The amendments to IAS 19 apply to any plan adjustments, curtailments or settlements that occur on or after the beginning of the first financial year, which begins on or after January 1, 2019. Early application is permitted only to plan adjustments, curtailments or settlements that will be made by the Group in the future.

The Company assumes that this accounting change will not have any impact on its consolidated financial statements as it is currently not planned to adjust, to curtail or to settle any plan.

Other amendments were also made to the accounting and measurement standards, but these did not have an effect on the Group's net assets, financial position and results of operations.

3. SCOPE OF CONSOLIDATION

The Group's scope of consolidation changed as follows when compared to the consolidated financial statement as of December 31, 2017.

ACQUISITIONS

Acquisition of V.ORLANDI S.p.A.

On April 9, 2018, SAF-HOLLAND GmbH acquired a 70 % stake in the Italian manufacturer of coupling systems for trucks, trailers, semi-trailers and agricultural vehicles V.ORLANDI S.p.A., headquartered in Flero. As part of the acquisition, the parties agreed to a put/call option for the sale/purchase of the remaining 30 % interest. The put option may be exercised during the period from January 1, 2019 to January 31, 2026. The exercise period of the call option starts after the end of the exercise period of the put option and is six months. The other liability resulting from the put option is accounted for in accordance with IFRS 9. Because SAF-HOLLAND GmbH holds the majority of voting rights, it has obtained control of V.ORLANDI S.p.A. as of the acquisition date.

The first-time consolidation of V.ORLANDI S.p.A. was carried out in accordance with IFRS 3 using the purchase method.

The purchase price of approximately EUR 39.1 million was paid in cash.

The following table shows the purchase price allocation and the amounts of the main groups of acquired assets and assumed liabilities at the time of acquisition:

kEUR	Fair value as of acquisition date
Brand	3,126
Other intangible assets	15,952
Property, plant and equipment	6,951
Inventories	6,208
Trade receivables	7,093
Other financial assets	1,852
Other assets	1,069
Cash and cash equivalents	1,360
	43,611
Deferred tax liabilities	5,128
Interest bearing loans and borrowings	3,461
Trade payables	5,335
Other liabilities	712
Pension liabilities	1,086
Other provisions	95
Income tax liabilities	586
	16,403
Total of identified net assets	**27,208**
Shares of non-controlling interests	−8,162
Goodwill from the acquisition	20,065
Consideration transferred	**39,111**

The gross amount of trade receivables amounted to kEUR 7,172 at the time of acquisition.

Goodwill of kEUR 20,065 includes non-separable intangible assets, such as sales synergies that mainly result from the expansion of the portfolio, as well as cost synergies, particularly in the area of purchasing.

The non-controlling interests in the acquired company are measured at the fair value of the relevant share in the identifiable net assets of the acquired company and amounted to kEUR 8,162 at the time of acquisition.

The cash outflow as a result of the acquisition was as follows:

kEUR	
Cash outflow	39,111
Cash acquired	1,360
Actual cash outflow	**37,751**

V.Orlandi S.p.A. was assigned to the EMEA region.

The value of the call/put option for the remaining 30% of the shares in V.Orlandi S.p.A is dependent on future earnings figures and amounted to kEUR 7,901 at the time of acquisition.

Since the time of acquisition, V.Orlandi S.p.A. has contributed kEUR 18,305 to the Group's sales and kEUR 2,940 to the Group's result before tax.

Transaction costs of kEUR 632 were recognized as an expense and included in administrative expenses.

Acquisition of York Transport Equipment (Asia) Pte Ltd

On April 30, 2018, SAF-HOLLAND GmbH acquired all shares in the manufacturer of axle and suspension systems York Transport Equipment (Asia) Pte. Ltd., headquartered in Singapore. York Transport Equipment (Asia) Pte. Ltd. and its subsidiaries ("York Group") are considered one of the leading suppliers of trailer axle and suspension systems in India and distribute a full range of truck and trailer components throughout the entire APAC region.

Because SAF-HOLLAND GmbH holds the majority of voting rights, it has obtained control of York Transport Equipment (Asia) Pte. Ltd. as of the acquisition date.

The first-time consolidation of York Transport Equipment (Asia) Pte. Ltd. was carried out in accordance with IFRS 3 using the purchase method.

The purchase price of approximately EUR 35.6 million was paid in cash.

The following table shows the purchase price allocation and the amounts of the main groups of acquired assets and assumed liabilities at the time of acquisition:

kEUR	Fair value as of acquisition date
Brand	2,572
Other intangible assets	14,686
Property, plant and equipment	5,340
Inventories	13,289
Trade receivables	12,127
Other assets	1,813
Cash and cash equivalents	20,075
	69,902
Deferred tax liabilities	6,296
Interest bearing loans and borrowings	15,982
Trade payables	15,248
Other liabilities	2,675
Other provisions	85
Income tax liability	614
	40,900
Total of identified net assets	**29,002**
Goodwill from the acquisition	6,581
Consideration transferred	**35,583**

The gross amount of trade receivables amounted to kEUR 12,330 at the time of acquisition.

Goodwill of kEUR 6,581 is mainly attributable to synergies, such as sales synergies that mainly result from the expansion of the portfolio and cost synergies in the areas of research and development, purchasing, general administration and production.

The cash outflow as a result of the acquisition was as follows:

kEUR	
Cash outflow	35,583
Cash acquired	20,075
Actual cash outflow	**15,508**

The York Group was allocated for the most part to the APAC/China region.

In the period from the time of acquisition until December 31, 2018, the acquired business contributed kEUR 52,120 to the Group's sales and kEUR –385 to the Group's result before tax, including purchase price allocation effects and integration costs.

Transaction costs of kEUR 1,111 were recognized as an expense and included in administrative expenses.

Acquisition of Axscend Group Ltd.

With effect from July 24, 2018, SAF-HOLLAND GmbH has acquired 69.99 % of the shares in the English telematics and connectivity specialist Axscend Group Ltd. based in Canterbury, U.K. Axscend Group Ltd. is active in the area of hardware and software development and focuses on the digitization of trailer management with its product Trailer Master Connect.

As part of the acquisition, the parties were granted a call/put option for the acquisition/sale of the remaining 30.01 %, which can be exercised for the first time in the year 2022.

Because SAF-HOLLAND GmbH holds the majority of voting rights, it has obtained control of Axscend Ltd. as of the acquisition date.

The first-time consolidation of Axscend was carried out in accordance with IFRS 3 using the purchase method.

The preliminary purchase price of approximately EUR 5.3 million was paid in cash.

The following table shows the preliminary purchase price allocation and the amounts of the main groups of acquired assets and assumed liabilities at the time of acquisition:

kEUR	Fair value as of acquisition date
Brand	790
Other intangible assets	4,782
Property, plant and equipment	34
Other non-current assets	406
Inventories	215
Trade receivables	289
Other assets	109
Cash and cash equivalents	587
	7,212
Deferred tax liabilities	1,060
Trade payables	116
Other liabilities	786
	1,962
Total of identified net assets	**5,250**
Shares of non-controlling interests	–1,576
Goodwill from the acquisition	1,581
Consideration transferred	**5,255**

The gross amount of trade receivables amounted to kEUR 289 at the time of acquisition.

Preliminary goodwill of kEUR 1,581 includes non-separable intangible assets such as employee expertise and expected synergies from strengthening our position in the field of digitization.

The cash outflow as a result of the acquisition was as follows:

kEUR	
Cash outflow	5,255
Cash acquired	587
Actual cash outflow	4,668

Since the time of acquisition, Axscend Group Ltd. contributed kEUR 482 to the Group's sales and kEUR –76 to the Group's result before tax, including purchase price allocation effects and integration costs.

Transaction-related costs amounted to kEUR 232 and are included in administrative expenses.

Axscend Group Ltd. was assigned to the EMEA region.

Acquisition of V.Orlandi Australia Pty. Ltd.

On December 19, 2018, SAF-HOLLAND (Aust.) Pty. Ltd. acquired all shares in the Australian distributor of coupling systems for trucks, trailers and semi-trailers V.ORLANDI Australia Pty. Ltd. headquartered in Melbourne.

Because SAF-HOLLAND (Aust.) Pty. Ltd. holds the majority of voting rights, it obtained control of V.ORLANDI Australia Pty. Ltd. as of the acquisition date.

The first-time consolidation V.ORLANDI Australia Pty. Ltd. was carried out in accordance with IFRS 3 using the purchase method.

The preliminary purchase price of approximately EUR 0.9 million was paid in cash.

The following table shows the preliminary purchase price allocation and the amounts of the main groups of acquired assets and assumed liabilities at the time of acquisition:

kEUR	Fair value as of acquisition date
Property, plant and equipment	20
Inventories	1,229
Trade receivables	242
Cash and cash equivalents	136
	1,628
Interest bearing loans and borrowings	19
Trade payables	613
Other liabilities	1,159
	1,791
Total of identified net assets	**–163**
Goodwill from the acquisition	1,063
Consideration transferred	**900**

The gross amount of trade receivables amounted to kEUR 242 at the time of acquisition.

Preliminary goodwill of kEUR 1,063 is mainly attributable to synergies that result from the expansion of the portfolio, as well as cost synergies in the areas of purchasing and general administration.

The cash outflow as a result of the acquisition was as follows:

kEUR	
Cash outflow	900
Cash acquired	136
Actual cash outflow	**764**

Since the acquisition date was close to the reporting date, V. Orlandi Australia Pty. Ltd. did not make any material contributions to the Group's sales and result before tax.

Transaction costs of kEUR 28 were recognized as an expense and included in administrative expenses.

V.Orlandi Australia Pty. Ltd. was assigned to the APAC/CHINA region.

If the three acquisitions had been included in the consolidated financial statements as of January 1, 2018, Group's sales and Group's result before tax would have been EUR 1,336 million and EUR 64.9 million respectively in the past financial year.

NEWLY ESTABLISHED COMPANIES

In August, the newly established entity OOO V. Orlandi Rus, headquartered in Naberezhnye Chelny, Russia, commenced operations. In addition, SAF-HOLLAND (Shanghai) Investment Co., Ltd., China and SAF-HOLLAND (Yangzhou) Vehicle Parts Co., Ltd., China were established in October.

DECONSOLIDATIONS

SAF-HOLLAND Austria GmbH, Austria, was liquidated on December 29, 2018 and desconsolidated in the reporting year. The desconsolidation did not result in any gains or losses.

OTHER CHANGES

In December 2018, SAF-HOLLAND GmbH increased its stake in Corpco Beijing Technology and Development Co., Ltd. from 80 % to 100 %. The purchase price for the outstanding shares in Corpco Beijing Technology and Development Co., Ltd. of kEUR 634 was paid in cash. The Acquisition of the remaining outstanding shares of 20 % of Corpco Beijing Technology and Development Co., Ltd. was accounted for as equity transaction.

4. SEGMENT INFORMATION

A new segmentation in corporate management and reporting was introduced on May 1, 2018 in the course of the York acquisition to better achieve the goals defined in the corporate strategy. India, which was previously part of the EMEA region, has been assigned to the APAC/China region as of the changeover date. As of May 1, 2018, corporate management and group reporting have been conducted through the "EMEA," "Americas" and "APAC/China" segments. The three regions cover both original equipment and spare parts business.

Management monitors the regions' operating results separately for the purpose of making decisions about resource allocation and performance assessment. Regional performance is evaluated based on adjusted operating profit (adjusted EBIT). The determination of operating profit (EBIT) may deviate to a certain extent from the consolidated financial statements. The reason for this deviation may be due to adjustments made for special items such as depreciation and amortization of property, plant and equipment and intangible assets from purchase price allocation (PPA), impairment and reversals of impairment and restructuring and integration costs and effects from the valuation of options (see the table below). Group financing (including finance expenses and finance income) and income taxes are managed on a Group basis and not allocated to the individual regions. Transfer prices between the regions are determined under normal market conditions for transactions with third parties.

The reconciliation of operating profit to adjusted EBIT is provided as follows:

kEUR	Q1–Q4/2018	Q1–Q4/2017
Operating result	76,241	70,639
Share of net profit of investments accounted for using the equity method	1,729	2,086
EBIT	**77,970**	**72,725**
Additional depreciation and amortization from PPA	8,837[1]	5,277
Step up inventories from PPA	1,065	32
Valuation effects from call and put option	–7,256	–
Restructuring and transaction costs	8,962	13,175
Adjusted EBIT	**89,578**	**91,209**

[1] includes al loss from asset disposal of kEUR 847

Segment information for the periods from January 1 through December 31:

kEUR				Q1–Q4/2018
			Regions	
	Americas[1]	EMEA[2]	APAC/China[3]	Consolidated
Sales	471,551	658,924	170,080	1,300,555
Cost of sales	–424,561	–529,190	–147,541	–1,101,292
Gross profit	**46,990**	**129,734**	**22,539**	**199,263**
Gross margin	10.0%	19.7%	13.3%	15.3%
Selling and administrative expenses, research and development costs, other income and expenses, share of net profit of investments accounted for using the equity method	–36,200	–66,770	–18,323	–121,293
Adjustments[4]	–2,312	8,454	5,466	11,608
Adjusted EBIT	**8,478**	**71,418**	**9,682**	**89,578**
Adjusted EBIT margin	**1.8%**	**10.8%**	**5.7%**	**6.9%**
Depreciation/amortization	–12,487	–13,553	–3,481	–29,521

[1] Includes Canada, the USA as well as Central and South America.
[2] Includes Europe, Middle East and Africa.
[3] Includes Asia/Pacific, India and China.
[4] Adjustments comprise depreciation and amortization expenses from PPA (incl. inventory step-up) in the amount of kEUR 9,902, restructuring and transaction costs in the amount of kEUR 8,962 as well as restructuring costs from call and put option in the amount of kEUR –7,256

kEUR				Q1–Q4/2017
	Regions			
	Americas[1]	EMEA[2]	APAC/China[3]	Consolidated
Sales	429,409	611,617	97,907	1,138,933
Cost of sales	−371,944	−483,769	−78,163	−933,876
Gross profit	**57,465**	**127,848**	**19,744**	**205,057**
Gross margin	13.4%	20.9%	20.2%	18.0%
Selling and administrative expenses, research and development costs, other income, share of net profit of investments accounted for using the equity method, and reversal of impairment	−56,154	−62,778	−13,400	−132,332
Adjustments[4]	14,768	2,754	962	18,484
Adjusted EBIT	**16,079**	**67,824**	**7,306**	**91,209**
Adjusted EBIT margin	**3.7%**	**11.1%**	**7.5%**	**8.0%**
Depreciation/amortization	−12,178	−10,901	−1,551	−24,630

[1] Includes Canada, the USA as well as Central and South America.
[2] Includes Europe, Middle East and Africa.
[3] Includes Asia/Pacific, India and China.
[4] Adjustments comprise depreciation and amortization expenses from PPA in the amount of kEUR 5,309 as well as restructuring and transaction costs in the amount of kEUR 13,175.

Finance income and expenses are not allocated to the business segments as the underlying financial instruments are controlled at the Group level.

Business in the EMEA/India 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 spare parts for the trailer and commercial vehicle industry.

In North America, the Group manufactures and sells key components for the semi-trailer, trailer, truck, bus and recreational vehicle industries. In this region, the Group provides axle and suspension systems, fifth wheels, kingpins and landing legs as well as coupling devices. In North America, the Group also provides spare parts for the trailer and commercial vehicle industry.

The focus of business activities in the APAC/CHINA region is the manufacture and sale of axle and suspension systems for buses, trailers and semi-trailers. The Group also offers spare parts for the trailer and commercial vehicle industry in this region.

The following table shows information by geographic region:

kEUR	12/31/2018	12/31/2017
Non-current assets		
Americas	173,708	167,392
EMEA	235,815	166,382
APAC/China	39,024	17,876
Total	**448,547**	**351,650**

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

5. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.1 SALES

The following table presents the breakdown of sales by business unit that the Group has generated from contracts with customers:

kEUR	Q1–Q4/2018	Q1–Q4/2017
Revenues from external customers		
OEM	988,726	861,310
Aftermarket	311,829	277,623
Total	**1,300,555**	**1,138,933**

The performance obligation is met through the delivery of axle and suspensions systems, fifth wheel couplings, kingpins, trailer couplings (OE products) and spare parts. Payment terms are usually 30 to 120 days following delivery.

No significant sales are generated in the country where the Company is located. In addition, the Company does not have any significant share in the Group's non-current assets in the country where it is located.

In both the reporting year and the previous year, no one customer reached a share of 10% of the Group's total sales.

5.2 COST OF SALES

Cost of sales consists of the following:

kEUR	Q1–Q4/2018	Q1–Q4/2017
Cost of materials	904,303	747,946
Personnel expenses	134,782	122,070
Depreciation and amortization of property, plant, and equipment and intangible assets	16,098	13,763
Temporary employee expenses	13,249	8,845
Repair and maintenance expenses	11,401	10,648
FX-valuation expenses	5,973	2,797
Legal and consulting expenses	1,364	1,966
Travel expenses	1,308	1,224
Warranty expenses	1,131	7,099
Restructuring and transaction costs	4,114	11,066
Other	7,569	6,452
Total	**1,101,292**	**933,876**

In the 2018 financial year, cost of sales included inventory usage of kEUR 1,079,833 (previous year: kEUR 903,272).

5.3 OTHER INCOME AND EXPENSES

5.3.1 Other income

Other operating income consists of the following:

kEUR	Q1–Q4/2018	Q1–Q4/2017
Gain from disposal of property, plant and equipment	160	41
Claim for damages	–	500
Income from option valuation	8,090	–
FX-Valuation Expenses	1,033	–509
Other	1,208	1,582
Total	**10,491**	**1,614**

Other income mainly resulted from changes in the intrinsic value of the put option for the acquisition of the remaining shares in KLL Equipamentos para Transporte Ltda.

5.3.2 Selling expenses

The following overview shows the composition of selling expenses:

kEUR	Q1–Q4/2018	Q1–Q4/2017
Personnel expenses	32,467	31,989
Expenses for advertising and sales promotion	8,956	8,944
Depreciation and amortization of property, plant and equipment and intangible assets	6,603	4,496
Expenses for distribution	4,018	3,714
Trade receivable allowance and write-off	1,208	2,181
Commissions	716	308
Restructuring and transaction costs	338	299
FX-Valuation	301	423
Other	6,679	9,725
Total	**61,286**	**62,079**

5.3.3 Administrative expenses

Administrative expenses are shown in the following table:

kEUR	Q1–Q4/2018	Q1–Q4/2017
Personnel expenses	21,510	28,722
Expenses for office and operating supplies	6,404	4,968
Depreciation and amortization of property, plant and equipment and intangible assets	4,544	4,126
Legal and consulting expenses	5,196	4,208
Travel costs	1,890	2,026
Restructuring and transaction costs	4,314	1,402
Other	7,963	8,090
Total	**51,821**	**53,542**

5.3.4 Research and development costs

Research and development costs consist of the following:

kEUR	Q1–Q4/2018	Q1–Q4/2017
Personnel expenses	10,919	11,199
Depreciation and amortization of property, plant and equipment and intangible assets	2,276	2,245
Testing costs	1,982	2,184
Restructuring and transaction costs	196	408
Other	4,199	4,375
Total	**19,572**	**20,411**

Development costs of kEUR 4,328 (previous year: kEUR 4,221) were capitalized in the financial year.

5.3.5 Other expenses

Other expenses mainly include the valuation effect from the put option for the acquisition of the remaining shares in V.Orlandi S.p.A.

5.3.6 Finance result

Finance income consists of the following:

kEUR	Q1–Q4/2018	Q1–Q4/2017
Unrealized foreign exchange gains on foreign currency loans and dividends	12	29
Realized foreign exchange gains on foreign currency loans and dividends	161	178
Finance income due to derivatives	679	376
Finance income due to pensions and other similar benefits	5	–
Interest income	367	367
Other	42	297
Total	**1,266**	**1,247**

Finance expenses consist of the following:

kEUR	Q1–Q4/2018	Q1–Q4/2017
Interest expenses due to interest bearing loans and bonds	–9,889[1]	–13,715[1]
Amortization of transaction costs	–592	–775
Finance expenses due to pensions and other similar benefits	–862	–1,121
Finance expenses due to derivatives	–862	–828
Unrealized foreign exchange losses on foreign currency loans and dividends	–25	–30
Other	–2,785	–1,291
Total	**–15,015**	**–17,760**

[1] Includes the non-cash interest expenses of kEUR 666 (previous year: kEUR 647) for the convertible bond.

The decrease in interest expenses due to interest-bearing loans and bonds mainly resulted from the redemption of a corporate bond issued in 2012. The bond had a nominal volume of EUR 75.0 million and an interest coupon of 7%. The bond was redeemed on April 26, 2018.

The amortization of transaction costs of kEUR –592 (previous year: kEUR –775) represents the contract closing fees recognized as expenses in the period in accordance with the effective interest method.

Finance expenses related to derivatives in the past financial year resulted primarily from the fair value measurement of interest rate swaps as of the end of the year.

Other finance expenses stemmed mainly from the accrued interest on the liabilities for the acquisition of the remaining shares in KLL Equipamentos para Transporte Ltda. and V.Orlandi S.p.A. resulting from the put options and unrealized currency losses in the repayment of intra-company foreign currency loans.

Further information on the above is presented in Notes 6.13 and 7.1.

5.3.7 Expenses for employee benefits

Expenses for employee benefits consist of the following:

kEUR	Q1–Q4/2018	Q1–Q4/2017
Wages and salaries	–176,872	–167,408
Social insurance contributions	–25,279	–23,977
Pension expenses	4,015	–1,173
Termination benefits	–1,542	–1,422
Total	**–199,678**	**–193,980**

Social insurance contributions include expenses from defined contribution plans in the amount of von kEUR 8,370 (previous year: kEUR 8,051).

5.3.8 Depreciation and amortization

Depreciation and amortization expenses according to functional area are as follows:

kEUR	Depreciation of property, plant, and equipment		Amortization of intangible assets		Total	
	Q1–Q4/2018	Q1–Q4/2017	Q1–Q4/2018	Q1–Q4/2017	Q1–Q4/2018	Q1–Q4/2017
Cost of sales	–14,285	–12,877	–1,813	–886	**–16,098**	**–13,763**
Selling expenses	–1,094	–1,084	–5,509	–3,412	**–6,603**	**–4,496**
Administrative expenses	–1,727	–1,546	–2,817	–2,580	**–4,544**	**–4,126**
Research and development costs	–983	–981	–1,293	–1,264	**–2,276**	**–2,245**
Total	**–18,089**	**–16,488**	**–11,432**	**–8,142**	**–29,521**	**–24,630**

Depreciation and amortization of property, plant and equipment and intangible assets arising from purchase price allocation amounted to kEUR 7,990 (previous year: kEUR 5,309).

5.4 INCOME TAXES

Income taxes primarily consist of the following:

kEUR	Q1–Q4/2018	Q1–Q4/2017
Current income taxes	–16,969	–20,987
Deferred income taxes	863	5,735
Income tax reported in the result for the period	**–16,106**	**–15,252**

The effective income tax rate for the Group for the year ended December 31, 2018 is 25.08 % (previous year: 27.13 %). The following table reconciles the actual versus the expected income taxes for the Group using the Group's corporate income tax rate of 26.80 % (previous year: 29.40 %). The Group tax rate is the weighted tax rates in the EMEA, Americas and APAC/China regions applied to the result before taxes. The German corporate income tax rate of 27.22 %, consisting of a corporate income tax of 15.83 % (including the solidarity surcharge) and a trade tax of 11.39 %, was used for the EMEA region. The tax rate for the Americas region was equivalent to the US tax rate of 25.00 %, which consists of a federal tax rate of 21.00 % and a state tax rate of 4.00 %. The Chinese corporate tax rate of 25.00 % was applied in the APAC/China region.

The expected income tax expenses (current and deferred) based on the Group's income tax rate of 26.80 % deviate from the reported income tax expenses as follows:

kEUR	12/31/2018	12/31/2017
Result before income tax	**64,221**	**56,212**
Income tax based on Group's income tax rate of 26.80 % (previous year: 29.40 %)	−17,211	−16,526
Unused tax loss carry-forwards	−1,891	−6,527
Use of previously not recognized tax loss carry-forwards	1,999	103
Non-deductible operating expenses	−1,307	−1,521
Tax-Exempt income	1,639	4,289
Differences in tax rates	30	2,171
Income taxes resulting from previous year	2,722	−1,852
Other	99	63
Effects from changes in foreign tax legislation	−2,186	4,548
Income tax based on effective income tax rate of 25.08 % (previous year: 27.13 %)	**−16,106**	**−15,252**

The development of deferred income taxes in the items tax loss carryforwards and interest carryforwards was impacted by direct and indirect follow-on effects from US tax reform. The development of deferred income taxes as of the reporting date was as follows:

kEUR	12/31/2018	12/31/2017
Inventories	1,918	1,683
Pensions and other similar benefits	6,679	7,742
Other financial liabilities	208	156
Other provisions	2,279	1,815
Tax loss carry-forwards	1,017	802
Interest carry-forwards	12,114	10,684
Other	4,365	4,823
Deferred income tax assets	**28,580**	**27,705**
Intangible assets	−39,371	−29,181
Property, plant and equipment	−10,518	−9,099
Inventories	−14	–
Investments accounted for using the equity method	−394	−299
Other assets	−233	−301
Interest bearing loans and bonds	−2,921	−2,123
Other	−3,108	−1,962
Deferred income tax liabilities	**−56,559**	**−42,965**

As of the reporting date, deferred tax assets and liabilities of kEUR 6,152 (previous year: kEUR 2,364) were offset, having met the requirements for offsetting. The balance sheet thus includes deferred tax assets of kEUR 22,428 (previous year: kEUR 25,341) and deferred tax liabilities of kEUR 50,407 (previous year: kEUR 40,601).

The Group has tax loss carryforwards of kEUR 52,222 (previous year: kEUR 58,196) that are available indefinitely or with defined time limits to several Group companies to offset against future taxable income 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 carryforwards of kEUR 48,483 (previous year: kEUR 54,934) due to insufficient taxable income or opportunities for offsetting at the individual companies or other Group companies.

Unrecognized tax loss carryforwards expire as follows:

kEUR	12/31/2018	12/31/2017
Due Date		
Infinite	39,424	46,835
Within 5 years	8,416	7,469
Within 10 years	643	630
Total	**48,483**	**54,934**

In addition to tax loss carryforwards, the Group has interest carryforwards of kEUR 54,274 (previous year: kEUR 47,292), which are available indefinitely to various Group companies for use in the future as a tax deduction. Interest carryforwards result from the interest limitation rules introduced by the business tax reform in Germany as well as a comparable regulation in North America.

In financial year 2018, deferred income taxes amounting to kEUR –45 (previous year: kEUR –3,111) were recognized in other comprehensive income.

Furthermore, temporary differences associated with investments in subsidiaries for which no deferred taxes have been recognized amounted to EUR –6.0 million (previous year: EUR –1.1 million).

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 12/31/2016	**113,762**	**22,209**	**15,181**	**35,699**	**3,495**	**35,755**	**226,101**	**87,672**
Additions	–	–	4,221	–	–	1,140	5,361	–
Disposals	–	54	85	–	–	370	509	–
Transfer	–	–13	–180	69	–1	2,617	2,492	–
Foreign currency translation	–5,713	–789	–832	–1,758	–	–1,492	–10,584	–4,015
As of 12/31/2017	**108,049**	**21,353**	**18,305**	**34,010**	**3,494**	**37,650**	**222,861**	**83,657**
Additions from initial consolidation	27,351	7,671	85	6,488	–	993	42,661	29,290
Additions	–	6	4,328	8	–	3,038	7,380	–
Disposals	114	–	–	2	–	565	681	–
Transfers	–	48	–	–	–	–496	–448	–
Foreign currency translation	2,334	444	616	772	–	208	4,302	1,486
As of 12/31/2018	**137,620**	**29,522**	**23,334**	**41,276**	**3,494**	**40,828**	**276,075**	**114,433**
Accumulated amortization								
As of 12/31/2016	**34,151**	**19,112**	**2,424**	**780**	**1,880**	**18,234**	**76,581**	**30,687**
Additions	3,252	511	1,067	210	175	2,927	8,142	–
Disposals	–	54	85	–	–	370	509	–
Transfer	46	–15	–	40	2	919	992	–
Foreign currency translation	–1,727	–480	–185	–37	–4	–248	–2,681	–1,164
As of 12/31/2017	**35,722**	**19,074**	**3,221**	**993**	**2,053**	**21,462**	**82,525**	**29,523**
Additions from initial consolidation	–	–	–	–	–	753	753	–
Additions	5,218	957	1,843	84	175	3,155	11,432	–
Disposals	114	–	–	–	–	551	665	–
Transfer	–	–	–	–	–	–415	–415	–
Foreign currency translation	678	193	151	–18	–	156	1,160	430
As of 12/31/2018	**41,504**	**20,224**	**5,215**	**1,059**	**2,228**	**24,560**	**94,790**	**29,953**
Carrying amount 12/31/2017	**72,327**	**2,279**	**15,084**	**33,017**	**1,441**	**16,188**	**140,336**	**54,134**
Carrying amount 12/31/2018	**96,116**	**9,298**	**18,119**	**40,217**	**1,266**	**16,268**	**181,285**	**84,480**

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

kEUR	2018		2017	
	Carrying amount	Useful Life	Carrying amount	Useful Life
Customer relationship "OEM"	26,445	28	27,416	29
Customer relationship "5th-Wheel"	11,072	20	11,632	21
SAP-Software	7,242	4.5	10,043	5.5

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. In doing so, the recoverable amounts for the cash-generating units were generally estimated to be higher than the carrying amounts.

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

A discounted cash flow method was used to calculate the recoverable amount. A detailed five-year plan based on past experience, current operating earnings, management's best estimate of future development and market assumptions served as the basis for calculating cash flows. The value contribution as of 2022 is supplemented by the perpetual annuity. The basis for the calculation of the perpetual annuity is the assumed long-term sustainably achievable result given the market environment's cyclical nature.

To calculate the discount rates, a weighted average cost of capital (WACC) method was applied. This method considers yields on government bonds at the beginning of the budget period as a risk-free interest rate. As in the previous year, a growth rate deduction of 1.0% was applied for the perpetual annuity.

The following table presents the discount factors before taxes that are applied during the impairment tests for goodwill and intangible assets with indefinite useful lives:

	Discount rate before tax	
	2018	2017
Americas	11.18%	14.91%
EMEA	9.33%	11.69%
APAC/CHINA	14.00%	18.20%

The allocation of the carrying amounts of goodwill to the cash-generating units was based on the use of future synergies from past company acquisitions. The allocation of the brands “SAF”, “Holland”, ”York” and “Orlandi” to the cash-generating units was done on the basis of the primary geographical use of these brands. The impairment test of the SAF and Orlandi brand was performed on the basis of the EMEA cash-generating unit. The impairment test of the Holland brand was performed on the basis of the Americas cash-generating unit. The impairment test of the York brand was performed on the basis of the APAC/China cash-generating unit. The carrying amounts are as follows:

kEUR	Americas		EMEA		APAC/China		Total	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Goodwill	25,500	24,519	45,109	23,442	13,871	6,173	84,480	54,134
Brand	12,742	12,372	24,558	20,644	2,917	1	40,217	33,017

In addition, the Group owns other brands that are being amortized over their intended useful lives on the basis of the brand strategy pursued.

Within the scope of a sensitivity analysis either an increase in the average cost of capital (after taxes) of 100 basis points, a decline of future cash flows (after taxes) of 10 % or a one-percent reduction in the long-term growth rate was assumed for the cash-generating units to which material goodwill and intangible assets with indefinite useful lives were allocated. Based on this method SAF-HOLLAND determined that there was no need for impairment at any of the cash-generating units.

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 12/31/2016	**89,919**	**155,169**	**26,079**	**6,193**	**277,360**
Additions	1,218	4,714	1,260	14,569	**21,761**
Disposals	–	5,032	364	60	**5,456**
Transfers	2,720	8,016	786	–12,963	**–1,441**
Foreign currency translation	–5,013	–11,760	–1,124	–472	**–18,369**
As of 12/31/2017	**88,844**	**151,107**	**26,637**	**7,267**	**273,855**
Additions from initial consolidation	8,821	14,578	3,094	91	**26,584**
Additions	1,974	14,639	2,978	13,815	**33,406**
Disposals	3,903	16,081	1,322	48	**21,354**
Transfers	133	3,091	205	–2,982	**447**
Foreign currency translation	257	1,071	198	212	**1,738**
As of 12/31/2018	**96,126**	**168,405**	**31,790**	**18,355**	**314,676**
Accumulated depreciation					
As of 12/31/2016	**23,725**	**91,007**	**18,365**	**–**	**133,097**
Additions	3,200	10,971	2,317	–	**16,488**
Disposals	76	4,466	236	–	**4,778**
Transfers	476	–454	37		**59**
Foreign currency translation	–1,524	–6,439	–814	–	**–8,777**
As of 12/31/2017	**25,801**	**90,619**	**19,669**	**–**	**136,089**
Additions from initial consolidation	1,882	9,886	2,471	–	**14,239**
Additions	3,397	12,109	2,583	–	**18,089**
Disposals	2,691	14,861	1,171	–	**18,723**
Transfers	–111	535	–10		**414**
Foreign currency translation	194	912	199	–	**1,305**
As of 12/31/2018	**28,472**	**99,200**	**23,741**	**–**	**151,413**
Carrying amount 12/31/2017	**63,043**	**60,488**	**6,968**	**7,267**	**137,766**
Carrying amount 12/31/2018	**67,654**	**69,205**	**8,049**	**18,355**	**163,263**

The carrying amount of technical and operating and office equipment held under finance leases as of December 31, 2018 is kEUR 336 (previous year: kEUR 96). There were additions to technical equipment held under finance leases in the reporting year amounting to kEUR 228 (previous year: kEUR 0). Depreciation during the financial year amounted to kEUR 117 (previous year: kEUR 21). The present value of minimum lease payments amounted to kEUR 229 (previous year: kEUR 55). Undiscounted minimum lease payments amounted to kEUR 255 (previous year: kEUR 76).

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		
Castmetal FWI S.A.	Luxembourg	34.09
Joint ventures		
SAF-HOLLAND Nippon, Ltd.	Japan	50.0

Details about the Group's associate are presented in the following table:

Name of the associate	Castmetal FWI S.A.
Nature of relationship with the Group	Supplier of components in cast steel
Principal place of business	Luxembourg
Ownership interest	34.09 %

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

kEUR	Castmetal FWI S.A.	
	12/31/2018	12/31/2017
Current assets	53,492	54,569
Non-current assets	8,486	8,842
Current liabilities	−12,525	−12,185
Non-current liabilities	−5,908	−9,071
Sales	45,245	39,058
Net profit of the financial year from continuing operations	4,887	6,011
Total comprehensive income	**4,887**	**6,011**
Group's share in total comprehensive income	1,666	2,049
Other equity holders	3,221	3,962

The following is a reconciliation between the reported summarized financial information and the carrying amount of the investment in Castmetal FWI S.A. as shown in the consolidated financial statements:

kEUR	12/31/2018	12/31/2017
Net assets of the associate	43,545	42,149
Equity interest of the Group	34.09 %	34.09 %
Other adjustments	806	715
Carrying amount of the investment in Castmetal FWI S.A.	15,651	15,154

The reconciliation item "other adjustments" resulted primarily from the disclosure of hidden reserves in the context of the acquisition of the investment and its amortization.

A dividend of kEUR 1,214 (previous year: kEUR 1,178) was distributed by Castmetal FWI S.A. in the past financial year.

The following presents the summarized financial information for the "SAF-HOLLAND Nippon Ltd." joint venture:

kEUR	12/31/2018	12/31/2017
Group's share in profit or loss	63	37
Group's share in total comprehensive income	63	37
Aggregate carrying amount of Group's share in this company	1,182	1,080

6.4 OTHER NON-CURRENT ASSETS

kEUR	12/31/2018	12/31/2017
VAT reimbursement claims	1,223	1,126
Claims from reinsurance	799	733
Insurance premiums	94	155
Other	570	1,166
Total	**2,686**	**3,180**

6.5 INVENTORIES

kEUR	12/31/2018	12/31/2017
Raw materials	69,739	52,868
Work in progress	43,510	36,895
Finished and trading goods	54,187	36,083
Goods in transit	11,932	7,899
Total	**179,368**	**133,745**

Cost of sales includes impairment of inventories of kEUR 1,608 (previous year: kEUR 1,147). The inventory impairment is recorded in a separate impairment account and netted against the gross amount of inventory.

kEUR	Allowance account
As of 12/31/2016	**7,919**
Charge for the year	1,235
Utilized	1,022
Released	88
Foreign currency translation	−576
As of 12/31/2017	**7,468**
Additions from initial consolidation	1,176
Charge for the year	2,305
Utilized	1,457
Released	697
Foreign currency translation	−132
As of 12/31/2018	**8,663**

6.6 TRADE RECEIVABLES

Trade receivables are non-interest-bearing and usually have a term between 30 and 120 days.

kEUR				Thereof not impaired on the reporting date and past due in the following periods					
	Carrying amount	Thereof neither impaired nor past due on the reporting date	Thereof impaired on the reporting date	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	Between 121 and 360 days	More than 360 days
Trade receivables as of 12/31/2018	138,875	102,383	2,166	17,850	4,952	1,607	1,459	4,350	4,108
Trade receivables as of 12/31/2017	135,662	100,860	1,837	19,708	4,370	1,141	326	4,622	2,798

Impairment of trade receivables is recorded in a separate impairment account and netted against the gross amount of trade receivables.

kEUR	Allowance account
As of 12/31/2016	**5,241**
Charge for the year	2,699
Utilized	307
Released	993
Foreign currency translation	−436
As of 12/31/2017	**6,204**
Effects from the adoption of IFRS 9	471
Additions from initial consolidation	526
Disposal from consolidation group	30
Charge for the year	3,241
Utilized	2,982
Released	994
Foreign currency translation	−293
As of 12/31/2018	**6,143**

Trade receivables that are not impaired and past due show no indications as of the reporting date that the debtors will not meet their payment obligations. The Group has taken out trade credit insurance in Europe and the United States to hedge the default risk.

The Group disposed of receivables with a volume of kEUR 41,536 as of the reporting date (previous year: kEUR 26,950) under a factoring agreement. Assuming the legal validity of the receivables, the factor bears the customer default risk for the purchased receivables.

6.7 OTHER CURRENT ASSETS

kEUR	12/31/2018	12/31/2017
VAT receivables	9,211	2,778
Prepaid expenses	4,937	3,376
Insurance premiums	342	322
Creditors with a debit balance	124	125
Deposits within the framework of factoring	2,187	519
Other	8,348	4,704
Total	**25,149**	**11,824**

The increase in “Other Current Assets” has to be seen against the backdrop of the acquisitions done during the past fiscal year. Due to acquisitions “Other Current Assets” increased by EUR 3.7 million.

VAT Receivables were higher as of the closing date. The significant increase of the overall factoring volume resulted into an increase in the deposits for factoring. The deposits for factoring are paid by the factor once the customer payment is received. The increase in the line “Other” primarily resulted from deposits made for the acquisition of machines as well as from claims against a supplier.

6.8 OTHER SHORT-TERM INVESTMENTS

The previous year’s other short-term investments resulted from a short-term deposit of liquid funds.

6.9 CASH AND CASH EQUIVALENTS

kEUR	12/31/2018	12/31/2017
Cash on hand, cash at banks and checks	154,865	278,737
Short-term deposits	144	38
Total	**155,009**	**278,775**

6.10 EQUITY

Subscribed share capital

The Company’s subscribed share capital has remained unchanged compared to the previous year and amounted to EUR 453,943.02 as of the reporting date (previous year: EUR 453,943.02). Subscribed share capital is fully paid-in and consists of 45,394,302 (previous year: 45,394,302) ordinary shares with a nominal value of EUR 0.01 per share.

Authorized share capital

As of the reporting date, existing authorized share capital is as follows:

Articles of Association	Date of resolution/ expiration	Euro/ number of shares	Capital increase against	Subscription rights excluded/execution of c apital increase
Article 5.3.3 ICW Article 5.3.4	June 4, 2012/ valid until April 27, 2022	EUR 74,227.41 = 7,422,741 shares	Contribution in cash and/or in kind	
Article 5.3.4 ICW Article 5.3.6	June 4, 2012/ valid until April 27, 2022	EUR 45,361.11 = 4,536,111 shares		Capital increase can be executed under the exclusion of subscription rights
Article 5.3.3 ICW Article 5.3.5	June 4, 2012/ valid until April 11, 2021	EUR 45,361.11 = 4,536,111 shares		Capital increase can be executed under the exclusion of subscription rights
Article 5.4 ICW Article 5.4.2	July 15, 2014/ valid until July 14, 2019	EUR 90,722.22 = 9,072,222 shares	To serve 2014 convertible bond	Capital increase is carried out when creditors of the convertible bond exercise their conversion rights

Share premium

As of December 31, 2018, the share premium was unchanged at kEUR 269,044 (previous year: kEUR 269,044).

Legal reserve

As in the previous year, legal reserve amounts to kEUR 45.

Other reserves

Other reserves consist of a reserve that is subject to restrictions on distribution. This reserve ensures the Group adheres to specific requirements under Luxembourg tax law. As of December 31, 2018, other reserves totaled kEUR 720 (previous year: kEUR 720).

Retained earnings

Retained earnings include the result for the period attributable to shareholders of SAF-HOLLAND S.A. of kEUR 48,151 (previous year: kEUR 42,887).

A dividend of EUR 0.45 per share will be proposed for the 2018 financial year, corresponding to a total dividend distribution of kEUR 20,427 based on 45,394,302 shares. This amounts to a payout ratio of the available net income attributable to equity holders of the parent company of 42.4 %, which is within the targeted range. A dividend of EUR 0.45 per share was paid in the previous year, and the total dividend distribution amounted to kEUR 20,427.

An amount of kEUR 832 was reclassified from accumulated other comprehensive income to retained earnings resulting from the settlement of two pension plans in 2017.

Accumulated other comprehensive income

kEUR	Before tax amount		Tax income		Net of tax amount	
	Q1-Q4/2018	Q1–Q4/2017	Q1-Q4/2018	Q1–Q4/2017	Q1-Q4/2018	Q1–Q4/2017
Exchange differences on translation of foreign operations	2,219	–24,651	–	–	2,219	–24,651
Revaluation defined benefit plan	946	2,443	–45	–3,111	901	–668
Total	**3,165**	**–22,208**	**–45**	**–3,111**	**3,120**	**–25,319**

The total amount of exchange differences on translation of foreign operations included in accumulated other comprehensive income is kEUR –18,466 (previous year: kEUR –20,685).

The total amount of the remeasurement of defined benefit plans included in accumulated other comprehensive income after taxes is kEUR –17,716 (previous year: kEUR –18,617).

6.11 PENSIONS AND OTHER SIMILAR OBLIGATIONS

Germany

The Group offered defined benefit plans to its employees in Germany in accordance with a supplemental agreement.

Under a supplemental agreement dated January 1, 2007, SAF-HOLLAND GmbH's pension plans were frozen, and no further pension entitlements can be earned. The future pension payments for these plans depend on an employee's length of service.

Future pension payments for the plan of SAF-HOLLAND Verkehrstechnik GmbH depend on the length of service and the individual's income. In February 2011, the Company restructured its existing pension plans from a direct pension commitment to an indirect pension commitment in the form of a reinsured employee benefit fund. The conversion did not alter the benefits granted to employees. Pension commitments of the employee benefit fund are covered by a group insurance contract. As these reinsurance claims do not constitute plan assets because the employees' claims are not protected against insolvency, the amount of the pension liability insurance of kEUR 799 (previous year: kEUR 733) is recognized under other non-current assets in accordance with IAS 19.

There are no legal or regulatory minimum funding requirements in Germany.

USA

SAF-HOLLAND Inc. maintains three pension plans that are closed to new entrants. The benefits paid under the defined benefit pension plans depend on the length of service or, in some cases, the participant's individual income. The investment oversight of the plan assets was delegated to an investment committee. The plan assets are managed by a trustee. The trustee responsible for the management of the assets acts under the instruction of the investment committee. The pension plans comply with the funding requirements of the US Employee Retirement Income Security Act of 1974, as amended. Minimum funding requirements for defined benefit plans are 80% to avoid any performance restrictions.

The post-employment medical benefit plan is granted on a voluntary basis by SAF-HOLLAND Inc. and offers reimbursement of medical treatments for up to three years for eligible employees. In August 2018, a sub-plan of the post-employment medical plan was terminated. The gain from the settlement of this plan amounted to kEUR 4,724.

Canada

SAF-Holland Canada Ltd. operates a pension plan in Canada that is still open to new entrants. Under the terms of Canada's Ontario Pension Benefits Act and the Canadian Revenue Agency, pension plans that are not fully funded and will not be fully funded in the foreseeable future have a minimum funding requirement.

The development of the defined benefit pension plans as of December 31 is as follows:

kEUR	Defined benefit obligation (DBO) (I)		Fair value of plan assets (II)		Effects of asset ceiling (III)		Net defined benefit balance (I−II+III)	
	2018	2017	2018	2017	2018	2017	2018	2017
Balance as of the beginning of the period	**98,610**	**108,447**	**64,575**	**70,122**	**99**	**–**	**34,134**	**38,325**
Additions from initial consolidation	**1,191**	**–**	**105**	**–**	**–**	**–**	**1,086**	**–**
Beginning Balance	**99,801**	**108,447**	**64,680**	**70,122**	**99**	**–**	**35,220**	**38,325**
Current service cost	709	1,000	–	–	–	–	709	1,000
Past service cost[1]	−4,724	−183	–	–	–	–	−4,724	−183
Settlement	–	356	–	–	–	–	–	356
Interest expenses	3,074	3,551	–	–	3	–	3,077	3,551
Interest income	–	–	2,215	2,430	–	–	−2,215	−2,430
Other	–	–	–	–	–	–	–	–
Components of defined benefit costs recognized in the Consolidated Statements of income	**−941**	**4,724**	**2,215**	**2,430**	**3**	**–**	**−3,153**	**2,294**
Actuarial gains/losses	−6,617	3,674	−5,673	6,216	–	–	−944	−2,542
Effects of asset ceiling	–	–	–	–	−2	99	−2	99
Remeasurements recognized in the Consolidated Statements of Comprehensive Income	**−6,617**	**3,674**	**−5,673**	**6,216**	**−2**	**99**	**−946**	**−2,443**
Employer Contributions	–	–	923	998	–	–	−923	−998
Benefits paid	−4,368	−8,055	−3,948	−7,653	–	–	−420	−402
Foreign currency translation effects	2,443	−10,180	1,710	−7,538	−4	–	729	−2,642
Other reconciling items	**−1,925**	**−18,235**	**−1,315**	**−14,193**	**−4**	**–**	**−614**	**−4,042**
Balance as of the end of the period	**90,318**	**98,610**	**59,907**	**64,575**	**96**	**99**	**30,507**	**34,134**
thereof:								
Germany	14,697	14,974	11	11	–	–	14,686	14,963
USA	57,950	60,765	46,939	50,573	–	–	11,011	10,192
Canada	12,805	13,916	12,854	13,991	96	99	47	24
Other countries	1,459	–	103	–	–	–	1,356	
Post-employment medical	3,407	8,955	–	–	–	–	3,407	8,955
Actual return on plan assets	**–**	**–**	**−3,458**	**8,646**	**–**	**–**	**–**	**–**

[1] Past service cost reflects the impact of the negative plan amendment eliminating eligibility for active participants in the selfinsured Non-Bargained Salaried. Office and Supervisory Medical Benefit plan recognized as of August 29, 2018 using a discount rate of 3.93% as of August 31, 2018.

The net balance from defined benefit plans in the amount of kEUR 30,507 (previous year: kEUR 34,134) is fully recorded in the line item pensions and other similar benefits. The net interest expense amounted to kEUR 862 (previous year: kEUR 1,121).

The actuarial gains (–) and losses (+) included in the revaluation resulted from:

kEUR	12/31/2018	12/31/2017
Experience-based losses/gains related to defined benefit obligation	−970	−6,216
Experience-based losses/gains related to plan assets	5,673	−123
Changes in demographic assumptions	46	−703
Changes in financial assumptions	−5,693	4,500
Total	**−944**	**−2,542**

Actuarial assumptions

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

kEUR	12/31/2018	12/31/2017
Discount rate		
Germany pension plan	2.00	1.90
USA pension plan	4.15	3.49
Canada pension plan	4.01	3.45
USA post employment medical plan	4.01	3.35
Future salary increases	–	
Germany pension plan	0.00/2.00[1]	0.00/2.00[1]
USA pension plan	3.50	3.50
Canada pension plan	–[3]	–[3]
USA post employment medical plan	N/A	N/A
Future pension increases	–	
Germany pension plan	2.00	2.00
USA pension plan	–[2]	–[2]
Canada pension plan	–[3]	–[3]
USA post employment medical plan	N/A	N/A
Turnover rates	–	
Germany pension plan	4.60	4.60
USA pension plan	2.88	2.88
Canada pension plan	–	–
USA post employment medical plan	Sarason T5	Sarason T5

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

[2] For the pension plans in the USA, no future pension increases were considered as the pension payments remain constant. Therefore, only years of service or salary and wage increases up to retirement were considered in determining the defined employee benefit obligations for these plans.

[3] For the Canadian pension plans, no future salary and pension increases were considered as the pension payments depend on the years of service.

The following mortality tables were applied:

Germany	Heubeck Richttafeln 2018G (previous year: 2005G)
USA	RP-2014 mortality table with MP-2016 generational projection
Canada	RP-2014Priv mortality table with CPM-8 generational projection

Healthcare cost inflation:

kEUR	12/31/2018	12/31/2017
Initial rate (health care cost trend rate assumed for next year)	6.50	6.75
Ultimate rate (health care cost trend rate assumed to reduce cost)	5.00	5.00
Year of ultimate	2024	2024

Sensitivity analyses

The discount rate is seen as a significant input for the value of defined benefit obligations. A 0.75 percentage point change in the discount rate would have the following effect on the amount of defined benefit obligations:

kEUR	12/31/2018		12/31/2017	
	Increase	Decrease	Increase	Decrease
Total	**−7,699**	**8,920**	**−8,927**	**10,274**
thereof:				
Germany	−1,707	2,085	−1,874	2,177
USA	−4,609	5,296	−5,611	6,489
Canada	−1,297	1,443	−1,442	1,608
Other countries	−86	96	–	–

A 1 percentage point change in the assumed trend in health-care costs would have the following effects:

kEUR	12/31/2018		12/31/2017	
	Increase	Decrease	Increase	Decrease
Effect on the aggregate current service cost and interest expenses	9	−8	86	−73
Effect on the defined benefit obligation	215	−198	857	−746

Future cash flows

Future payments of defined benefit obligations are summarized in the following table:

kEUR					2018
	2019	**2020–2023**	**2024–2028**	**2029 ff.**	**Total**
Germany	499	2,104	2,856	15,895	**21,354**
USA	4,030	15,748	19,664	64,078	**103,520**
Canada	501	2,345	3,620	16,826	**23,292**
Other Countries	80	356	2,323	–	**2,759**
Total	**5,110**	**20,553**	**28,463**	**96,799**	**150,925**

kEUR					2017
	2018	**2019–2022**	**2023–2027**	**2028 ff.**	**Total**
Germany	481	2,043	2,773	16,022	**21,319**
USA	3,890	16,123	20,720	68,772	**109,505**
Canada	452	2,211	3,850	27,836	**34,349**
Total	**4,823**	**20,377**	**27,343**	**112,630**	**165,173**

The weighted average duration of pension plans is described below:

in years	**12/31/2018**	**12/31/2017**
Germany	17	18
USA	12	12
Canada	10	11
Other countries	9	–

The employer contributions to defined benefit plans expected for the 2019 financial year amount to kEUR 1,322.

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

	12/31/2018		12/31/2017	
	%	kEUR	%	kEUR
Equities	62.17 %	37.241	63.00 %	40.682
Bonds	33.27 %	19.934	31.00 %	20.018
Cash and money market	1.44 %	862	1.00 %	646
Real estate	2.93 %	1.755	3.00 %	1.937
Insurance	0.19 %	115	2.00 %	1.292
Total	**100.00 %**	**59.907**	**100.00 %**	**64.575**

Pension fund investments are managed through a diversified portfolio of highly liquid institutional investment funds, as governed by the US Investment Advisors Act of 1940. The portfolio is invested in various asset classes. Investments include US equities, global equities, US and global fixed income and real estate.

6.12 OTHER PROVISIONS

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

kEUR	Product warranty	Partial retirement	Environmental issues	Workers' compensation and health insurance benefits	Restructuring	Share based payment transactions	Other	Total
As of 31/12/2016	**7,956**	**554**	**217**	**1,921**	**225**	**5,016**	**901**	**16,790**
Additions	7,200	6	3	–	362	2,332	898	**10,801**
Utilized	4,982	246	–	3	213	2,639	452	**8,535**
Release	–	–	58	61	–	–	516	**635**
Interest effect from measurement	–	–	–	–	–	58	–	**58**
Foreign currency translation	−347	–	−11	−228	−29	−251	−75	**−941**
As of 31/12/2017	**9,827**	**314**	**151**	**1,629**	**345**	**4,516**	**756**	**17,538**
Additions from initial consolidation	–	–	–	–	–	–	180	**180**
Additions	7,657	382	2	5	202	334	1,649	**10,231**
Utilized	6,938	314	–	71	349	1,733	25	**9,430**
Release	6	–	4	322	–	663	244	**1,239**
Foreign currency translation	277	23	−6	63	4	44	−89	**316**
As of 12/31/2018	**10,817**	**405**	**143**	**1,304**	**202**	**2,498**	**2,227**	**17,596**
Thereof in 2018								
Current	6,686	30	39	460	202	1,280	1,295	**9,992**
Non-current	4,131	375	104	844	–	1,218	932	**7,604**
Thereof in 2017								
Current	6,170	147	39	436	345	789	279	**8,205**
Non-current	3,657	167	112	1,193	–	3,727	477	**9,333**

Guarantees and warranties
Provisions are recognized for expected guarantees and warranty claims on products sold during past periods. The amount of the provision is based on past experience, taking the circumstances on the reporting date into account. Product warranties include free repairs and, at the Group's discretion, the free replacement of components conducted by authorized partner repair shops.

Part-time retirement
The Group offers a part-time retirement plan to employees in Germany going into early retirement. In Germany, the Group uses what is known as a block model, which divides part-time 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 recognized at its present value. Part-time retirement commitments are insured for potential insolvency.

Environmental levies
Provisions for environmental levies are recognized for environmental obligations based on past events – particular those that are probable and can be estimated reliably.

Occupational disability and health insurance benefits for employees
Occupational disability and health insurance benefits are recognized in the amount of the claims made. In addition, overall liability for claims of this kind is estimated based on past experience and taking into account stop-loss insurance coverage.

Restructuring provisions
Provisions include mainly personnel costs in the form of severance payments.

Share-based payments

Performance Share Unit Plan (PSU plan)
Under the PSU plan, members of the Management Board and selected managers are entitled to receive cash awards depending on the achievement of certain performance targets. Since 2013, a PSU plan with four-year term has been offered each year to the scheme's participants.

The goal of this plan is to sustainably link the interests of the management and executives with the interests SAF-HOLLAND S.A. shareholders of a long-term increase in enterprise value. The performance share unit plan takes into account both the Company's performance and the share price development 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 is determined by dividing the allowance value set annually by the Board of Directors by the average share price in the last two months of the year preceding the allowance. Upon expiration of the performance period, the number of share units allowed is adjusted by the multiplication with a target-achievement factor. The target-achievement factor is the ratio of the Company's average performance (adjusted EBIT margin) during the performance period versus the average target value previously set for the performance period.

The amount of the participant's payment entitlement is determined by multiplying the share units with the average share price during the last two months of the performance period and the target-achievement factor. An entitlement to shares of SAF-HOLLAND S.A. does not exist.

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

The prerequisite for exercising appreciation rights is the achievement of a defined performance target. The performance target is fulfilled if during the entitlement period the Group has achieved an average minimum operating performance measured by the performance indicator "adjusted EBIT."

The total of share units granted as of the reporting date amounts to 392,737 and consists of the following:

	Performance Share Unit Plan				
	2014–2017	2015–2018	2016–2019	2017–2020	2018–2021
Share units outstanding at the beginning of the period	120,670	117,699	108,799	113,759	–
Share units granted during the period	–	–	–	–	89,001
Share units forfeited during the period	–	9,277	9,800	11,530	5,914
Share units exercised during the period	120,670	–	–	–	–
Share units expired during the period	–	–	–	–	–
Share units outstanding at the end of the period	**–**	**108,422**	**98,999**	**102,229**	**83,087**
Share units exercisable at the end of the period	–	108,422	–	–	–

The share units granted are classified and accounted for as cash-settled, share-based payments. The fair value of the share units is remeasured on each reporting date using a Monte Carlo simulation and in consideration of the conditions under which the share units were granted. The measurement of the options granted was based exclusively on the following parameters:

	Performance Share Unit Plan			
	2015–2018	2016–2019	2017–2020	2018–2021
Expected remaining contractual life (years)	0.00	1.00	2.00	3.00
Average share price on measurement date (EUR)	11.20	11.20	11.20	11.20
Expected volatility	n/a	34.53%	28.72%	29.73%
Risk free interest rate	–0.73%	–0.73%	–0.66%	–0.56%
Dividend return	3.00%	3.00%	3.00%	3.00%

Further information on the measurement parameters is provided in Note 2.2.

The fair value is expensed over the contract term with recognition of a corresponding liability. As of December 31, 2018, provisions for these performance plans amounted to EUR 2.5 million (previous year: EUR 4.5 million). Expenses for the period in the amount of EUR 0.3 million (previous year: EUR 2.1 million) have been allocated to the relevant functional areas in the consolidated statement of comprehensive income.

6.13 INTEREST-BEARING LOANS AND BONDS

kEUR	Non-current		Current		Total	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Interest bearing bank loans	12,196	12,369	–	–	**12,196**	**12,369**
Convertible bond	98,653	97,990	–	–	**98,653**	**97,990**
Bond	–	–	–	75,000	**–**	**75,000**
Promissory note loan	200,000	200,000	–	–	**200,000**	**200,000**
Financing costs	–1,045	–1,138	–393	–498	**–1,438**	**–1,636**
Accrued interests	3	–	771	4,268	**774**	**4,268**
Other loans	54,652	52,063	3,558	2,551	**58,210**	**54,614**
Total	**364,459**	**361,284**	**3,936**	**81,321**	**368,395**	**442,605**

On April 26, 2018, the corporate bond with a nominal volume of EUR 75.0 million issued in 2012 became due and was redeemed from existing cash.

On October 2, 2018, a new syndicated loan was signed with a greater syndicate of banks, replacing the existing funding and providing the Group with long-term funding at more favorable interest rates until October 2025. The newly concluded loan agreement includes a revolving credit line of EUR 200 million that can be drawn on in various currencies. If necessary, there is an option to extend the credit line by an additional EUR 100 million. This refinancing has increased the available credit line to EUR 208 million (December 31, 2017: approx. EUR 156 million).

The following table shows the total liquidity calculated as the sum of freely available credit lines valued the rate as of the reporting date including available cash and cash equivalents and short-term freely available financial assets:

kEUR					12/31/2018
	Amount drawn valued as at the period-end exchange rate	Agreed credit lines valued as at the period-end exchange rate	Cash and cash equivalents	Other short-term investments	Total liquidity
Revolving credit line	5,216	200,000	–	–	194,784
Other Facilities	6,980	8,016	155,009	–	156,045
Total	**12,196**	**208,016**	**155,009**	**–**	**350,829**

kEUR					12/31/2017
	Amount drawn valued as at the period-end exchange rate	Agreed credit lines valued as at the period end exchange rate	Cash and cash equivalents	Other short-term investments	Total liquidity
Facility A	5,380	120,000	–	–	114,620
Facility B	–	29,219	–	–	29,219
Other Facilities	6,989	7,053[1]	278,775	58,306	337,145
Total	**12,369**	**156,272**	**278,775**	**58,306**	**480,984**

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

The calculation of total liquidity includes other current investments. Other current investments are highly liquid and are to be viewed as cash equivalents in economic terms. In accordance with accounting policies, these current investments are still presented separately from cash and cash equivalents.

6.14 TRADE PAYABLES

Trade payables in the amount of kEUR 129,115 (previous year: kEUR 114,219) are non-interest-bearing and are normally settled within two to six months.

6.15 OTHER FINANCIAL LIABILITIES

Other financial liabilities in the amount of kEUR 16,271 (previous year: kEUR 15,910) reflect primarily the value of the put options for the outstanding shares of KLL Equipamentos para Transporte Ltda and V.Orlandi S.p.A.

6.16 OTHER LIABILITIES

kEUR	Current		Non-current	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Liabilities for salaries and social security contributions	12,677	12,235	–	–
Other taxes	5,801	4,795	–	–
Anniversary obligations	157	265	626	575
Liabilities from factoring	4,811	1,396	–	–
Other	3,491	3,164	–	20
Total	**26,937**	**21,855**	**626**	**595**

7. OTHER DISCLOSURES

7.1 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

kEUR							12/31/2018
			Amounts recognized in balance sheet according to IFRS 9				
	Measurement category in accordance with IFRS 9	Carrying amount	(Amortized) cost	Fair value recognized in equity	Fair value recognized in profit or loss	Amounts recognized in balance sheet according to IAS 17	Fair value
Assets							
Cash and cash equivalents	FAAC	155,009	155,009	–	–	–	155,009
Trade receivables	FAAC	138,875	138,875	–	–	–	138,875
Other financial assets							
Derivates without a hedging relationship	FAHfT	135	–	–	135	–	135
Other financial assets	FAAC	2,679	2,679	–	–	–	2,679
Liabilities							
Trade payables	FLAC	129,115	129,115	–	–	–	129,115
Interest bearing loans and bonds	FLAC	368,395	368,395	–	–	–	377,425
Finance lease liabilities	n/a	229	–	–	–	229	229
Other financial liabilities							
Derivates without a hedging relationship	FLtPL	776	–		776		776
Other financial liabilities	FLHfT	16,271	–	–	16,271	–	16,271
Of which aggregated by measurement category in accordance with IFRS 9							
Financial assets measured at amortized cost	FAAC	296,563	296,563	–	–	–	296,563
Financial liabilities measured at amortized cost	FLAC	497,510	497,510	–		–	506,540
Financial assets held for trading	FAHfT	135	–	–	135	–	135
Financial liabilities held for trading	FLHfT	16,271	–	–	16,271	–	16,271
Financial liabilities at fair value through profit and loss	FLtPL	776			776		776

kEUR

							12/31/2017
			Amounts recognized in balance sheet according to IFRS 9				
	Measurement category in accordance with IFRS 9	Carrying amount	(Amortized) cost	Fair value recognized in equity	Fair value recognized in profit or loss	Amounts recognized in balance sheet according to IAS 17	Fair value
Assets							
Cash and cash equivalents	FAAC	278,775	278,775	–	–	–	278,775
Trade receivables	FAAC	135,662	135,662	–	–	–	135,662
Other financial assets							
Other financial assets	FAAC	940	940	–	–	–	940
Other short-term investments	FAAC	58,306	58,306				58,306
Liabilities							
Trade payables	FLAC	114,219	114,219	–	–	–	114,219
Interest bearing loans and bonds	FLAC	442,605	442,605	–	–	–	487,118
Finance lease liabilities	n/a	55	–	–	–	55	55
Other financial liabilities							
Other financial liablities	FLtPL	15,910	–		15,910		15,910
Derivates without a hedging relationship	FLHfT	655	–	–	655	–	655
Of which aggregated by measurement category in accordance with IFRS 9							
Financial assets measured at amortized cost	FAAC	473,683	473,683	–	–	–	473,683
Financial liabilities measured at amortized cost	FLAC	556,824	556,824	–		–	601,337
Financial assets held for trading	FAHfT	–	–	–	–	–	–
Financial liabilities held for trading	FLHfT	655	–	–	655	–	655
Financial liabilities at fair value through profit and loss	FLtPL	15,910			15,910		15,910

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

kEUR	12/31/2018			
	Level 1	Level 2	Level 3	Total
Convertible bond	–	108,757	–	**108,757**
Promissory note loan	–	196,480	–	**196,480**
Interest bearing loans and borrowings	–	72,188	–	**72,188**
Put option for the remaining shares in KLL Equipamentos para Transporte Ltda.	–	–	7,366	**7,366**
Put-Option for the remaining shares in V.ORLANDI S.p.A.	–	–	8,905	**8,905**
Derivative financial assets	–	135	–	**135**
Derivative financial liabilities	–	776	–	**776**

kEUR	12/31/2017			
	Level 1	Level 2	Level 3	Total
Bonds	76,272	–	–	**76,272**
Convertible bond	–	138,925	–	**138,925**
Promissory note loan	–	199,748	–	**199,748**
Interest bearing loans and borrowings	–	72,173	–	**72,173**
Put option for the remaining shares in KLL Equipamentos para Transporte Ltda.	–	–	15,910	**15,910**
Derivative financial liabilities	–	655	–	**655**

Cash and cash equivalents, trade receivables and payables, as well as non-current, non-derivative financial assets and liabilities, mainly have short remaining maturities. For this reason, their carrying amounts as of the reporting date approximate their fair values.

The fair values of interest-bearing loans, the promissory note, and the convertible bonds are calculated as the present value of the payments associated with the debt based on the applicable yield curve and currency-specific credit spreads. The fair value of the bond reported under the line item “bonds” is determined on the basis of their market values as of the reporting date. Foreign exchange forward contracts are the main category of derivatives measured using valuation methods based on inputs observable on the market. The valuation methods applied include forward pricing models using present value calculations.

The fair value of other financial assets and liabilities is calculated based on interest rates with matching maturities. On the balance sheet as of December 31, 2018, only derivatives of kEUR –641 (previous year: kEUR –655) and other financial liabilities from the valuation of the put options to acquire the remaining shares in KLL Equipamentos para Transporte Ltda. and V.Orlandi S.p.A. in the amount of kEUR 16,271 (previous year: kEUR 15,910) were measured at fair value. The fair value of the other liability from the valuation of the put options is determined on the basis of forecasted earnings. Since this information is not based on observable market data, the put options have been assigned to level three of the measurement hierarchy.

The fair value of liabilities from interest-bearing loans, the promissory note loan and derivative financial assets and liabilities, excluding bonds, was measured based on directly (e.g., prices) and indirectly (e.g., derived from prices) observable in-

put factors. Under IFRS 7, this fair value measurement can, therefore, be allocated to Level 2 of the measurement hierarchy. Due to the absence of an active market as defined by IFRS 7, the convertible bonds were also allocated to Level 2. The fair value of the quoted bonds is based on price quotations on 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., prices) or indirectly (e.g., derived from prices), and

Level 3: Information on assets and liabilities that is not based on observable market data.

The net result according to the valuation category is as follows:

kEUR	12/31/2018					
			From subsequent measurement			
	From interest	From remuneration	At fair value	Currency translation	Impairment	Net result
Financial assets measured at amortized cost	180	–	–	–	−441	**−261**
Financial assets held for trading	–	–	−862	–	–	**−862**
Financial liabilities measured at amortized cost	−10,481	–	–	−485	–	**−10,966**
Financial liabilities held for trading	–	–	679	–	–	**679**
Total	**−10,301**	**-**	**−183**	**−485**	**−441**	**−11,410**

kEUR	12/31/2017					
			From subsequent measurement			
	From interest	From remuneration	At fair value	Currency translation	Impairment	Net result
Financial assets measured at amortized cost	451	–	–	–	−1,706	**−1,255**
Financial assets held for trading	–	–	−828	–	–	**−828**
Financial liabilities measured at amortized cost	−14,490	–	–	−59	–	**−14,549**
Financial liabilities held for trading	–	–	376	–	–	**376**
Total	**−14,039**	**–**	**−452**	**−59**	**−1,706**	**−16,256**

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

The interest result from financial liabilities in the category “financial liabilities measured at amortized cost” primarily consists of interest expenses on interest-bearing loans and bonds and the amortization of transaction costs.

Financial risk

As an internationally active group, SAF-HOLLAND S.A. is exposed to both business and industry-specific risks. Controlling opportunities and risks in a targeted manner is an integral part of management and decision-making within the Group.

To be adequately prepared for changes in competitive and environmental conditions and efficiently control the creation of value within the Group, the Management Board has implemented a risk management system, which is monitored by the Board of Directors. Risk management processes, required limits and the use of financial instruments to manage risks are defined in the Group’s risk management handbook and supplementary guidelines. The risk management system strives to identify and assess the risks that arise. Identified risks are communicated, managed and monitored in a timely manner.

The Group is exposed mainly to liquidity risk, credit risk, interest rate risk and foreign currency risk. The aim of the Group’s risk management is to limit the risks posed by the Group’s business and financing activities mainly through the use of derivative and non-derivative hedging instruments.

Liquidity risk

The Group’s liquidity risk is the risk that it will be unable to meet existing or future payment obligations because of insufficient funds. Limiting and managing liquidity risk are among the management’s primary tasks. The Group monitors the current liquidity situation on a daily basis. To manage future liquidity requirements, the Group uses a weekly 3-month forecast and a monthly rolling liquidity plan on a twelve-month basis. In addition, management continually evaluates adherence to the financial covenants as required under the long-term credit agreement.

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

kEUR				12/31/2018
	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 bonds	**368,395**	3,936	272,099	92,360
Finance lease liabilities	**229**	191	38	–
Trade payables	**129,115**	129,115	–	–
Other financial liabilities				
Other financial liabilities	**16,271**	–	7,366	8,905
Derivates without a hedging relationship	**776**	776	–	–
Financial liabilities	**514,786**	**134,018**	**279,503**	**101,265**

kEUR				12/31/2017
	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 bonds	**442,605**	81,321	268,888	92,396
Finance lease liabilities	**55**	32	23	–
Trade payables	**114,219**	114,219	–	–
Other financial liabilities				
Other financial liabilities	**15,910**	–	15,910	–
Derivates without a hedging relationship	**655**	655	–	–
Financial liabilities	**573,444**	**196,227**	**284,821**	**92,396**

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

kEUR									12/31/2018
	Cash flow 2019			Cash flow 2020			Cash flow 2021 – 2028		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest bearing loans and bonds	−3,803	−1,418	−3,936	−3,246	−1,321	−140,500	−13,847	−563	−159,300
Finance lease liabilities	−146	–	−191	−44	–	−38	–	–	–
Other financial liabilities									
Derivates without a hedging relationship	−776	–	–	–	–	–	–	–	–

kEUR									12/31/2017
	Cash flow 2018			Cash flow 2019			Cash flow 2020 – 2027		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest bearing loans and bonds	−4,806	−2,526	−77,551	−2,965	−2,526	–	−10,721	−8,452	−319,323
Finance lease liabilities	−7	–	−32	−14	–	−23	–	–	–

All instruments are included that were held as of the reporting date and for which payments were already contractually agreed. Planning data for future new liabilities are not included. Amounts in foreign currencies were translated at the year-end spot rates. Variable interest payments arising from financial instruments were calculated using the most recent interest rates determined ahead of the reporting date. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period.

The following table shows the change in financial liabilities:

kEUR							12/31/2018
	01/01/2018	Cash flows	Foreign exchange movement	Interest effect	Conversion	Mergers & Aquisitions	12/31/2018
Interest bearing bank loans	12,369	−280	107	–	–	–	12,196
Bond	75,000	−75,000	–	–	–	–	–
Convertible Bond	97,990	–	–	663	–	–	98,653
Promissory note loan	200,000	–	–	–	–	–	200,000
Other Loans	54,615	−15,531	−336	–	–	19,462	58,210
Leasing	55	− 23	–	–	–	197	229

kEUR							12/31/2017
	01/01/2017	Cash flows	Foreign exchange movement	Interest effect	Conversion	Mergers & Aquisitions	12/31/2017
Interest bearing bank loans	10,639	2,453	−723	–	–	–	12,369
Bond	75,000	–	–	–	–	–	75,000
Convertible Bond	97,743	–	–	647	−400	–	97,990
Promissory note loan	200,000	–	–	–	–	–	200,000
Other Loans	56,457	−1,025	−817	–	–	–	54,615
Leasing	1,587	−1,477	−55	–	–	–	55

Credit risk

The Group is exposed to default risk through the possibility that a contracting party may fail to fulfill its commitment with respect to financial instruments. To minimize default risk, the outstanding receivables in all business areas are monitored continuously at the local level by all Group companies. To limit credit risks, the Group as a rule only does business with creditworthy business partners. In doing so, ongoing credit management is implemented that requires potential customers to undergo a credit verification procedure. To manage specific default risks, the Group also takes out commercial credit insurance coverage in Europe and the United States and defines credit limits for each customer.

Any subsequent credit risk that arises is covered by individual and collective impairment on receivables carried on the balance sheet. The expected credit loss is automatically determined by Euler Hermes Deutschland AG's software "Smart Reserve" as of each reporting date. In addition to customer creditworthiness, impairment quotas also consider criteria such as the geographic region, number of days overdue and macroeconomic factors.

The measurement reflects the probability-weighted result taking into account interest rate effects and appropriate and dependable information of past events, current circumstances and expected future economic conditions available as of the reporting date. Letters of credit and other forms of credit collateral are considered components of trade receivables and included in the calculation of the need for impairment.

Interest rate risk

The Group is exposed to interest rate risk due to its financing activities. Market-induced interest rate changes, in particular, can have an effect on the interest burden of floating-rate loans and bonds. Changes in interest rates affect interest-related cash flows. To hedge the 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 as a result of interest rate changes. The Group has no plans to measure these financial liabilities at their market price so therefore there is no related economic risk.

The Group is exposed to interest rate risk mainly in the euro zone, North America and China.

As a result of the promissory note issued in November 2015 and in line with the Group risk strategy, interest rate hedges with a nominal volume of EUR 72.0 million were put in place in 2015 to hedge the variable interest portion of the promissory note.

According to IFRS 7, the Group must show relevant interest rate risks using sensitivity analyses. These analyses demonstrate the effects of changes in market interest rates on interest payments, interest income and interest expenses.

If market interest rates on December 31, 2018 had been 100 base points lower (higher), the result would have been kEUR 295 (previous year: kEUR 419) higher (lower). All other variables are assumed to be constant.

Foreign currency risk

The international nature of the Group's investing, financing and operating activities exposes the Group to foreign currency risk. The individual subsidiaries predominantly conduct their operating activities and investments in their respective local currency. The Group uses foreign exchange forward contracts to hedge a portion of the remaining transaction risks. The foreign exchange forward contracts are not designated as hedging instruments to hedge cash flows. The period for which the foreign exchange forward contracts are entered into corresponds to the period in which the underlying business transaction is subject to foreign currency risk, which is usually up to a period of 12 months. Financing the Group's companies is conducted primarily by SAF-HOLLAND S.A. and SAF-HOLLAND GmbH. Loans granted to international Group companies are generally denominated in euros. The translation of intercompany loans as of the reporting date may result in unrealized foreign exchange gains and losses. Unrealized foreign exchange losses as of the reporting date amounted to kEUR –4,548 (previous year: kEUR –13,069). Of this amount, kEUR –4,522 (previous year: kEUR –13,069) was reclassified to other comprehensive income (OCI) as translation effects from the valuation of intercompany foreign currency loans, which are considered part of a net investment in a foreign operation and are therefore recognized directly in equity.

The table below shows the Group's sensitivity to a 5 % increase or decrease in the euro versus the US dollar. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies and adjusts their translation at the end of the period by a 5 % change in exchange rates.

	Change in exchange rate USD/EUR	Effect on earnings before taxes	Effect on equity after taxes
2018	5 %	5,097	5,044
	–5 %	–5,097	–5,044
2017	5 %	3,760	4,223
	–5 %	–3,760	–4,223

7.2 EARNINGS PER SHARE

		Q1–Q4/2018	Q1–Q4/2017
Result for the period (attributable to the shareholders of the parent company)	**kEUR**	**48,151**	**42,887**
Weighted average number of shares outstanding	thousands	45,394	45,361
Basic earnings per share	**EUR**	**1.06**	**0.95**
Diluted earnings per share	**EUR**	**0.92**	**0.82**

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.

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

The issue of the convertible bond resulted in a dilutive effect of EUR 0.14 per share (previous year: EUR 0.13).

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

kEUR	Overall potentially dilutive financial instruments	Dilutive financial instruments used for the calculation
	2018	2018
Result for the period		
Numerator for undiluted earnings per share (attributable to the shareholders of the parent company)	48,151	48,151
Increase in profit equivalent to effect of convertible bond recognised in profit and loss	1,191	1,191
Numerator for diluted earnings	**49,342**	**49,342**
Number of shares		
Denominator for basic earnings per share (weighted average number of shares)	45,394	45,394
Convertible bond	8,348	8,348
Denominator for potentially diluted earnings per share	**53,742**	
thereof to be included for dilution (adjusted weighted average)		**53,742**
Basic earnings per share (EUR)		**1.06**
Diluted earnings per share (EUR)		**0.92**

kEUR	Overall potentially dilutive financial instruments	Dilutive financial instruments used for the calculation
	2017	2017
Result for the period		
Numerator for undiluted earnings per share (attributable to the shareholders of the parent company)	42,887	42,887
Increase in profit equivalent to effect of convertible bond recognised in profit and loss	1,183	1,183
Numerator for diluted earnings	**44,070**	**44,070**
Number of shares		
Denominator for basic earnings per share (weighted average number of shares)	45,361	45,361
Convertible bond	8,268	8,268
Denominator for potentially diluted earnings per share	**53,629**	
thereof to be included for dilution (adjusted weighted average)		**53,629**
Basic earnings per share (EUR)		**0.95**
Diluted earnings per share (EUR)		**0.82**

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

Convertible bond

	Par value (EUR)	Number	Days	Weighted number
01/01/2018 – 04/25/2018	0.01	8,264,395	115	950,405,425
04/26/2018 – 12/31/2018	0.01	8,386,799	245	2,054,765,755
Total			**360**	**3,005,171,180**
Average		**8,347,698**		

	Par value (EUR)	Number	Days	Weighted number
01/01/2017–04/27/2017	0.01	8,208,631	118	968,618,411
04/28/2017–12/28/2017	0.01	8,297,585	239	1,983,122,719
12/29/2017–12/31/2017	0.01	8,264,395	3	24,793,184
Total			**360**	**2,976,534,314**
Average		**8,268,151**		

7.3 STATEMENT OF CASH FLOWS

The statement of cash flows was prepared in accordance with IAS 7 and is divided into cash flows from operating, investing and financing activities.

Cash flows from operating activities are determined using the indirect method whereas 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 one year or more. Cash flows from financing activities were also calculated using the direct method and include cash flows from transactions with shareholders and the issue and repayment of financial liabilities.

Other non-cash transaction mainly included the valuation effect from the remeasurement of the liabilities resulting from the put options as of the reporting date.

7.4 OTHER FINANCIAL OBLIGATIONS

Operating lease obligations

The Group acts as lessee in rental and lease agreements mainly for commercial buildings, office and operating equipment, IT, material handling equipment and motor vehicles. The average term of the lease agreements is between three and five years.

As of the reporting date, the following future minimum lease payments exist as a result of operating lease contracts:

kEUR	12/31/2018	12/31/2017
Remaining term of up to 1 year	5,348	5,509
Remaining term of more than 1 year and up to 5 years	10,467	7,477
Remaining term of more than 5 years	4,401	2,313
Total	**20,215**	**15,299**
Operate lease payments for the reporting period	9,161	8,670

Finance lease obligations

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

kEUR	12/31/2018		12/31/2017	
	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	199	191	39	32
Remaining term of more than 1 year and up to 5 years	56	38	37	23
Total	**255**	**229**	**76**	**55**

7.5 CONTINGENT LIABILITIES

Legal disputes

In the reporting year and as of the reporting date, there were no material legal disputes that could potentially have a significant impact on the Group's net assets, financial position or results of operations.

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 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
KLL Equipamentos para Transporte Ltda.	Brazil	57.5
SAF-HOLLAND South Africa (Pty) Ltd.	South Africa	100.0
SAF (Xiamen) 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 (Aust.) Pty. Ltd.	Australia	100.0
SAF-HOLLAND (Malaysia) SDN BHD	Malaysia	100.0
SAF-HOLLAND (Thailand) Co., Ltd.	Thailand	100.0
SAF-HOLLAND Verkehrstechnik GmbH	Germany	100.0
SAF-HOLLAND International de Mexico S. de R.L. de C.V.	Mexico	100.0
SAF-HOLLAND International Services Mexico S. de R.L. de C.V.	Mexico	100.0
SAF-HOLLAND Hong Kong Ltd.	Hong Kong	100.0
SAF-HOLLAND (Xiamen) Co., Ltd.	China	100.0
Corpco Beijing Technology and Development Co., Ltd.	China	100.0
OOO SAF-HOLLAND Russland	Russia	100.0
SAF-HOLLAND India Pvt. Ltd.	India	100.0
V.ORLANDI S.p.A.	Italy	70.0
V.Orlandi Australia PTY Ltd.	Australia	100.0
V. Orlandi Rus LLC	Russia	70.0
York Transport Equipment (Asia) Pte. Ltd.	Singapore	100.0
York Transport Equipment Pty. Ltd.	Australia	100.0
York Transport Equipment (India) Pvt. Ltd.	India	100.0
York Sales (Thailand) Co. Ltd.	Thailand	100.0
YTE Special Products Pte. Ltd.	Singapore	100.0
York Transport Equipment (Shanghai) Co. Ltd.	China	100.0
Qingdao YTE Special Products Pte. Ltd.	China	100.0
YTE Transport Equipment (SA) (Pty) Ltd.	South Africa	100.0
Rednet Pte. Ltd.	Singapore	100.0
PT York Engineering Ltd.	Indonesia	100.0
Axscend Group Ltd.	Great Britain	69.99
Axcend Ltd.	Great Britain	69.99
SAF-HOLLAND (Shanghai) Investment Co., Ltd.	China	100.0
SAF-Holland (Yangzhou) Vehicle Parts Co., Ltd.	China	100.0

Associates and joint ventures	Country of incorporation	% Equity interest
SAF-HOLLAND Nippon, Ltd.	Japan	50.0
Castmetal FWI S.A.	Luxembourg	34.09

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

Management Board

Detlef Borghardt	Chief Executive Officer (CEO), President Region APAC/China
Dr. Matthias Heiden	Chief Financial Officer (CFO)
Steffen Schewerda	President Region Americas
Alexander Geis	President Region EMEA
Guoxin Mao	President China

Board of Directors

Martina Merz	Chairman of the Board of Directors
Dr. Martin Kleinschmitt	Deputy Chairman of the Board of Directors
Detlef Borghardt	Member of the Board of Directors
Jack Gisinger	Member of the Board of Directors
Anja Kleyboldt	Member of the Board of Directors
Carsten Reinhardt	Member of the Board of Directors

The terms of office and other positions held by the members of the Board of Directors and the Management Board are described in the chapter “Mandates of the Board of Directors and Management Board” in this annual report.

As of December 31, 2018, members of the Management Board directly or indirectly held ordinary shares amounting to kEUR 5 (previous year: kEUR 5) while members of the Board of Directors directly or indirectly held ordinary shares of kEUR 0.1 (previous year: kEUR 0.1).

As of the reporting date, an amount of kEUR 1,865 has been accrued for appreciation rights granted to the members of the Management Board (previous year: kEUR 3,019); thereof kEUR 227 (previous year: kEUR 1,182) was recognized in profit and loss in 2018. Of the total accrual, an amount of kEUR 931 (previous year: kEUR 1,125) is classified as current provisions. The appreciation rights are a share-based payment. For further information, please refer to Note 6.12.

Total short-term remuneration for the Management Board members in the reporting year amounted to kEUR 2,853 (previous year: kEUR 2,516). Remuneration from the performance share unit plans, in contrast, is not included in the total remuneration presented.

Total remuneration for the Board of Directors was kEUR 280 (previous year: kEUR 279) and was recognized in profit or loss.

For further information about the remuneration of the Management Board and the Board of Directors, please refer to the Remuneration Report in the group management report.

The following shows the transactions with associates/joint ventures:

kEUR	Sales to related parties		Purchases from related parties	
	Q1-Q4/2018	Q1-Q4/2017	Q1-Q4/2018	Q1-Q4/2017
Joint ventures	1,233	721	–	–
Associates	–	–	35,214	29,211
Total	**1,233**	**721**	**35,214**	**29,211**

kEUR	Amounts owed by related parties		Amounts owed to related parties	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Joint ventures	167	426	–	1
Associates		–	1,294	1,278
Total	**167**	**426**	**1,294**	**1,279**

Outstanding balances as of December 31, 2018 are unsecured, interest-free and paid on time. There have been no guarantees provided or received for any receivables or payables from related parties. As of December 31, 2018 and in the previous year, the Group did not record any impairment of receivables for amounts owed by related parties. An evaluation is carried out in each reporting period which examines the financial position of the related parties as well as 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 repay debt and its financial substance is maintained in the future. The foundation for steering and optimizing the existing financing structure are EBIT, EBITDA and monitoring the development of net working capital and cash flow. Net debt is comprised of interest-bearing loans and bonds less cash and cash equivalents.

kEUR	12/31/2018	12/31/2017
Interest bearing loans and bonds	368,395	442,605
Other short-term investments	–	−58,306
Cash and cash equivalents	−155,009	−278,775
Net debt	**213,386**	**105,524**
Equity attributable to equity holders of the parent	**321,480**	**298,842**
Equity and net debt	**534,866**	**404,366**

According to a financial covenant under the financing agreement signed on October 2, 2018, the Group is obliged to maintain a certain level of net debt coverage (net debt divided by adjusted consolidated EBITDA).

Net debt is defined as the aggregate principal amount of Group's financial liabilities as of the balance sheet date less debt from derivatives to hedge against price or currency exchange risk, backup obligations from guarantees, and option liabilities or any other financial instruments issued by financial institutions.

7.8 AUDITORS' FEES

The following expenses were incurred in the 2018 financial year for services provided by the auditors and their related companies:

kEUR	Q1-Q4/2018	Q1-Q4/2017
Auditing of financial statements	634	537
Tax accountancy services	6	3
Other services	184	45
Total	**824**	**585**

7.9 EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of Pressure Guard LLC
On January 9, 2019, SAF-HOLLAND Inc. acquired 51% of the shares in the US manufacturer of tire pressure management systems, PressureGuard LLC, based in Nashville, Tennessee. As part of the acquisition, the parties were granted a call/put option for the purchase/sale of the remaining 49% of the shares.

The call option is exercisable from July 1, 2022 through July 1, 2025. The exercise period of the put option begins one year later on July 1, 2023 and also ends on July 1, 2025. The other liability resulting from the put option is accounted for in accordance with IFRS 9. Because of the voting rights majority, SAF-HOLLAND Inc. has obtained control of Pressure Guard LLC as of the acquisition date.

The first-time consolidation of PressureGuard LLC will be carried out in accordance with IFRS 3 using the purchase method.

The preliminary purchase price of EUR 1.1 million was paid in cash.

It was not possible to carry out a preliminary purchase price allocation for the acquired assets and liabilities as of the acquisition date due to the short period of time between the acquisition and the publication of this interim report.

Acquisition of the business operations of Oy Arne Stara AB
With effect from February 1, 2019, SAF-HOLLAND GmbH has acquired the business operations of the Finnish Stara Group from the owner family. The Stara Group has previously been the distribution partner of SAF-HOLLAND GmbH, focusing primarily on axle and suspension systems for trailers in Finland and Sweden.

The acquisition was completed in two steps. First, SAF-HOLLAND GmbH acquired all shares in Stara Parts Oy located in Finland and Trailax AB located in Sweden from the Finnish company Oy Arne Stara AB. In a second step, Stara Parts acquired the business operations of Oy Arne Stara AB.

Because of the voting rights majority, SAF-HOLLAND GmbH has obtained control of Stara Parts Oy and Trailax AB as of the acquisition date.

The preliminary purchase price was EUR 12.5 million.

It was not possible to carry out a preliminary purchase price allocation for the acquired assets and liabilities as of the acquisition date due to the short period of time between the acquisition and the publication of this interim report.

New segmentation in corporate management
On January 1, 2019, a new segmentation in corporate management and reporting was introduced in order to better achieve the goals defined in the corporate strategy. The APAC/China region will be divided into the regions “APAC” and “China.” As of January 1, 2019, corporate management and group reporting have been conducted through the “EMEA,” “Americas,” “APAC” and “China” segments. The four regions cover both original equipment and spare parts business.

Personnel changes on the Management Board
As of February 28, 2018, Arne Jörn, who at that time was the Chief Operating Officer (COO), resigned from the Company. Dr. André Philipp was appointed his successor and assumed his position in the SAF-HOLLAND Group effective January 1, 2019.

Also effective January 1, 2019, SAF-HOLLAND combined all global purchasing activities and appointed Alexander Geis as the Group’s Chief Procurement Officer (CPO), in addition to his role as President Region EMEA.

In addition, Mike Ginocchio, who was previously Vice President of the APAC/China region, was appointed President of the APAC/India region and as a new member of the Management Board effective January 1, 2019.

Furthermore, SAF-HOLLAND S.A. and Detlef Borghardt mutually agreed on termination of his activities for the SAF-HOLLAND Group effective as of February 26, 2019. Detlef Borghardt will hand over his CEO functions immediately to Alexander Geis. As a member of the Management Board he has been responsible for the EMEA region and global procurement before.

No other material events have occurred subsequent to the reporting date.

Luxembourg, March 19, 2019

Martina Merz	**Dr. Martin Kleinschmitt**
Chair of the Board of Directors	Deputy Chairman of the Board of Directors

SAF-HOLLAND S.A. ANNUAL FINANCIAL STATEMENTS

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

kEUR	Q1–Q4/2018	Q1–Q4/2017
Income from financial non-current assets	25,817	27,578
Income from financial current assets	–	565
Other Income	632	–
Total income	**26,449**	**28,143**
Other external expenses	–2,270	–1,921
Personnel expenses	–55	–44
Other operating expenses	–553	–557
Interest and other financial expenses	–2,651	–6,252
Other taxes	–4	–8
Result before tax	**20,916**	**19,361**
Income tax	–	–
Result for the period	**20,916**	19,361

[1] Figures according to Luxembourg GAAP.

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

kEUR	12/31/2018	12/31/2017
Assets		
Non-current assets	**387,606**	**455,393**
Shares in affiliated undertakings	313,238	313,238
Amounts owed by affiliated undertakings	74,364	142,151
Other long-term assets	3	4
Current assets	**21,856**	**32,114**
Amounts owed by affiliated undertakings	21,000	31,355
Cash at bank, cash in postal cheque accounts, cheques and cash on hand	523	175
Prepayments	333	584
Total assets	**409,462**	**487,507**
Equity and liabilities		
Equity attributable to equity holders of the parent	**308,625**	**308,135**
Subscribed share capital	454	454
Share premium	276,855	276,855
Legal reserve	45	45
Other reserve	720	720
Profit brought forward	9,634	10,700
Profit for the financial year	20,916	19,361
Non-current liabilities	**99,800**	**99,800**
Bonds	99,800	99,800
Current liabilities	**1,037**	**79,572**
Bonds	305	78,903
Trade payables	403	452
Tax and social security debts	329	217
Total equity and liabilities	**409,462**	**487,507**

[1] Figures according to Luxembourg GAAP.

MANDATES OF THE BOARD OF DIRECTORS/ GROUP MANAGEMENT BOARD

Martina Merz

- Member of the Board of Directors (Chairwomen), SAF-HOLLAND S.A. (first appointed on April 24, 2014 until April 2019, Chairwomen since April 27, 2017)
- Member of the Supervisory Board, Deutsche Lufthansa AG, Cologne, Germany
- Member of the Board of Directors, AB Volvo, Gothenburg, Sweden
- Member of the Board of Directors, Imerys SA, Paris, France

Dr Martin Kleinschmitt

- Vice Chair and Member of the Board of Directors, SAF-HOLLAND S.A. (first appointed on April 25, 2013, Vice Chair since April 27, 2017, extended until April 2019)
- Chairman of the Supervisory Board, SAF-HOLLAND GmbH
- Interim Chief Financial Officer (CFO) SAF-HOLLAND GmbH (between January 1, 2017 and February 28, 2017)
- Member of the Management Board, Noerr Consulting AG
- Member of the Executive Board of Schaltbau Holding AG, Munich, Germany (since August 2017)
- Chairman of the Supervisory Board of G&H Bankensoftware AG, Berlin, Germany (since March 2017)

Detlef Borghardt

- Member of the Board of Directors, SAF-HOLLAND S.A. (first appointed on October 1, 2011, until February 25, 2019)
- Managing Director, SAF-HOLLAND GmbH, Chief Executive Officer (CEO), President Region APAC/China
- Managing Director, debo invest GmbH

Jack Gisinger

- Member of the Board of Directors, SAF-HOLLAND S.A. (first appointed on April 27, 2017, extended until April 2020)

Anja Kleyboldt

- Member of the Board of Directors, SAF-HOLLAND S.A. (first appointed on April 26, 2012, extended until April 2019)
- Member of the Supervisory Board, SAF-HOLLAND GmbH
- Head of Projects, Arnold AG, Friedrichsdorf, Germany

Sam Martin

- Member of the Board of Directors, SAF-HOLLAND S.A. (first appointed on April 28, 2011, until April 27, 2017)
- Member of the Board, Metal Flow Corporation, Holland, Michigan, USA

Carsten Reinhardt

- Member of the Board of Directors, SAF-HOLLAND S.A. (first appointed on April 27, 2017, extended until April 2020)
- Beiratsvorsitzender, Tegimus Holding GmbH, Mannheim, Germany (since December 2017)
- Member of the Board, Grundfos Holding A/S, Bjerringbro, Denmark (since October 2016)
- Member of the Board, Rosti AB, Malmö, Sweden (since November 2016)
- Member of the Board of Directors, Rosti Automotive plc., Leamington Spa, U.K. (since February 2017)
- Mitglied des Beirats, WEZAG GmbH, Stadtallendorf, Germany (since October 2016)
- Operating Partner, Michigan Capital Advisors, Bloomfield Hills, Michigan, USA, since January 2017
- Member of the Strategic Advisory Board, Braemar Energy Ventures, New York, NY, USA (since August 2017)

Alexander Geis
— Managing Director, SAF-HOLLAND GmbH, Chief Executive Officer (CEO), (from February 25, 2019), Chief Procurement Officer (CPO), (from January 1, 2019), President Region EMEA

Dr Matthias Heiden
— Managing Director, Chief Financial Officer (CFO), SAF-HOLLAND GmbH

Dr. André Philipp
— Managing Director, Chief Operating Officer (COO), SAF-Holland GmbH (from January 1, 2019)

Steffen Schewerda
— Managing Director, SAF-HOLLAND GmbH, President Region Americas

Guoxin Mao
— President Region China

Mike Ginocchio
— President Region APAC (from January 1, 2019)

Arne Jörn
— Managing Director, Chief Operating Officer, SAF-HOLLAND GmbH (between October 2016 and February 28, 2018)

AUDIT REPORT

To the Shareholders of
SAF-Holland S.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of SAF-Holland S.A. (the "Company") and its subsidiaries (the "Group") as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

What we have audited

The Group's consolidated financial statements comprise:

— the consolidated balance sheet as at 31 December 2018;
— the consolidated statement of comprehensive income for the year then ended;
— the consolidated statement of changes in equity for the year then ended;
— the consolidated statement of cash flows for the year then ended; and
— the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" 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 Group 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 consolidated financial statements. 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.

The non-audit services that we have provided to the Company and its controlled undertakings, if applicable, for the year then ended, are disclosed in Note 7.8 to the consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Goodwill impairment In the consolidated financial statements, goodwill is recorded in the balance sheet within "Goodwill" as a total amount of 84.5 million EUR (8.6 % of the balance-sheet total or 25.4 % of equity). The Group's data pertaining to "Goodwill" and explanations regarding the impairment test can be found in point 6.1 under "Notes to the consolidated balance sheet" in the notes to the consolidated financial statements. In order to determine whether any impairment is required, the Group tests goodwill for impairment once a year or as required. The impairment test is carried out at the level of the cash-generating units to which the respective goodwill is allocated. As part of the impairment test, the book value of the respective cash-generating units, including goodwill, is compared with the corresponding recoverable amount. As a rule, the recoverable amount is determined based on the value in use. Thus, the regular basis for valuation is the present value of future payment flows of the respective cash-generating units. The present values are determined using discounted cash-flow models. The starting point is the Group's approved medium-term plan, which is updated with assumptions about long-term growth rates and takes into account expectations of future market developments and assumptions about how macroeconomic influencing factors will develop. The discounting is done on the basis of the weighted average cost of capital for the respective group of cash-generating units. The results of the impairment test performed by those charged with governance indicated that no impairment was required. The result of this assessment is heavily dependent on the assumptions of those charged with governance about the future payment flows of the respective group of cash-generating units, the discount rate applied, the growth rate and other assumptions, and is therefore subject to considerable uncertainty. Due to the subjectivity and complexity of the assessment, this area was of particular importance during our audit.	During our audit, we took into account, amongst other things, the methodical approach to carrying out the impairment test applied by the Group. After reconciling the future payment inflows used in the calculation with the Group's approved medium-term plan, we assessed the appropriateness of the calculation, in particular by aligning it with general and sector-specific market expectations. We also assessed whether the costs of Group functions were being considered appropriately. Knowing that even relatively small changes in the discount rate applied can have a significant effect on the recoverable amount, we paid attention to the parameters used to determine the discount rate applied and considered the appropriateness of the calculation method. To take forecasting uncertainties and the impact of changes in the discount rate into account, we considered the sensitivity analyses produced by the Group and performed our own sensitivity analyses for all groups of cash-generating units. We evaluated the adequacy and completeness of the disclosures of the goodwill impairment testing by the group in the notes.

Key audit matter	How our audit addressed the Key audit matter
Business acquisitions In the financial year 2018, the Company has acquired a 70 % interest in V. Orlandi S. p. A., Flero, Italy and a 69. 9 % interest in Axscend Group Ltd., Canterbury, UK. In addition, the total interest in York Transport Equipment (Asia) Pte. Ltd based in Singapore, Singapore has been acquired. The total consideration for the three acquisitions amounted to 80.0 million EUR. The purchased assets and liabilities have been recorded at market value at the date of acquisition, taking into consideration various assumptions of those charged with governance. Taking into account the proportion of acquired net assets of 51.8 million EUR attributed to the Group, the aggregated goodwill arising from the three transactions amounts to 28.2 million EUR. The result of this assessment is heavily depending on the assumptions of those charged with governance about the future payment flows of the acquired businesses, the discount rates applied, the growth rates and other assumptions, and is therefore subject to considerable uncertainty. Due to the complexity of the valuation of the acquisitions and the material impact of the business acquisitions on the financial position and financial performance of the Group, this area has been of particular importance during our audit.	During our audit, we have evaluated the accounting treatment of the business acquisitions. This includes, in the first instance, the examination and the understanding of the underlying contractual agreements. Associated therewith, we have reconciled the considerations paid for the acquired interests with the provided payment evidence. The Group has engaged external experts to measure the assets and liabilities and calculate the respective goodwill (purchase price allocation) of the above-mentioned acquisitions. We have validated the reports provided by the experts with respect to their usability. In particular, we have corroborated the relevance and suitability of the assessments and conclusions reached by the experts with audit evidence. We validated the methods and assumptions used by the experts. In addition, we have gained an understanding of the relevance, completeness and accuracy of the input data, which forms the basis of the purchase price allocation. We evaluated the adequacy and completeness of the disclosures of the three business acquisitions in the notes.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements 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 consolidated financial statements.

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 consolidated financial statements, 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 Group'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 Group'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 consolidated financial statements 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 Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We have been appointed as "Réviseur d'Entreprises Agréé" of the Group by the General Meeting of the Shareholders on 26 April 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 3 years.

Other matter

The Corporate Governance Statement includes, when applicable, the information required by Article 68ter Paragraph (1) Letters a), b), e), f) and g) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

PricewaterhouseCoopers, Société coopérative
Luxembourg, 19 March 2019
Represented by

Patrick Schon

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 sales and earnings performance, net assets and cash flows 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 19, 2019
SAF-HOLLAND S.A.

Martina Merz
Chair of the Board of Directors