



SAE *International*[™]

**Celebrating 100 Years
of Mobility Excellence**

2005

Annual Report

The year 2005 was one of commemoration and significant accomplishment for SAE International.

This year marked the 100th Anniversary of SAE, celebrating past and present members' thousands of achievements throughout the Society's first amazing century of service.



2005 SAE President J. E. "Ted" Robertson and SAE Executive Vice President and Chief Operating Officer Raymond A. Morris present U.S. Secretary of Energy Samuel Bodman a copy of *The SAE Story: One Hundred Years of Mobility* in celebration of SAE International's 100th Anniversary.

Executive Message

The year 2005 was one of commemoration and significant accomplishment for SAE International. This year marked the 100th Anniversary of SAE, celebrating past and present members' thousands of achievements throughout the Society's first amazing century of service.

And what a celebration it was. From a series of world-class centenary events and receptions to the beautiful, specially commissioned centennial artwork of artist John P. Glover, 2005 was a year of reflection, jubilation and pride.

Importantly, 2005 also was a year of both financial and membership success for SAE. Once again, the Society met its Financial Model revenue goal, providing a solid financial position to maintain our leadership role in the mobility industry. 2005 witnessed the highest total membership in SAE's history: 91,115 members – 1,000 more than the original goal. Not only is this accomplishment critical to the present health and vigor of the Society; it also keeps SAE on track to meeting its goal of 100,000 members by the year 2010.

A number of other significant accomplishments helped to define SAE's historic 100th year of service.

As testament to SAE International's truly global presence, our Society forged important new worldwide relationships throughout 2005, including beneficial meetings with South Africa, the Czech Republic, and the inauguration of a new section in Bangalore, India – resulting in the addition of more than 1,500 members.

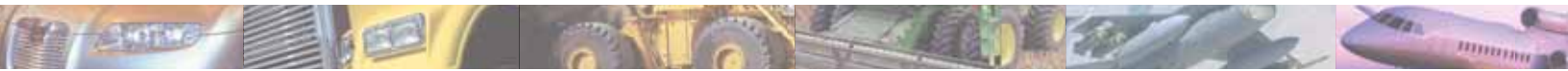
In July, SAE was pleased to welcome the Professional Aviation Maintenance Association (PAMA) as an SAE Aerospace Alliance. This new alliance offers considerable benefits to both PAMA and SAE. PAMA will gain an

expanded presence, strengthened relationship between maintenance and engineering, and additional benefits for its members, while SAE will reap the many rewards of a membership base that is highly skilled in aviation maintenance. Additionally, the inclusion of PAMA as an SAE Affiliate will help improve the worldwide understanding of SAE's considerable depth in the transportation arena.

During 2005, the wheels also were set in motion for an historic name-change. It is our pleasure to announce that, following the SAE Business Meeting that will be held during the 2006 World Congress event (April 3-6 in Detroit, Mich.) the official name of our organization – both internally and externally – will be SAE International. As approved by the Board of Directors, this change will enable the organization to effectively present itself to the world in a clear and consistent manner, regardless of industry.

In order to better serve a critical component of the ever-growing SAE membership, 2005 witnessed the birth of a new major SAE event – the SAE AeroTech Congress & Exhibition. Held in October, this Congress brought together a diverse group of attendees who shared the common goal of advancing the aerospace industry on all levels, including air-vehicle design, manufacturing and safety.

Another new and very successful 2005 event was the North American International Powertrain Conference, held in Toronto. The inaugural NAIPC event garnered exemplary feedback, bringing together an international group of high-profile delegates to propel the global powertrain industry forward. The conference enabled decision makers, influencers and visionaries within powertrain and engineering circles to share their views and build upon



J. E. "Ted"
Robertson, P.E.



Raymond A.
Morris

their knowledge by interacting with each other through a number of dynamic forums.

Also this year, the SAE Commercial Vehicle Congress & Exhibition solidified its position as the industry's must-attend event. Drawing more than 2,800 attendees and 139 exhibitors, the 2005 Commercial Vehicle Congress proved to be an important forum for attendees to share technical information and discuss critical topics relating to their industry.

Although 2005 and the past 100 years are a vital part of the SAE story, the Society's Board of Directors recognizes that the *next* 100 years are equally important, which is why future opportunities are always being evaluated and, if deemed to be promising, pursued.

One such opportunity is SAE's Memorandum of Understanding with the Clemson University International Center for Automotive Research (ICAR), which was announced at the SAE 2005 World Congress.

The benefits of this MOU are both significant and mutual. SAE will have the opportunity to establish a location in South Carolina from which to better and more effectively provide SAE products and services to the automotive industry in the southeastern United States. Clemson University's ICAR will be able to leverage SAE's multiple contacts in the automotive industry, as well as partner with SAE on a number of automotive related activities, including seminars, symposia, and conferences.

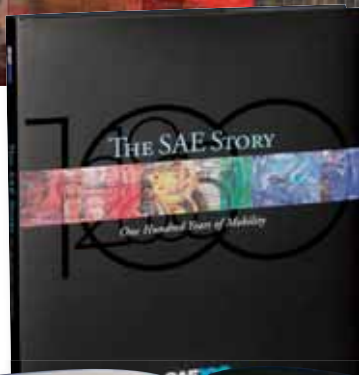
Throughout 2005, we had the privilege of representing SAE in every corner of the world – from Asia to Europe to South Africa to North America, our colleagues welcomed us graciously and treated us like royalty, thanks to the tremendous respect that SAE enjoys across the globe. Such respect is the direct result of the good work being accomplished by the Society's many members, volunteers and employees.

As SAE continues to expand and fine-tune its global presence while entering into 2006, we proudly recall the Society's past 100 years of advancing mobility engineering worldwide, and we look forward to experiencing all of the engineering innovations, solutions and breakthroughs that will help to define our second century of service.

Sincerely,

J. E. "Ted" Robertson, P.E.
2005 President

Raymond A. Morris
Executive Vice President and
Chief Operating Officer



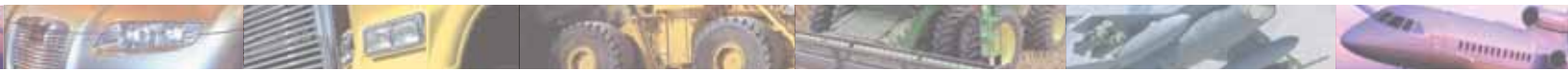
On Jan. 20, 2005, SAE International turned 100 years old, presenting the organization with the opportunity to celebrate the people and accomplishments that shaped SAE International in its first century.

An original piece of artwork, created by Pittsburgh artist *John Glover*, embodied the 100th Anniversary campaign with a three-panel design that merged the Society's automotive, aerospace and commercial vehicle industries. The painting was unveiled at the SAE 2005 World Congress & Exhibition and now permanently hangs in the lobby of SAE International's World Headquarters in Warrendale, Pa.

The history of SAE International was captured through the storytelling of automotive author Bob Post in *The SAE Story: One Hundred Years of Mobility*. The coffee-table book bursts with colorful photos that take the reader through a timeline of the Society's first century. The publication was used as a centerpiece at the SAE World Congress banquet and keepsake for members and clients.

In addition to the book, SAE International created a 100th Anniversary DVD, commemorative silver coin and limited edition U.S. postage stamp featuring Glover's original artwork. A 100th Anniversary line of memorabilia that included jackets, shirts, mugs and hats was also sold to showcase the SAE100 logo.

SAE International organized a series of special events throughout 2005 in celebration of its 100th Anniversary. A giant "birthday" cake fit for 100 years was served at an anniversary reception during the SAE World Congress. In addition to the artwork's unveiling, the 2005 event introduced a display showcasing SAE International's history.



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The SAE Government/Industry Meeting in Washington, D.C., included a reception at the Smithsonian National Air and Space Museum, where retired U.S. Navy Captain Eugene Cernan, commander of Apollo 17 and the last man to walk on the moon, captivated the audience with stories of his adventures in aerospace.



To kick off the annual SAE AeroTech Congress & Exhibition, a 100th Anniversary event was held at the Texas Motor Speedway. Members had the opportunity to meet Indianapolis 500 winner Johnny Rutherford and ride in Texas Team NASCAR race cars.



Students were given the opportunity to join the celebration as well. The longest-running event in the Collegiate Design Series, Mini Baja West, was transformed into Mini Baja 100 to commemorate SAE International's 100th Anniversary. The event featured a 100-mile endurance race through the desert in 100-degree temperatures at Caterpillar's Tinaja Hills Training Center in Green Valley, Ariz.



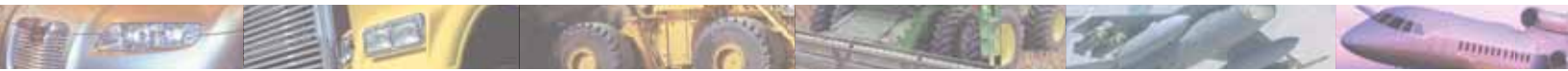
The 100th Anniversary products and celebrations commemorated SAE International's rich history while serving as a launching pad to position the organization for a promising future. SAE International closed its 100th Anniversary campaign and headed into its second century with great confidence and optimism.



The SAE Automotive Business Initiative broadened its global reach in 2005 by gaining increased support for the SAE World Congress from international OEM and top-tier supplier executives.



SAE was founded in 1905 as the Society of Automobile Engineers under the leadership of Andrew L. Riker. Riker served as the society's first President for three years.



SAE's Key Mobility Sectors



Automotive

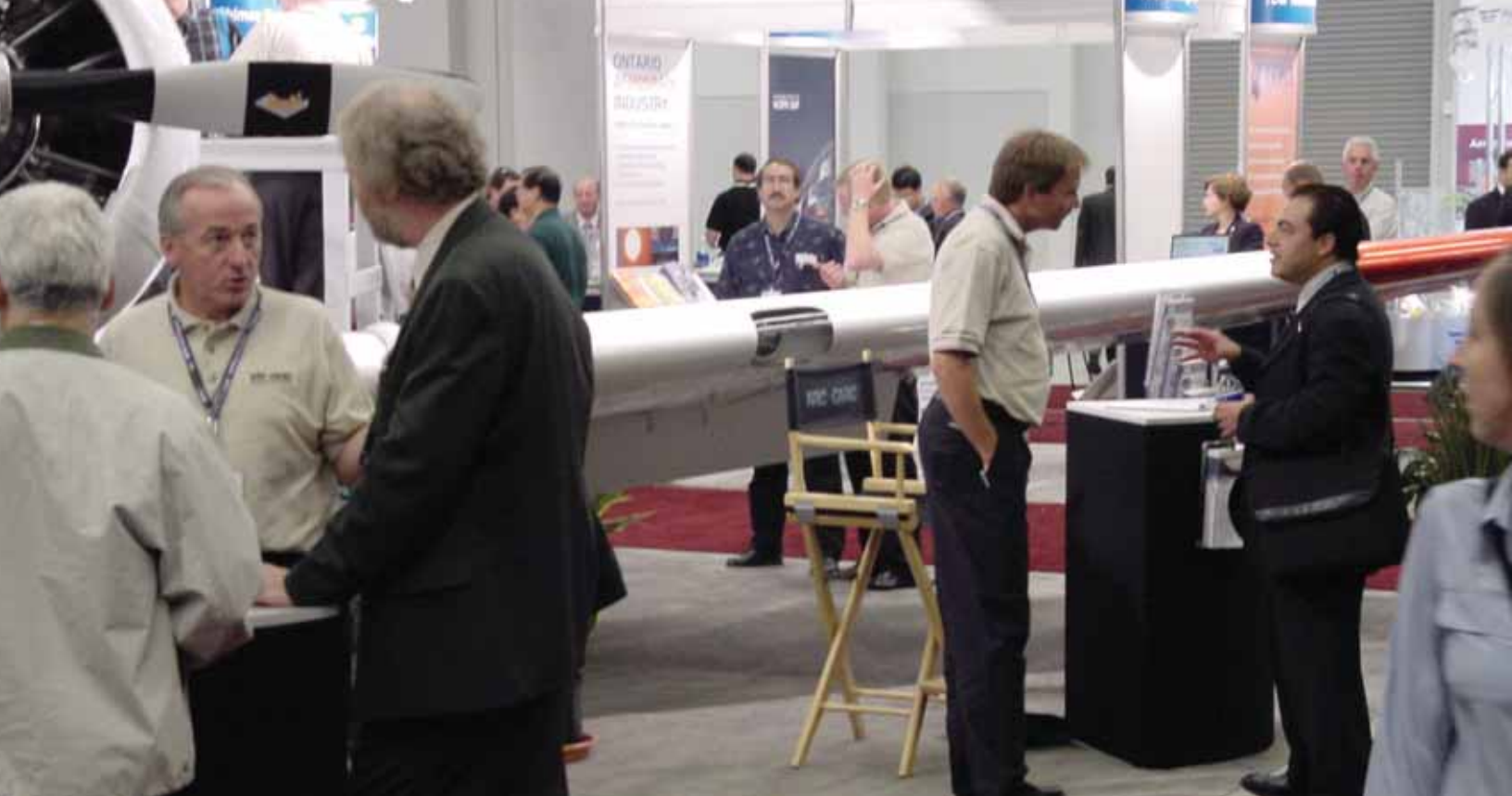
The SAE Automotive Business Initiative broadened its global reach in 2005 by gaining increased support for the SAE World Congress from international OEM and top-tier supplier executives. An Industry Leadership Coalition created in 2004 to support this goal continued to meet throughout the year to develop methods of supporting and participating in the World Congress. The Coalition gained commitments to provide executive leadership for the 2006-2008 World Congresses from BMW Group, Toyota Motor Corporation and DaimlerChrysler, respectively.

Other key areas of progress included increased engagement of BMW, Toyota, Nissan, Honda and Hyundai in the target areas of corporate leadership, membership, SAE committee participation, technical papers, sponsorship and exhibits.

Increased visibility for the SAE Automotive Headquarters in Troy, Mich., remained a key objective in 2005. Successful efforts in this area led to more executive-level meetings and an expanded professional development seminar program. A renovation of the office's home on the 16th and 17th floors of the Top of Troy building was also completed to provide improved service to members and customers.

The SAE Automotive Resources Institute (ARi) completed its first full year of operation in 2005 with moderate success, but with great interest and enthusiasm from the automotive industry. ARi continued to define its niche in the industry; providing corporations with matchmaking and custom solutions remained its primary value proposition.

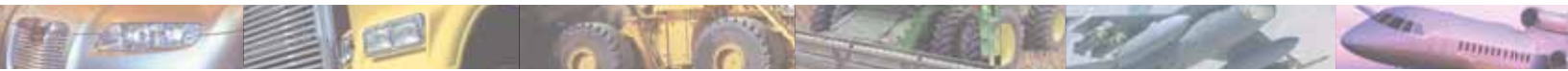
To respond to critical business and technology issues, SAE International conducted a highly successful North American International Powertrain Conference. The executive-level conference addressed the next-decade consumer and issues relating to energy, regulation, producers and technology.



In 2005, the SAE Aerospace Executive Committee developed a strategic plan to align and refine SAE International for aerospace.



As aeronautical engineering took flight in the early 1900s, SAE looked into expanding its membership to encompass all forms of mobility engineering. The vote became official at the 1916 meeting.



SAE's Key Mobility Sectors



Aerospace

In 2005, the SAE Aerospace Executive Committee developed a strategic plan to align and refine SAE International for aerospace. The plan, which was communicated to the SAE Operating Board Chairs, asked all contributing aerospace members to include aerospace strategies in their 2006 plans.

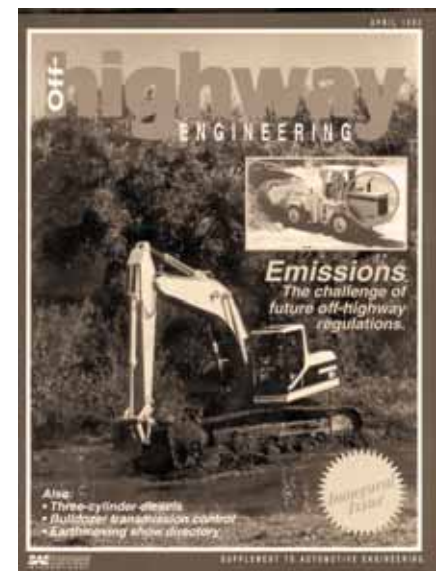
The Professional Aviation Maintenance Association (PAMA) was approved for affiliation with SAE International through the SAE Institute in July 2005. The affiliation provides SAE International an expanded presence in the total product life cycle of aircraft.

SAE International's aerospace members continued to strengthen their presence in the society. Two significant events held in 2005 were the inaugural AeroTech Congress & Exhibition and the Aerospace in the News Executive Symposium. Additionally, SAE International staged the Aero Design West competition in Dallas/Fort Worth, and supported various local sections with aerospace program connections.

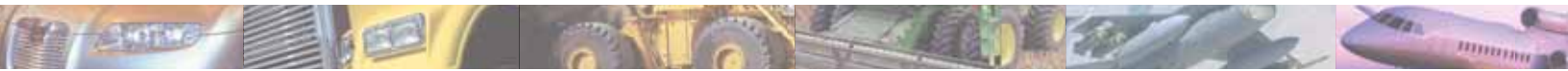
Robert Spitzer, 2003-2005 SAE Aerospace Vice President, led the effort to identify a new Aerospace Vice President, Ronald E. York, Chief Operating Officer of Rolls-Royce North American Technologies Inc. York will lead and strengthen SAE International's support from the aerospace mobility sector. The transition between the Aerospace Vice Presidents started in 2005 when they jointly developed the SAE Aerospace Strategy/Operating plan for 2006. The plan addresses these goals: to strengthen the SAE Aerospace brand; leverage linkage between aerospace activities within SAE International; pursue strategic alliances with other organizations; develop, communicate and implement a strategic plan for SAE Aerospace; and support the Board and leadership of SAE International.



The Commercial Vehicle initiative continued to strive to be the resource of choice for the transfer of technical knowledge and networking among engineers, practitioners, and leaders of the global on-road and off-road Commercial Vehicle industry.



SAE *Off-Highway Engineering* magazine was released in April 1993 to cover the commercial vehicle industry.



SAE's Key Mobility Sectors



Commercial Vehicle

Under the leadership of Commercial Vehicle Vice President Mark Pflederer of Caterpillar, Inc., the Commercial Vehicle initiative continued to strive to be the resource of choice for the transfer of technical knowledge and networking among engineers, practitioners, and leaders of the global on-road and off-road Commercial Vehicle industry.

Feedback from members continued to be the driving force in the development of products and services for the Commercial Vehicle industry, further moving toward SAE International's goal of helping customers be more efficient and competitive in the marketplace.

The SAE 2005 Commercial Vehicle Congress & Exhibition succeeded in meeting the technical needs of more than 2,800 individuals in its second year of operation. The conference, held in suburban Chicago, drew experts from more than 22 countries to share knowledge on vital industry issues on electronics, emissions, safety and reliability. A CEO panel addressed the challenges of working in a global marketplace. The number of commercial vehicle OEMs attending the meeting significantly increased in 2005; and a record number of senior-level commercial vehicle executives participated on the event planning committee. *SAE Off-Highway Engineering* magazine served as the official publication for the event.

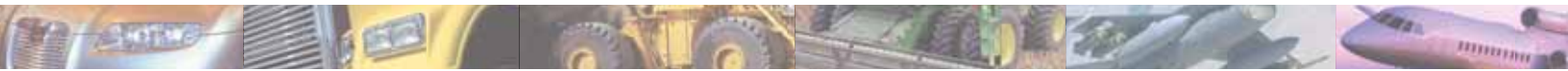
To better serve the off-highway industry, the Off-Highway Standards Consortium was formed under the SAE Institute, an affiliate of SAE International. The consortium will work to provide the off-highway industry with resources to continue developing and approving ISO standards.



The goal of the Aerospace Council is to ensure that SAE International is a leader in defining, facilitating and maintaining a global aerospace standards system.



Henry Souther, 1911 SAE President, earned the name "Father of SAE Standardization" as the first chairman of the SAE Standards Committee.



SAE Standards



Aerospace Standards

Airport/Ground Operations and Equipment

Division: A new division was formed under the SAE Aerospace Council that combines technical committees associated with airport/ground operations and equipment. The Airport/Ground Operations and Equipment Division comprises the following committees: AGE-2, Air Cargo and Aircraft Ground Equipment and Systems, G-12 Aircraft Ground Deicing, G-15 Airport Snow and Ice Control Equipment, and a proposed new committee on Aviation Fuel Operations. The committees previously resided under the General Projects Division.

Globalization: The Aerospace Council renewed a Memorandum of Understanding with the European Organization for Civil Aviation Equipment, an organization that develops avionics and electronics standards. The council also continued to solicit international Aerospace Council members and in 2005, added a new member from Avions de Transport Regional.

Improved Processes and Products: A Limited Scope Ballot process was created to expedite limited technical changes or the correction of typos.

A revised format was authorized for metal finishing standards to raise visibility of requirements and reduce errors being encountered.

North Atlantic Treaty Organization (NATO):

Aerospace Standards supported the signing of the Technical Cooperation Agreement between SAE International and the NATO Standardization Agency. This agreement recognized the valuable role SAE International standards play in facilitating the defense of the United States and its allies.

Global Standards Development Project: The three primary aspects of this project are to increase awareness of the SAE International standards program on a global level; establish a clear SAE International presence in strategic global standardization-related activities; and improve relationships with other leading standards organizations.

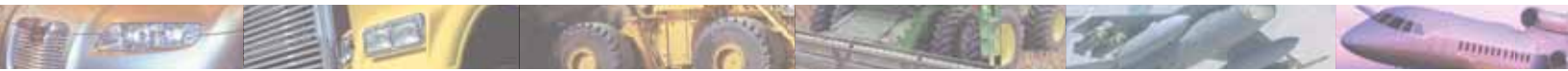
Metrics: Metrics were established to monitor the health of SAE International's standards activities.



As part of the SAE Standards Certified Power Program, SAE International developed a program to certify manufacturers' claims for engine horsepower and torque values.



The first volume of the *S.A.E. Handbook*, an annual collection of SAE standards, was published in July 1915.



SAE Standards

"It would be a great plan to get at some definite names for the various parts of the automobile, because, as we all know, not every manufacturer and dealer calls the same parts by the same names."

Andrew L. Riker
SAE President, 1905-1907



Ground Vehicle Standards

Certified Power Program: SAE International developed a program to certify manufacturers' claims for engine horsepower and torque values. SAE International provides the framework for the program and administers the official database of certified results.

Identification Numbers for Off-Road Recreational Vehicles: SAE International established a program to assign and administer off-road recreational vehicle product identification numbers. The new program was needed because the National Highway Traffic Safety Administration will no longer provide these numbers for off-road vehicles.

Cooperative Research Program: The Cooperative Research Program has administered more than 60 projects to date. Current key projects include:

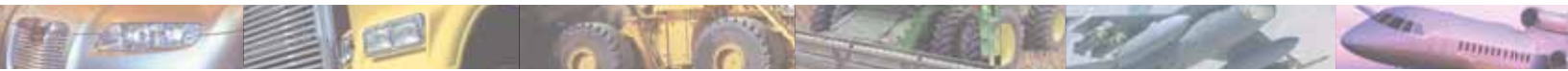
- **Improved Mobile Air Conditioning (I-MAC):** SAE International announced I-MAC, a new government and industry program to certify vehicle air conditioners. In June 2005, certification became available for refrigerant leak tightness as tested by SAE J-2727. The SAE I-MAC certification program will be guided by an international board of advisors including environmental authorities, supplier companies and representatives from 28 OEMs.
- **Emergency Vehicle Lighting:** SAE International continued to work with industry and the University of Michigan to study and enhance the effectiveness of emergency lighting characteristics. Government sponsors include the U.S. departments of Homeland Security, Transportation and Justice; Federal Emergency Management Agency; and U.S. Fire Administration.
- **Otologic Trauma Studies:** Patients involved in motor vehicle accidents were tested and evaluated for hearing loss after airbag deployment.
- **High-Strain Rate Polymer Testing:** This research program tested reinforced and unreinforced plastics used in semi-structural and structural components.



Professional Development introduced 12 new titles in 2005, bringing the total number of seminar and engineering academy titles to 157.



SAE's Automotive Headquarters was founded in 2002 to establish a permanent presence in the Detroit metro area.



Professional Development

"The SAE serves no selfish interest. It encourages the interchange of engineering knowledge."

James C. Zeder
SAE President, 1950



Professional Development

SAE International's 100th Anniversary was a landmark year for seminars. Professional Development introduced 12 new titles in 2005, bringing the total number of seminar and engineering academy titles to 157.

The 40 seminars conducted at the SAE 2005 World Congress & Exhibition were the most ever offered in the convention's history, attracting an all-time-high attendance of 732 individuals.

Professional Development entered the college domain in 2005 by offering the first seminar for Formula SAE students. The on-site course instructed 27 students on tires and performance-handling for race cars. Plans are under way for 2006 to expand the availability of seminars at both Formula SAE locations in Michigan and California.

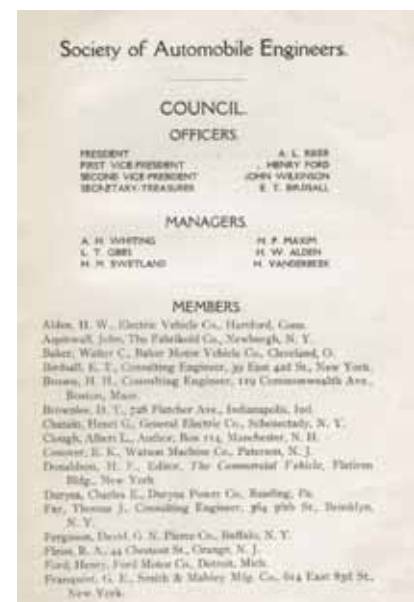
2005 was also a year of forming and strengthening global relationships. The first SAE International seminar was held at the SAE India Mobility Congress in October. This course represents the start of an increasing number of seminar offerings in India. Professional Development continued to increase its presence in China, where 13 seminars held during March, August and October drew an overall attendance of 185 individuals.

Three new e-seminars were developed and launched, and two telewebcasts reached more than 500 individuals. In addition, SAE International partnered with Alcoa to offer a comprehensive selection of 23 self-paced online courses known collectively as the Alcoa Quality Institute.

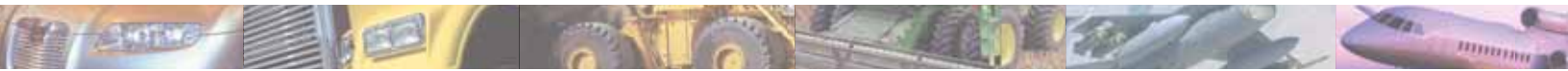
Professional Development created and distributed the first Automotive Engineer Training Survey. The survey was the start of a campaign designed to benchmark trends in training for engineers in North American automotive companies.



Membership exceeded the 90,000 mark for the first time in SAE International's 100-year history, closing the year with 91,115 members representing more than 100 countries.



In January 1905, SAE's 30 founding members convened in New York and elected officers. Early members paid \$15 initiation fees and \$10 annual dues.



Membership and Sections Activities

"The work covered by the S.A.E. is of such value that everybody identified with the industry should take out membership."

Orville Wright, 1918



Membership and Sections Activities

Membership exceeded the 90,000 mark for the first time in SAE International's 100-year history, closing the year with 91,115 members representing more than 100 countries. This figure includes professionals, students and members of SAE affiliate societies in the United Kingdom, India and Brazil. The global affiliates continued to grow in membership, reaching all-time highs in 2005, and SAE International finished the year with a record 18,300 students. The member retention rate for the year reached 82.7 percent, its highest point since 1998.

SAE International continued to meet members' needs at the local level through technical and networking opportunities available through SAE sections and student chapters. More than 90 sections and 400 student chapters exist worldwide. Their members represent 90 percent of SAE International's membership. In 2005, the Michiana Section was formed in the area of South Bend, Ind. Other new section activities in 2005 included the re-formation of the Oklahoma Section (formerly the Mid-Continent Section) and the formation of 12 new student chapters.

Career Center: The SAE Career Center connects qualified SAE International members with employers and recruiters in the mobility industry. It is part of the SAE Power Track program to help members accelerate their engineering careers. The SAE Career Center was launched a year ago as an exclusive member benefit for professional and student members and continued to grow in reach in 2005. In 2005, more than 6,000 members used the service and more than 1,100 members posted resumes. The site averaged more than 20,000 total page views per month and about 45 job postings per month.

Leadership Development Program: The inaugural Leadership Development Program launched in 2005 recognizes some of SAE International's most promising student leaders. The program will further develop students' leadership skills for application to future roles in SAE International and their professional engineering careers.

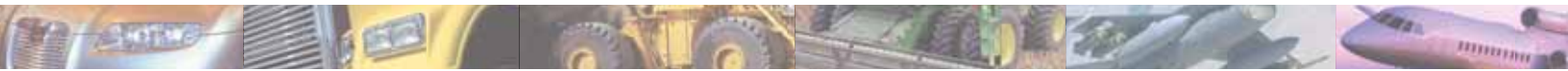


Engineering Meetings & Symposia

SAE 2005 World Congress & Exhibition: Under the leadership of General Motors, the SAE 2005 World Congress & Exhibition marked the first time that General Motors, Ford, DaimlerChrysler, Honda, Hyundai, Nissan, Toyota and BMW were all represented at this leading technology conference. The Congress was held in April, attracting more than 35,000 attendees from 48 states and 47 nations to the Cobo Center in Detroit. The Congress generated more than 1,500 technical papers and included an exhibition featuring more than 700 companies.

SAE AeroTech Congress & Exhibition: The inaugural SAE AeroTech Congress & Exhibition brought together a consortium of aerospace conferences for the first time, drawing nearly 1,700 attendees and more than 100 exhibiting companies to the Gaylord Texan Resort and Convention Center near Dallas/Fort Worth. The event, hosted by Lockheed Martin Co., included 161 papers and 146 presentations from four co-located meetings: Advances in Aviation Safety, Aerospace Manufacturing and Automated Fastening, the International Powered Lift Conference and the World Aerospace Congress.

SAE Commercial Vehicle Engineering Congress & Exhibition: In 2005, the SAE Commercial Vehicle Engineering Congress & Exhibition merged the truck, bus, construction and agricultural mobility communities for the second straight year. The event attracted 2,800 attendees from 22 countries to the metropolitan Chicago area. Five executive panels were conducted, including one that addressed the challenges of working in a global marketplace; it drew a standing-room-only audience of nearly 500. The event showcased 138 companies and generated 234 technical presentations, 124 published papers and 76 technical sessions.



Engineering Meetings and Symposia

"No other organization has ever had such an opportunity... to wield its influence for the direct and immediate good of that business which has called it into being."

Howard Coffin
SAE President, 1910



Government/Industry Meeting: The Government/Industry Meeting drew 573 attendees from industry, academia and government to Washington, D.C., in May to hear the latest developments in safety, environmental issues and energy conservation related to automotive design and public policy. The event featured more than 100 speakers, including addresses by John Graham of the U.S. Office of Management and Budget and Ellen Engleman Connors of the National Transportation Safety Board.

North American International Powertrain Conference: SAE International held the first North American International Powertrain Conference in September to help industry executives understand the challenges and opportunities in the North American market. More than 150 international executives examined five key market drivers – consumers, energy, regulations, producers and technology.

DoD Maintenance Symposium & Exhibition: SAE International administered its fourth DoD Maintenance Symposium & Exhibition for the U.S. Department of Defense in Birmingham, Ala. The 1,400 attendees participated in an expanded technical program with a sold-out exhibit, marking the event's most successful year of operation. The event also included an inaugural award presentation sponsored by SAE International. The Robert T. Mason Award for Depot Maintenance Excellence, which recognizes the most outstanding military depot, will be awarded annually as a symbol of SAE International's partnership with the U.S. Department of Defense.

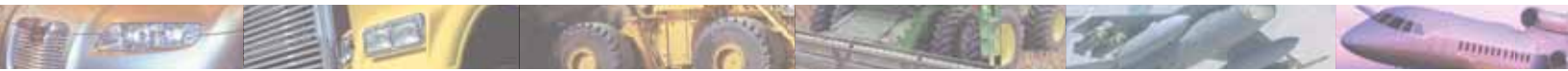
International Conference on Environmental Systems: The 35th International Conference on Environmental Systems (ICES) was administered by SAE International in Rome, Italy. SAE International partnered with AIAA, the AIChE, the ASME and an ICES International Committee to organize the event, which focused on the design, production and operation of environmental systems for vehicles intended for use in remote and hostile environments. In 2005, ICES contributed 309 written papers to the SAE literature and attracted more than 370 attendees.



Top executives from the world's leading mobility companies offered their predictions for 2006 and beyond in a special *SAE 100 Future Look* edition of SAE International's three magazines.



SAE's first magazine, *Automotive Engineering International*, was introduced as the *S.A.E. Bulletin* in 1911.



Magazines



Magazines

SAE International's magazines used the 100th Anniversary as an opportunity to take a look into the future. Top executives from the world's leading mobility companies offered their predictions for 2006 and beyond in a series of articles published throughout the anniversary year. The series culminated in a special *SAE 100 Future Look* edition of SAE International's three magazines, *Automotive Engineering International*, *SAE Off-Highway Engineering* and *Aerospace Engineering*. The 152-page issue, which had a total circulation of 130,000, featured contributions from nearly 80 leaders of the passenger car, aerospace and commercial vehicle industries. *Automotive Engineering International* continued with the commemorative theme by undergoing a design update in conjunction with the 100th Anniversary.

The SAE 2005 World Congress *Show Daily* was awarded first prize by the International Association of Exhibition Management for its up-to-date and comprehensive coverage of the convention. The competition recognizes excellence in show design and promotional materials. The positive response led to the publication of the first *Show Daily* for the SAE 2005 AeroTech Congress & Exhibition.

Automotive Engineering International increased its presence in the Detroit area with the addition of a senior editor based out of SAE International's Automotive Headquarters. The magazines also strengthened their editorial networks in Washington, D.C., and Korea, while *Aerospace Engineering* broadened its scope of expertise by adding aircraft maintenance to its areas of focus.

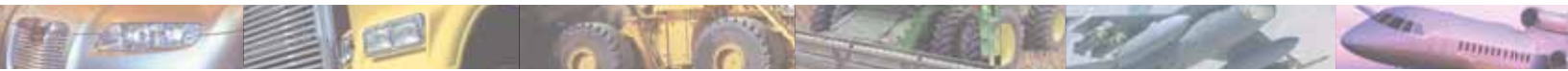
SAE Off-Highway Engineering, the official publication for the SAE Commercial Vehicle Congress & Exhibition, increased editorial content of appropriate heavy-duty on-highway technologies to coordinate with the event and highlight technology transfer between the on- and off-highway commercial vehicle industries. The magazine also showed an improved market share of nearly 8 percent.



Students from the R.V. College of Engineering in Bangalore, India, compete at Formula SAE Australasia. SAE India student membership reached 6,000 in 2005.



SAE took an important step toward international growth by forming three global affiliates: SAE Brasil in 1992, SAE India in 2002 and SAE-UK in 2004.



Global Business Development

"Automotive engineering knows no national boundaries."

Harry Chesebrough
SAE President, 1960



Global Business Development

SAE International continued to strengthen its presence in the global community in 2005.

Here are some of the year's highlights:

Asia-Pacific (China, India, South Korea)

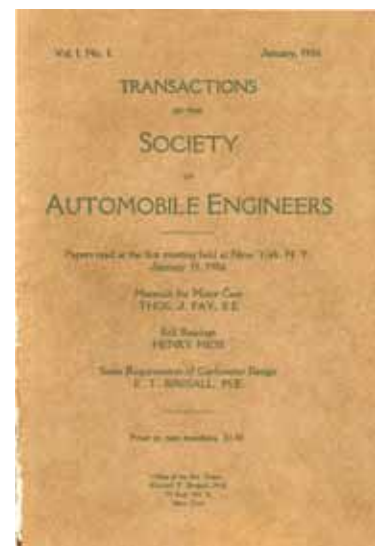
- SAE International conducted 17 seminars in the Asia-Pacific area.
- SAE International trained 276 engineers and managers in mainland China, India and South Korea.
- A Powertrain Electronics Symposium in Shanghai drew 220 attendees.
- In the area of standards, SAE Ground Vehicle industry experts presented at the Shanghai Institute of Standardization Conference.
- *Automotive Engineering International* magazine achieved a circulation of more than 6,000 in China.
- SAE International participated in both Auto Shanghai in China and the Korean Auto Parts and Accessories Show in Seoul.

India

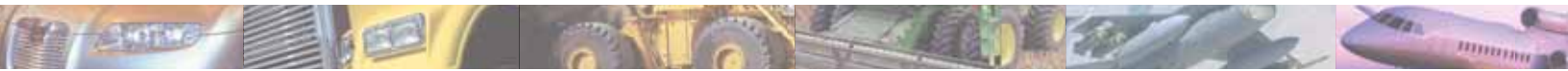
- For the first time since the inception of SAE India in 2002, 25 Indian companies participated in the SAE 2005 World Congress in Detroit.
- India Minister of Heavy Industries and Public Enterprises S. M. Dev led a high-level Indian delegation and participated in an India Panel at the SAE 2005 World Congress, attracting a record audience.
- SAE 2005 President J. E. "Ted" Robertson visited India and participated in the first SAE India Congress & Exposition held in Chennai in October.
- SAE India membership reached nearly 9,000, including 6,000 student members. SAE India has more than 60 Collegiate Clubs, a number that ranks SAE India second after the United States in college-age participation.
- Indian students participated in Formula SAE and Mini Baja.
- SAE International and CADPO launched two CAD certification courses through Kalyani Net Ventures Ltd., in Pune, India.
- SAE India conducted an introductory training program supported by SAE International. This will pave the way for future SAE professional development courses in India.



The SAE Story: One Hundred Years of Mobility is filled with archival images and historical backgrounds that take the reader through a timeline of SAE International's first century.



SAE published the first volume of SAE Transactions in 1906. The volumes were computerized six decades later.



Publications



Publications

Technical Publishing marked SAE International's 100th Anniversary with the publication of two authored books, *The SAE Story: One Hundred Years of Mobility* and *Pioneers, Engineers and Scoundrels: The Dawn of the Automobile in America*. Additionally, two volumes of selected papers from the SAE International archives were published: *100 Years of Engine Developments* and *100 Years of Vehicle Safety Developments*.

The SAE Story is filled with archival images and historical backgrounds that take the reader through a timeline of SAE International's first century. *Pioneers, Engineers and Scoundrels* presents a written portrait of the American automobile industry's early years. The book was honored with the Best of Books Award from the International Automotive Media Awards and the Thomas McKean Memorial Cup from the Antique Automobile Club of America.

Additional authored titles published in 2005 include:

- *Automotive Software Engineering: Principles, Processes, Methods, and Tools*
- *Care and Repair of Advanced Composites, 2nd Edition*
- *Diesel Common Rail and Advanced Fuel Injection Systems*
- *Disc Brake Squeal: Mechanism, Analysis, Evaluation, and Reduction/Prevention*
- *Handbook of Automotive Engineering*
- *Tire and Vehicle Dynamics, 2nd Edition*
- *Vehicle Accident Analysis & Reconstruction Methods*
- *Vehicular Engine Design*

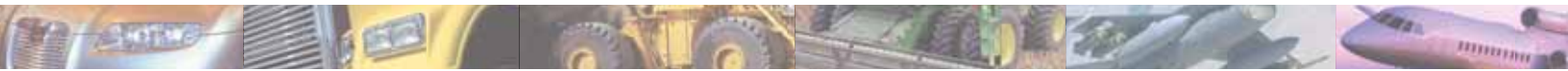
In 2005, the Board of Directors adopted an SAE-wide Intellectual Property Rights and Usage Policy and subsequently developed a system for Digital Rights Management for electronic document delivery. These developments will help ensure protection of SAE International's intellectual property as demand for electronic document delivery and customized electronic collections continues to increase.



The Collegiate Design Series strengthens SAE International's global visibility and its presence in the academic community by serving as an international training ground for future engineers and industry leaders.



Mini Baja launched the Collegiate Design Series in 1976 at the University of South Carolina and Fort Jackson. By 1979, more than 50 universities competed in the event. In 2005, 196 universities participated.



Collegiate Design Series

"The future of automotive technology is here at Formula SAE."

Duane Tiede
SAE President, 2004



Collegiate Design Series

The events of the Collegiate Design Series are SAE International's most important contributions to university-level engineering education. Participants gain hands-on engineering design experience and develop engineering project management skills in a "real-world" environment. Students also gain exposure to the mobility industry through networking with future employers.

SAE International benefits by attracting new members and involving existing ones. The Collegiate Design Series strengthens SAE International's global visibility and its presence in the academic community by serving as an international training ground for future engineers and industry leaders.

The SAE Collegiate Design Series competitions include Formula SAE, Aero Design East and West, Clean Snowmobile Challenge, Supermileage, and Mini Baja West, East and Midwest.

Some notable achievements from 2005:

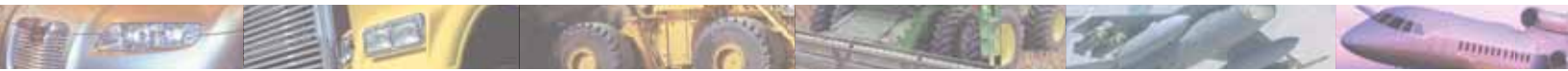
- Overall student participation for the 2005 season was 4,470.
- Registration for the 2005 Formula SAE was limited to 140 teams, and all available spaces were filled in 34 minutes.
- The Mini Baja Midwest competition, hosted by the Dayton Section, included teams from 140 colleges and universities from across the United States, Canada, Argentina, South Africa, Brazil, South Korea and Venezuela.
- The Mini Baja West became the Mini Baja 100 to commemorate SAE International's 100th Anniversary with a 100-mile endurance race through the desert at Caterpillar's Tinaja Hills Training Center in Green Valley, Ariz. The event had a record 131 teams register.
- The first Formula SAE Italia event was held at Fiat Proving Grounds in Balocco, Italy.



Students present Michigan Governor Jennifer Granholm with business cards they developed for their *A World In Motion* projects. AWIM® brings students, teachers and volunteer engineers and scientists together to deliver real-world experiences to the classroom.



A World In Motion was launched in 1990. A year later, classroom kits were distributed throughout the U.S. and Canada.



A World In Motion

"There exists limitless opportunities in every industry.
Where there is an open mind, there will always be a frontier."

Charles F. Kettering
SAE President, 1918



A World In Motion (AWIM)

In 2005, SAE International formally established the AWIM program office, charging it with the responsibility of setting strategic direction and leading the development of new programs. The program office is comprised of SAE International members, industry representatives and education professionals. A strategy was developed to assure that AWIM continues to combine the power of professional engineers volunteering in the classroom with a solid curriculum to deliver world-class hands-on education.

Growth: 2005 was a year of growth for the AWIM program. SAE International held 59 teacher workshops, distributed more than 2,700 kits and reached nearly 73,000 new students. SAE International established initiatives and strategic partnerships in the southeastern United States, the Rocky Mountain states, southern California and southeastern Michigan to focus on delivering AWIM to more classrooms.

SAE International also established the AWIM regional support network, placing experienced educational professionals geographically close to classrooms, volunteers and teachers.

Programs: The program office initiated the development of a new classroom challenge focused on fuel cells and approved the launch of a new Web site designed to reach students, teachers and parents. The site provides additional tools and resources to support education in science, technology and engineering.

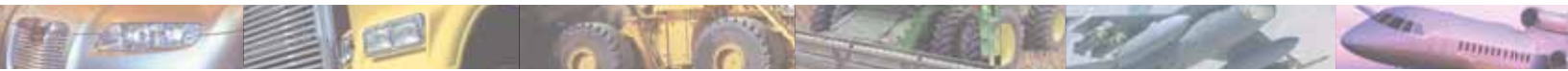


"The students' eyes sparkled with enthusiasm as I used the opportunity to ask questions and discover for myself what they were learning through the *A World In Motion* program. I was very pleased with their good answers."

Dr. Shoichiro Toyoda



The SAE Foundation was created in 1986 to promote education in math and science.



SAE Foundation



SAE Foundation

Centennial Campaign: The SAE Foundation kicked off its centennial campaign, *Inspiring A New Generation*, at the 2005 SAE World Congress & Exhibition. The campaign was established to expand the talent pool of tomorrow's engineers by supporting math and science education in today's classrooms. Rick Wagoner, Chairman and CEO of General Motors Corp. is chairing the effort, which to date has received funding from General Motors, Caterpillar, Ford, Toyota, SAE International, International Truck and Engine Corp., AVL and ArvinMeritor.

SAE Foundation Banquet: On May 24, 2005, more than 700 individuals gathered at the Renaissance Center Wintergarden in Detroit to pay tribute to Dr. Shoichiro Toyoda, Honorary Chairman of Toyota Motor Corporation and recipient of the 2005 Manufacturing Leadership Award. The award honored Toyoda for his extensive contributions to the development of the automotive industry.

In attendance to congratulate Toyoda were Michigan Governor Jennifer Granholm; former Senator and Ambassador to Japan Howard H. Baker Jr.; Chairman and CEO of General Motors Corp. Rick Wagoner; Chairman, CEO and President of Delphi Corp. J. T. Battenberg III; CEO of ArvinMeritor Charles G. "Chip" McClure; and President of Toyota North America Harry Otako.

Awards and Scholarships: In 2005, the SAE Foundation funded more than 60 award programs that recognized contributions to the mobility engineering profession. 2005 also marked the most award nominations received in the program's history. The SAE Foundation awarded 59 scholarships to undergraduate and graduate students pursuing future careers in the industry.

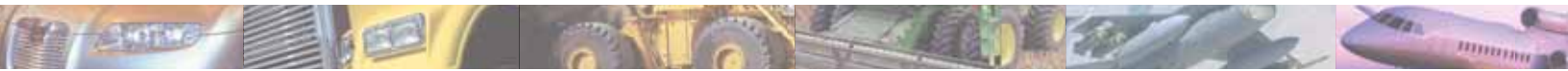


The SAE Institute provides a framework in which automotive, aerospace and commercial vehicle organizations create solutions to technical and business problems and tailor them to each client's needs.

PRI's Nadcap program conducted 3,300 special process audits across the globe for the aerospace industry.



The Performance Review Institute was created in 1990. 2005 marked PRI's 15th anniversary.



SAE Institute & Performance Review Institute

“SAE means different things to different people, and different things to the same person at different times. Each member is constantly writing and rewriting his own definition, and it’s the sum of those definitions that charts the course and progress of the Society from year to year.”

John A.C. Warner
SAE General Manager, 1955



SAE Institute

The SAE Institute, an affiliate of SAE International, successfully completed its first full year of operation in 2005. The Institute was approved by the SAE Board of Directors in late 2003 to capitalize on opportunities where other organizations can benefit as affiliates of SAE International while still thriving as separate entities.

Highlights of projects that kicked off the SAE Institute’s inaugural year include:

Professional Aviation Maintenance Association (PAMA)

PAMA’s alliance with SAE International became official in July 2005. The relationship is mutually beneficial. PAMA’s 3,000 members receive the benefits of SAE International membership, and SAE International gains a connection to PAMA’s administrative, publishing and distribution services as well as marketing and public relations activities.

The Americas Sector of the International Aerospace Quality Group (IAQG)

IAQG develops industry standards and compliance systems for aerospace quality systems.

The Off-Highway Standards Consortium

This consortium provides resources for the off-highway industry to continue its role in developing and approving ISO standards.

The Off-Road Vehicle Identification Number (WMC/PIN) System

The WMC/PIN (World Manufacturer Code/Product Identification Number) System serves as a database for managing identification numbers for off-road recreational vehicles.

Performance Review Institute

SAE International’s affiliate organization, the Performance Review Institute (PRI), celebrated its 15th anniversary with another successful year. PRI’s Nadcap program conducted 3,300 special process audits across the globe for the aerospace industry. PRI Registrar conducted more than 300 audits in 2005, exhibiting its commitment to certifications that lead to process improvements. Driving PRI’s global outreach is a Board of Directors, comprised of mobility executives from Japan, Canada, France, the United Kingdom and the United States. The Board comprises mobility executives from Japan, Canada, France, the United Kingdom and the United States. PRI has offices in the United Kingdom, China and Japan; and additional staff in Derby, England; Los Angeles; Boston; and Cincinnati and Columbus, Ohio.



As SAE continues to expand and fine-tune its global presence while entering into 2006, we proudly recall the Society's past 100 years of advancing mobility engineering worldwide, and we look forward to experiencing all of the engineering innovations, solutions and breakthroughs that will help to define our second century of service.

Corporate Directory

The 2005 SAE Board of Directors



2005 President

J. E. "Ted" Robertson, P.E.
Vice Chairman, Product Development
ASC Inc.
Chief Engineer Emeritus
General Motors Corp.



2006 President

Greg Henderson, P.E.
Director, Weight Management & Control
Lockheed Martin Aeronautics Company



2004 President

Duane Tiede
Vice President of Functional Engineering
CNH Global
(Retired)



2005 Vice President Aerospace

Robert E. Spitzer
Vice President, External Technical Affiliations
and University Relationships
The Boeing Company
(Retired)



2005 Vice President Automotive

Richard O. Schaum
General Manager
3rd Horizon Associates LLC



2005 Vice President Commercial Vehicle

Mark R. Pflederer
Vice President & Chief Technology Officer
Caterpillar, Inc.



2005 Treasurer

Terence J. Rhoades
President
Mechanical Simulation Corp.



2005 Assistant Treasurer

Carol A. Story
Manager, Best In Class Quality
Engine Group
International Truck and Engine Corp.



2005 Secretary

Raymond A. Morris, CAE
Executive Vice President & COO
SAE International

Directors One-Year Term (2005)

Andrew Brown Jr.
Executive Director, Engineering
Competency
Delphi Corporation

Andrew C. Palmer
Program Director, LCV & President,
Light Truck
Nissan Motor Company, Ltd.

Nicholas P. Cernansky
Professor
Drexel University

V. Sumantran
Executive Director
Tata Motors, Ltd.

Derek J. Logan
Senior Project Engineer
Nissan Technical Center North
America, Inc.

Steven W. Woodard
Division Engineering Manager
Eaton Automotive

Michael D. Madley
Director of Sales
BorgWarner Transmission Systems

Directors Two-Year Term (2005-2006)

Daniel R. Kapellen
Product Line Manager, Gas Engine
Products
Woodward

Robert J. Pfeiffer
Manager, Advanced Safety &
Regulations, Global Compliance
Ford Motor Company

Alan H. Nye
Professor
Rochester Institute of Technology

Ronald G. Rath
Managing Director
Marx Consulting Group, LLC

Eduardo Paredes
Director Commercial
Gleason SA de CV

Arnold W. Siegel P.E., FSAE
Retired
UCLA

Directors Three-Year Term (2005-2006-2007)

Joseph B. Anderson Jr.
Chairman & CEO
TAG Holdings LLC

Thomas W. Ryan III
Institute Engineer, Engine & Vehicle
Research
Southwest Research Institute

Felice Esposito Corcione
Research Manager
Istituto Motori CNR

Gerald S. Shoemaker
Assistant Project Engineer
Cessna Aircraft Company

Linda Duschl
Senior Manager
The Boeing Company

James E. Smith
Director, Center for Industrial
Research Application
West Virginia University

THE FINANCIAL MESSAGE

To all SAE International Members

We are pleased to present the SAE 2005 audited financial statements for your information and review. The accompanying reports are: the Independent Auditor's Report, Statements of Financial Position, Statement of Activities and Changes in Net Assets, Statement of Cash Flows, and Notes to Financial Statements. The SAE Foundation is an unincorporated affiliate of SAE and, accordingly, is included in the accompanying financials. The actual accounts of SAE and the SAE Foundation are maintained separately and the respective funds are not commingled.

The Statements of Financial Position reflect total assets of \$70.1 million at the end of 2005. The increase in total assets was \$1.96 million, or an increase of 2.9% over 2004. We believe you will find the Statements of Financial Position show SAE to be in excellent financial condition and well positioned to continue to provide strong member service activities in the future. We appreciate the efforts of the SAE staff and all who were involved in producing these favorable results.

In 2005, the Statement of Activities and Changes in Net Assets reflect SAE operating revenues of \$55.6 million. Net margin from operations was \$1.05 million in calendar year 2005. Both operating revenue and net margin exceeded SAE Financial Management Policy targets.

In non-operating activities, SAE invested \$786,000 in development activities to fund new programs; these program costs were supported by

returns from the General Investment Fund. In 2005, investment activities finished with a net gain of \$2.6 million, due primarily to increases in the market value of our long-term investments. The investment in development activities, when combined with long-term investment gains and an adjustment for pension expense, resulted in a total non-operating gain of \$1.3 million.

Net assets increased \$2.4 million during 2005 as a result of the operating and non-operating gains noted above. The increase in net assets for the year of \$2.4 million, when combined with net assets at the beginning of the year of \$54.6 million, resulted in \$57.0 million net assets at year-end.

Once again we received a favorable management letter from our independent auditors. Cited positively were SAE internal control activities including budgeting and reporting to the Finance Committee, and the SAE control environment including integrity and ethical values, commitment to competence, Board of Directors and Audit Committee participation, management's philosophy and operating style, etc. There were no auditor recommendations for strengthening SAE's internal controls.

As a reminder, please recall that SAE is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Ultimate responsibility for the financial statements and other information in the annual report rests with the SAE Board of Directors. The Board, through its Finance Committee and

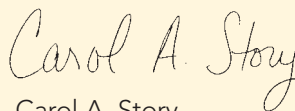
Financial Audit Committee, monitors the system of accounting and internal controls, investment management, and the professional competency and integrity of persons performing these functions. The independent auditors have direct access to the Financial Audit Committee to discuss the scope and results of their audit, their comments on the adequacy of internal accounting controls, and the quality of financial reporting.

If you would like more details about the accompanying financial statements or any aspect of financial operations at SAE, please feel free to contact either of us or Dana Pless, Chief Financial Officer at SAE World Headquarters (dpless@sae.org).

Respectfully submitted,



Terence J. Rhoades
Treasurer



Carol A. Story
Assistant Treasurer

INDEPENDENT AUDITOR'S REPORT

SOCIETY OF AUTOMOTIVE ENGINEERS, INC.:

We have audited the accompanying statement of financial position of the Society of Automotive Engineers, Inc. as of December 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Society's 2004 financial statements and, in our report dated February 4, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society of Automotive Engineers, Inc. as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Stelmack Dobransky & Eannace, LLC

STEMMACK DOBRANSKY & EANNACE, LLC
Pittsburgh, Pennsylvania

February 7, 2006

Society of Automotive Engineers, Inc.

Statements of Financial Position

December 31, 2005 AND 2004

(000's omitted)

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	\$ 1,690	\$ 2,661
Current portion of long-term investments	3,025	1,432
Accounts receivable - less allowance for doubtful accounts of \$292 and \$181	2,083	2,804
Pledges receivable	1,265	929
Inventories and supplies	567	772
Prepaid expenses	2,222	2,175
Accrued interest and other receivables	2,937	2,246
Total current assets	13,789	13,019
LONG-TERM INVESTMENTS - market value	43,118	42,635
PLEDGES RECEIVABLE - amounts due after one year	4,930	4,454
FIXED ASSETS		
Land and buildings	11,908	10,704
Furniture and equipment	17,917	17,668
Total cost	29,825	28,372
Less accumulated depreciation	21,555	20,330
Net fixed assets	8,270	8,042
TOTAL ASSETS	\$ 70,107	\$ 68,150
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,398	\$ 3,090
Accrued expenses	1,322	1,477
Deferred revenue:		
Conferences and publications	4,507	4,888
Dues and fees	2,525	2,518
Total current liabilities	12,752	11,973
LONG-TERM LIABILITIES		
Accrued pension costs	111	1,238
Charitable gift annuity	227	277
Total long-term liabilities	338	1,515
TOTAL LIABILITIES	13,090	13,488
NET ASSETS		
Unrestricted	44,087	43,485
Temporarily restricted	11,422	9,669
Permanently restricted	1,508	1,508
Total net assets	57,017	54,662
TOTAL LIABILITIES AND NET ASSETS	\$ 70,107	\$ 68,150

Society of Automotive Engineers, Inc.

Statements of Activities And Changes in Net Assets

For the Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

(000's Omitted)

	-----2005-----			--2004--	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
OPERATING ACTIVITIES					
Revenue					
Meetings and conferences	\$12,271	\$ -	\$ -	\$12,271	\$14,193
Magazines and publications	26,973	-	-	26,973	24,791
Membership	4,363	-	-	4,363	4,549
Technical standards	3,907	-	-	3,907	3,277
Other products and services	1,818	155	-	1,973	1,033
Contributions	561	415	-	976	2,547
Pledges	-	2,037	-	2,037	4,294
Contributed services	3,129	-	-	3,129	4,744
Net assets released from restrictions	1,240	(1,240)	-	-	-
Total revenue	54,262	1,367	-	55,629	59,428
Expenses					
Meetings and conferences	10,355	-	-	10,355	10,980
Magazines and publications	9,350	-	-	9,350	10,124
Membership	1,703	-	-	1,703	2,345
Technical standards	4,024	-	-	4,024	3,501
Other products and services	9,730	-	-	9,730	6,467
Administrative services	12,773	-	-	12,773	12,492
SAE Foundation	3,512	-	-	3,512	2,799
Contributed services	3,129	-	-	3,129	4,744
Total expenses	54,576	-	-	54,576	53,452
Net change from operations	(314)	1,367	-	1,053	5,976
NONOPERATING ACTIVITIES					
Development activities	(786)	-	-	(786)	(365)
Investment activities – net of expenses of \$135 and \$132	2,165	386	-	2,551	3,767
Pension adjustment	(463)	-	-	(463)	1,000
Contribution – SAE Foundation – Canada	-	-	-	-	(100)
Net change from nonoperations ...	916	386	-	1,302	4,302
CHANGE IN NET ASSETS	602	1,753	-	2,355	10,278
NET ASSETS - BEGINNING OF YEAR	43,485	9,669	1,508	54,662	44,384
NET ASSETS - END OF YEAR	\$44,087	\$11,422	\$1,508	\$57,017	\$54,662

Society of Automotive Engineers, Inc.

Statements Of Cash Flows

For the Years Ended December 31, 2005 AND 2004
(000's omitted)

	2005	2004
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 2,355	\$ 10,278
Adjustments to reconcile change in net assets		
To net cash used by operating activities:		
Depreciation and amortization	1,970	2,141
Net (gain)/loss on investments	(1,551)	(2,739)
Net (gain)/loss on sale of fixed assets	23	29
Changes in assets (increase)/decrease		
Accounts receivable	721	247
Accrued interest and other receivables	(691)	(147)
Prepaid expenses	(47)	289
Inventories and supplies	205	143
Pledges receivable	(812)	(4,848)
Changes in liabilities (decrease)/increase		
Accounts payable	1,308	(99)
Accrued expenses	(155)	188
Deferred revenue	(374)	(387)
Accrued pension costs	(1,127)	(2,537)
Charitable gift annuity	(50)	(41)
Net cash from (used in) operating activities	<u>1,775</u>	<u>2,517</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of fixed assets	(2,242)	(2,468)
Proceeds from sale of fixed assets	21	160
Purchase of investments	(25,450)	(24,662)
Proceeds from sale of investments	<u>24,925</u>	<u>18,738</u>
Net cash from (used in) investing activities	<u>(2,746)</u>	<u>(8,232)</u>
NET INCREASE/(DECREASE) IN CASH BALANCES	(971)	(5,715)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,661</u>	<u>8,376</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,690</u>	<u>\$ 2,661</u>
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 0	\$ 0
Income taxes paid	\$ 0	\$ 0

Society of Automotive Engineers, Inc.

Notes to Financial Statements For the Years Ended December 31, 2005 AND 2004

1. GENERAL

The Society of Automotive Engineers, Inc. (SAE) is a not-for-profit corporation originally organized and incorporated in 1905 under the laws of New York and reincorporated in 1986 under the laws of Pennsylvania. SAE is a technical society aimed at developing, collecting and disseminating on a worldwide basis the knowledge of mobility technologies in order to advance these fields and their practitioners in a manner which serves humanity. The SAE Foundation is an unincorporated division of SAE and, accordingly, is included in the accompanying financial statements.

SAE Foundation Canada is organized as a separate entity under the laws of Canada. It was formed to manage the activities, missions and goals in support of SAE in Canada, which requires SAE Foundation Canada's solicitation and receipt of specific funding from individuals, public or private corporations, foundations, or government agencies. The SAE Foundation Canada operates under the direction of a Board of Trustees with administrative support provided by the SAE Executive Vice President and reports directly to the SAE Board of Directors.

SAE is affiliated with Performance Review Institute, Inc. (PRI), a Pennsylvania not-for-profit corporation organized by SAE in April 1990 to compile and review performance standards, to promote and administer quality assurance, accreditation and certification programs for the benefit of the general public, industry and government. PRI also contributes funds, property and services to nonprofit organizations that develop and publish standards for maintaining and improving quality and performance within the automotive industry. The Internal Revenue Service has granted PRI tax-exempt status under Section 501(c)(6) of the Internal Revenue Code.

SAE is affiliated with the SAE Institute, a Pennsylvania not-for-profit corporation organized by SAE in December of 2003. It operates as a trade association organized to oversee and manage its programs and participant groups. Its mission is to provide an efficient and legal framework for automotive, aerospace or commercial vehicle companies and organizations to create solutions to technical and business problems. The SAE Institute will apply with the Internal Revenue Service for income tax exemption under 501(c)(6) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements are prepared on the accrual basis of accounting and include only the assets, liabilities, net assets and financial activities of the international organization of the Society of Automotive Engineers, Inc. The funds and accounts of Society Sections are not included in the accompanying financial statements. However, Sections are permitted to invest in a money market investment pool and a long-term investment pool managed by the Society. Funds of Sections participating in the pool are included in the Short Term Investment Fund and are reflected as an accounts payable liability in the accompanying financial statements.

Comparative Financial Statements - The Statements of Activities and Changes in Net Assets include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2004 from which the summarized information was derived.

Financial Statement Presentation - SAE has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, SAE is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of SAE and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by SAE. Generally, the donors of these assets permit SAE to use all or part of the income earned on related investments for general or specific purposes.

Contributions - SAE has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, SAE considers all highly liquid investments with an initial maturity of year or less to be cash equivalents. For the years ended December 31, 2005 and 2004, SAE had no noncash investing or financing activities for cash flow purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable - Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. SAE provides for losses on accounts receivable using the allowance method, which management values based on experience and current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts and has deemed the receivable uncollectible are written off through bad debts.

Investments - SAE has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." In accordance with SFAS No. 124, investments are presented at their current market value, which is established using published market prices.

Inventories - Inventories and supplies are stated at the lower of cost (determined on the first-in, first-out or average cost method) or market.

Fixed Assets - Fixed assets are recorded at cost and depreciated using the straight-line method over estimated useful lives of three to forty years. Depreciation expense, totaling \$1,970,000 and \$2,141,000 for the years ended December 31, 2005 and 2004, respectively, is allocated to the various activities based on usage.

Revenue and Expense Recognition - Income from membership dues, subscription fees, magazines and publications are deferred and recognized over the periods to which the specific types of income relate. Revenues related to continuing education programs, engineering meetings and displays are deferred and recognized in the period when the programs are held. Expenses related to such activities are also deferred as prepaid expenses and recognized in the period when the programs are held.

Income Tax Status - SAE is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the SAE's tax-exempt purpose such as advertising revenue is subject to taxation as unrelated business income. At December 31, 2005 and 2004, there were no federal income taxes provided as business activities unrelated to exempt purposes resulted in no taxable income in those years. In addition, SAE qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Concentration of Credit Risk - Financial instruments which potentially subject the organization to concentrations of credit risk consist principally of marketable debt and equity securities and trade receivables. The organization's temporary cash investments are greater than the \$100,000 insured by the FDIC but are maintained by creditworthy, high quality financial institutions. The organization holds bonds and notes issued by the United States government and financially strong corporations. By policy, these investments are kept within limits designed to prevent risks caused by concentration. Credit risk with respect to trade receivables is limited because SAE deals with a large number of customers in a wide geographic area. As of December 31, 2005 and 2004, SAE had no significant concentrations of credit risk.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes with the presentation in the current-year financial statements.

3. INVESTMENTS

At December 31, 2005 and 2004, investments were as listed below:

	-----2005-----		-----2004-----	
	Cost \$(000)	Market \$(000)	Cost \$(000)	Market \$(000)
U.S. Gov't and U.S. Gov't				
Agency bonds	\$ 1,413	\$ 1,342	\$ 1,582	\$ 1,554
Corporate bonds	9,533	9,820	10,189	10,966
Corporate stocks	28,116	31,362	25,495	28,828
Mutual funds	0	0	2,034	2,022
Money market funds	351	351	668	668
Certificates of deposit	3,293	3,268	29	29
Total investments	\$ 42,706	\$ 46,143	\$ 39,997	\$ 44,067

Society of Automotive Engineers, Inc.

Notes to Financial Statements For the Years Ended December 31, 2005 AND 2004

3. INVESTMENTS, Continued

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended December 31, 2005 and 2004:

2005	Temporarily		Total \$(000)
	Unrestricted \$(000)	Restricted \$(000)	
OPERATING ACTIVITIES:			
Interest and dividend income	\$ 196	\$ -	\$ 196
NON OPERATING ACTIVITIES:			
Interest and dividend income	\$ 975	\$ 159	\$ 1,134
Realized gains	1,676	508	2,184
Unrealized gains	(632)	-	(632)
Subtotal investment return	2,019	667	2,686
Less investment expenses	(135)	-	(135)
Over-allocation	281	(281)	-
Total investment return from non operating activities	\$ 2,165	\$ 386	\$ 2,551

2004	Temporarily		Total \$(000)
	Unrestricted \$(000)	Restricted \$(000)	
OPERATING ACTIVITIES:			
Interest and dividend income	\$ 151	\$ -	\$ 151
NON OPERATING ACTIVITIES:			
Interest and dividend income	\$ 977	\$ 183	\$ 1,160
Realized gains	1,214	86	1,300
Unrealized gains	1,439	-	1,439
Subtotal investment return	3,630	269	3,899
Less investment expenses	(132)	-	(132)
Over-allocation	(165)	165	-
Total investment return from non operating activities	\$ 3,333	\$ 434	\$ 3,767

Investment returns from operating activities are comprised of returns included in SAE's liquidity investment fund, which are included in the accompanying Statements of Activities as part of other products and services.

4. PLEDGES RECEIVABLE (PROMISES TO GIVE)

Pledges of contributions (or promises to give) have been classified as unconditional and conditional. Unconditional promises to give at December 31, 2005 and 2004 are as follows:

	2005 \$(000)	2004 \$(000)
Receivable in less than one year	\$ 1,265	\$ 929
Receivable in one to five years	5,534	3,967
Greater than five years	0	715
Total unconditional promises to give	6,799	5,611
Less discounts to net present value	429	228
Less allowance for uncollectible pledges receivable	175	0
Net unconditional promises to give	\$ 6,195	\$ 5,383

Pledges receivable due in more than one year are discounted at 3%.

Conditional pledges receivable at December 31, 2005 amounted to \$359,000 and consists of pledges for the Education Support Fund.

5. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

SAE has a noncontributory defined benefit pension plan covering substantially all employees of SAE and PRI. The benefits are based on years of service and the employee's final average compensation, as defined, during the last ten years of employment. SAE's funding policy is to fund amounts on an actuarial basis, which complies with ERISA.

SAE has adopted a measurement date of September 30, which is 90 days prior to the end of the fiscal year. Accordingly, all calculations for the fiscal year reflect the actual measurement date.

5. EMPLOYEE BENEFIT PLANS (Continued)

Obligations and funded status:

Net periodic pension costs charged to expense for years ended December 31, 2005 and 2004 included the following components:

	2005 \$(000)	2004 \$(000)
Service cost - benefits earned during the period	\$ 1,453	\$ 1,370
Interest cost on projected benefit obligation	1,993	1,860
Expected return on plan assets	(1,836)	(1,451)
Net amortization and deferral	100	185
Net periodic pension expense	\$ 1,710	\$ 1,964

SAE is reimbursed for the net periodic pension expense based upon the following allocation:

	2005 \$(000)	2004 \$(000)
SAE	\$ 1,414	\$ 1,669
PRI	278	274
Detroit Section	18	21
Total	\$ 1,710	\$ 1,964

In 2005 SAE incurred an additional pension expense of \$463,000, due to the minimum liability requirement, and in 2004, due to the change in the minimum liability requirements, SAE's pension expense was reduced by \$1,000,000. Both of these are shown under the Nonoperating Activities of the accompanying Statements of Activities.

The following table sets forth the funded status and obligations of the pension plan as of September 30, 2005 and 2004:

	2005 \$(000)	2004 \$(000)
Accumulated benefit obligation	\$ 28,495	\$ 24,089
Projected benefit obligation	\$ (35,205)	\$ (30,039)
Plan assets at fair value	28,383	23,239
Plan assets (deficit) in excess of projected benefit obligation (funded status)	(6,822)	(6,800)
Unrecognized actuarial net (gain) loss	7,302	5,763
Unrecognized net asset at July 1, 2005		
being amortized over remaining two (2) years	(128)	(201)
Additional minimum liability	(463)	-
Prepaid (accrued) pension costs	\$ (111)	\$ (1,238)
Employer contributions	\$ 3,300	\$ 3,500
Benefit payments	\$ 942	\$ 923

The weighted average assumptions used in determining the net periodic pension costs are as follows:

	2005	2004
Discount rate	6.75%	6.75%
Long-term rate of return	8.00%	8.00%
Average compensation increase	4.75%	4.75%

The weighted average assumptions used to determine the benefit obligations are as follows:

	2005	2004
Discount rate	6.00%	6.75%
Average compensation increase	4.75%	4.75%

To develop the expected long-term rate of return on assets assumptions, SAE considered the historical returns and the future expectations for returns in each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 8.00% long-term rate of return on assets assumption.

Society of Automotive Engineers, Inc.

Notes to Financial Statements For the Years Ended December 31, 2005 AND 2004

5. EMPLOYEE BENEFIT PLANS (Continued)

Plan Assets:

SAE's pension plan actual asset allocations at September 30, 2005 and 2004, by asset category are as follows:

	2005	2004
Equity securities	67.4%	76.1%
Fixed income	31.9%	20.5%
Cash and equivalents	0.7%	3.4%
Total	100.0%	100.0%

The plan's assets are held in a trust and SAE's investment strategy is based on an expectation that equity securities will outperform fixed income securities over the long term. Accordingly, the composition of SAE's plan assets is broadly characterized as a 70%/30% allocation between equity and fixed income securities.

SAE attempts to mitigate investment risk by rebalancing between equity and debt classes as SAE's contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains or losses would not be realized unless the investments are sold.

Cash Flows:

SAE expects to contribute \$1,400,000 to the plan in 2006.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits \$(000)
2006	\$ 1,016
2007	1,123
2008	1,316
2009	1,407
2010	1,489
Years 2011-2015	9,778
Total	\$ 16,129

Group Tax Deferred Annuity Plan

SAE also has a group tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees. Employees may make voluntary matched and unmatched contributions. Employees not entitled to full benefits are not eligible to receive matching contributions. Employees may make voluntary matched contributions in a range from 1% to 6% (subject to maximums allowed by the Internal Revenue Code) and SAE will match up to 100% of the contributions based on the employee's years of service. Employee contributions in excess of 6%, also subject to maximums, are not matched by SAE. SAE's contributions were \$587,000 and \$577,000 for the years ended December 31, 2005 and 2004, respectively. Employees are immediately vested in all contributions but withdrawals are subject to plan withdrawal and distribution rules.

Beneficiary Association

SAE has established the SAE Employees and Retired Employees Beneficiary Association, which is exempt from federal income tax under Section 501(c)(9) of the Internal Revenue Code. The Beneficiary Association provides a means of accumulation and distribution of certain welfare plan benefits including benefits after retirement. The contributions to the Beneficiary Association are determined by reference to insurance premiums and estimated costs determined by SAE's independent outside actuary. SAE's contributions were \$23,000 and \$24,000 for the years ending December 31, 2005 and 2004, respectively.

6. SPLIT-INTEREST AGREEMENTS

During 1998, the SAE Foundation received a \$300,000 charitable gift annuity, which calls for annual annuity payments totaling \$24,000 for the term of the donor's natural life. The present value of estimated future payments to the donor, which totals \$120,000 using a discount rate of 3.0% and applicable mortality tables is included in the accompanying Statements of Financial Position.

During 2003, the SAE Foundation received a \$200,000 charitable gift annuity which calls for annual annuity payments totaling \$16,000 for the term of the donor's natural life. The value of estimated future payments to the donor, which totals \$146,000 using a discount rate of 3.0% and applicable mortality tables is included in the accompanying Statements of Financial Position.

7. TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Net assets restricted by donors as of December 31, 2005 and 2004 provide support for the following purposes:

	-----2005-----		-----2004-----	
	Temporarily Restricted \$(000)	Permanently Restricted \$(000)	Temporarily Restricted \$(000)	Permanently Restricted \$(000)
Program support funds	\$ 8,004	\$ -	\$ 7,770	\$ -
Awards funds	2,734	1,043	1,373	1,043
Scholarship funds	672	361	521	361
Engineering activity support	12	104	5	104
Totals	\$11,422	\$ 1,508	\$ 9,669	\$ 1,508

8. OPERATING LEASES

SAE has noncancelable operating leases, primarily for off-site office space and copiers, that expire at various dates through September 30, 2008. Those leases generally contain renewal options and require SAE to pay all executory costs such as taxes, maintenance, and insurance. Rental expense for those leases amounted to \$1,006,000 and \$923,000 for the years ended December 31, 2005 and 2004, respectively.

Future minimum lease payments under operating leases, which have remaining terms in excess of one year as of December 31, 2005, are:

Period Ended December 31,	Amount \$(000)
2006	\$ 1,021
2007	1,021
2008	831
2009	641
	\$ 3,514

9. SAE FOUNDATION

The SAE Foundation is organized as part of the Society of Automotive Engineers, Inc. The SAE Foundation was created to facilitate financial contributions from members and others to provide an additional source of income, beyond those sources normally available to SAE, for activities in support of SAE's Purpose, Missions, and Goals. The Foundation has also adopted a Financial Management Policy so that the Foundation can maintain fiscal stability and viability, be self-sustaining and have the financial competency to meet its obligation to provide the required funding for programs as well as to pay for its fund raising and administrative costs.

The Foundation operates under the direction of a Board of Trustees, with administrative support provided by the SAE Executive Vice President, and reports directly to the SAE Board of Directors. The Foundation conducted fund raising activities that cost \$613,000 and \$607,000 for the years ended December 31, 2005 and 2004, respectively. In addition, SAE contributed \$900,000 to the Foundation during 2004 to support the centennial campaign.

Society of Automotive Engineers, Inc.

Notes to Financial Statements For the Years Ended December 31, 2005 AND 2004

11. RELATED PARTY TRANSACTIONS

PRI

SAE is related to PRI but their affiliation does not meet the criteria requiring consolidation in the accompanying financial statements.

PRI leases office space from SAE under an operating lease that expires December 31, 2006 unless thirty days notice of cancellation or modification is provided by either party to the other.

As of December 31, 2005 and 2004, SAE's financial statements reflect the following balances and transactions with PRI:

	2005	2004
	\$(000)	\$(000)
Accounts receivable	\$ 81	\$ 73
Service fees revenue	138	141
Rental income	185	164
Pension expense reimbursement	278	274

SAE Foundation Canada

SAE is related to SAE Foundation Canada, but their affiliation does not meet the criteria requiring consolidation in the accompanying financial statements.

Included in the accompanying financial statements as of December 31, 2005, there is a receivable of \$111,000 due from SAE Foundation Canada. As of December 31, 2004, there was a \$151,000 liability to SAE Foundation Canada in the accompanying financial statements. Also, during 2004, SAE contributed \$100,000 to SAE Foundation Canada, which is shown under nonoperating activities of the accompanying statement of activities.

12. CONTINGENT LIABILITIES

SAE Sections

While the funds and accounts of Society Sections are not included in the accompanying financial statements, the Sections Board minutes do not disclose any major potential liability to SAE from Section's activities.

Affiliates

SAE BRASIL

SAE Brasil

Phone: 55 11 3287 2033
Fax: 55 11 3288 6599
E-mail: saebrasil@saebrasil.org.br

SAE INDIA

SAE India

Phone: 91 44 42152280, 42152281, 24411904
Fax: 91 44 42152281
E-mail: saeindia@vsnl.com

SAE UK A Section of SAE International

SAE UK

Phone: 44 121 778 4354
E-mail: info@sae-uk.org

pri PERFORMANCE REVIEW INSTITUTE® an affiliate of SAE

Performance Review Institute (PRI)

161 Thornhill Road
Warrendale, PA 15096-7527
Phone: (724) 772-1616
Fax: (724) 772-1699

SAE FOUNDATION for Science and Technology Education

SAE Foundation

400 Commonwealth Drive
Warrendale, PA 15096
Phone: (724) 776-4841
Fax: (724) 776-0038

SAE Institute An Affiliate of SAE International

SAE Institute

Phone: (724) 772-7503
E-mail: herbk@sae.org

SAE Sections/Groups

Outside North America

Belarus: Minsk	Malaysia: Kuala Lumpur
China: Hong Kong	Mexico: Mexico City
Columbia: Andino	Russia: Moscow (NAMI), St. Petersburg, Volga (Autovaz), Central Proving Ground
Egypt: Cairo	Taiwan: Taipei
Israel: Tel-Aviv	Ukraine: Kiev
Italy: Naples	

Joint Sections

Romania: Bucharest, Brasov

SAE International™

Staff Leadership Team

Raymond A. Morris, CAE

Executive Vice President & Chief Operating Officer

Antenor R. Willems

Executive Director

Dana M. Pless

Chief Financial Officer

V. Herbert Kaufman

Director – Commercial Vehicle Business & Chief Technology Officer

Scott R. Klavon

Director – Standards, Professional Development and Aerospace Business

David L. Amati

Director – Automotive Business & Automotive Headquarters

Robert H. Chalker

Director – Sales & Marketing

Maryann Ihrig

Director – SAE Foundation, AWIM & Human Resources

William G. Wagner

Managing Director – PRI

Corporate Headquarters

400 Commonwealth Drive
Warrendale, PA 15096
Phone: (724) 776-4841
Fax: (724) 776-0790
www.sae.org

Automotive Headquarters

755 West Big Beaver Road
Suite 1600
Troy, MI 48084
Phone: (248) 273-2455
Fax: (248) 273-2494

Washington, D.C. Office

1828 L St., NW Suite 906
Washington, D.C. 20036
Phone: (202) 463-7318
Fax: (202) 463-7319

Society of Automotive Engineers

Raymond A. Morris, CAE

*Executive Vice President, COO & Secretary
SAE International*

Reed Smith

Legal Counsel

Cohen & Grigsby, P.C.

Legal Counsel

Smith Barney Inc.

Investment Counsel

Calamos Asset Management

Investment Counsel

Bowling Portfolio Management

Investment Counsel

Delaware Capital

Investment Counsel

Lord Abbett & Co.

Investment Counsel

Stelmack Dobransky & Eannace, LLC

Auditors

Mercer Human Resource Consulting

*Actuaries – SAE Pension and Beneficiary Association
Programs and Compensation Consultants*

SAE International™

400 Commonwealth Drive
Warrendale, PA 15096-0001

Phone: (724) 776-4841

Fax: (724) 776-0790

Web site: www.sae.org