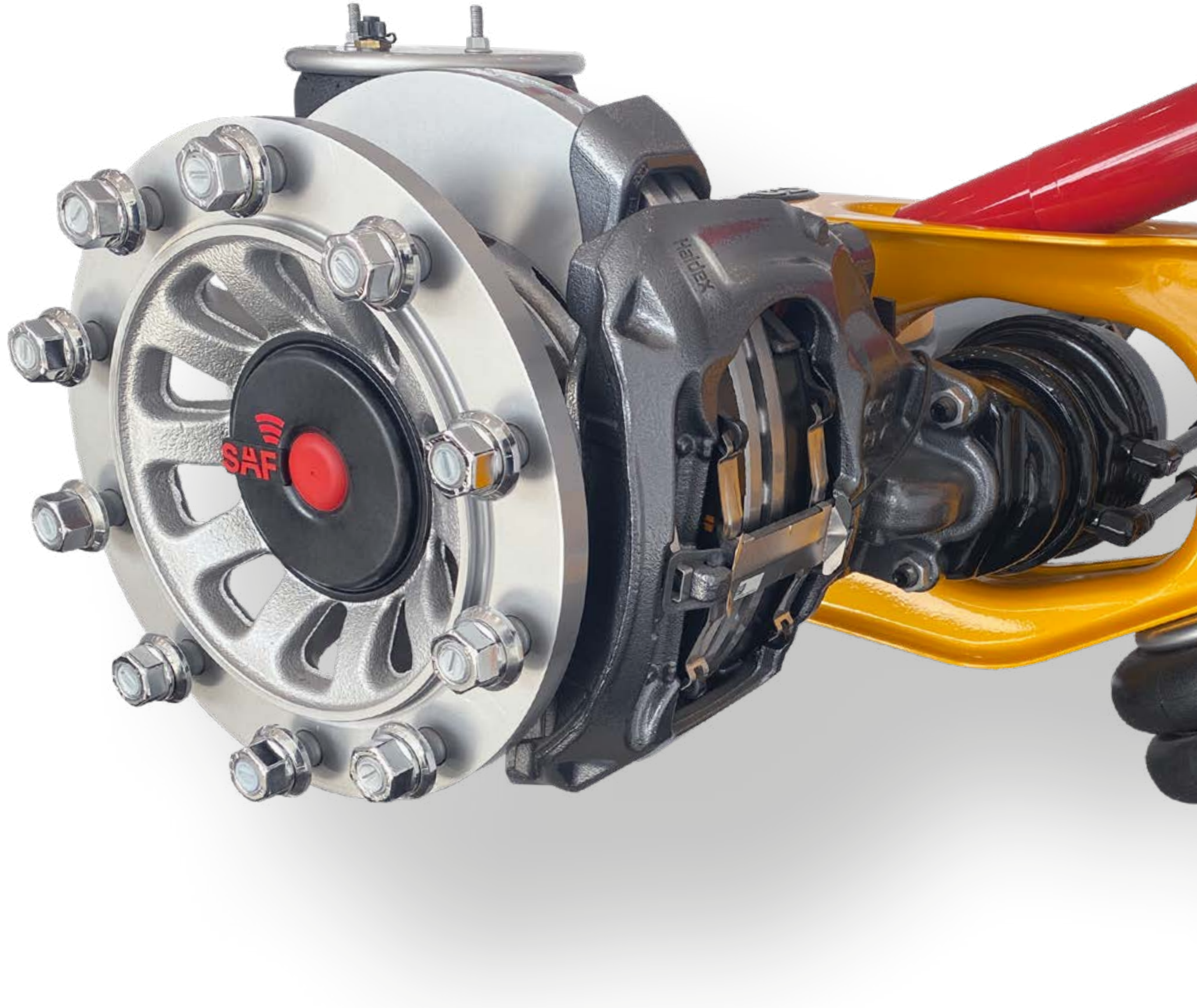
HALF-YEAR FINANCIAL REPORT H1 2023

Building the future – **stronger together**



KEY FIGURES

Results of Operations

in kEUR

	Q1–Q2/ 2023	Q1–Q2/ 2022	Change in %	Q2/ 2023	Q2/ 2022	Change in %
Sales	1,036,096	773,253	34.0 %	555,673	403,546	37.7 %
Gross profit	193,708	126,744	52.8 %	107,430	68,763	56.2 %
Gross profit margin in %	18.7 %	16.4 %		19.3 %	17.0 %	
Adjusted gross profit	201,513	128,010	57.4 %	114,416	69,496	64.6 %
Adjusted gross profit margin in %	19.4 %	16.6 %		20.6 %	17.2 %	
EBITDA	107,448	71,179	51.0 %	53,595	38,969	38.4 %
EBITDA margin in %	10.4 %	9.2 %		9.7 %	9.7 %	
Adjusted EBITDA	121,104	73,437	64.9 %	65,401	41,069	59.2 %
Adjusted EBITDA margin in %	11.7 %	9.5 %		11.8 %	10.2 %	
EBIT	72,280	48,719	48.4 %	33,449	27,680	20.8 %
EBIT margin in %	7.0 %	6.3 %		6.0 %	6.9 %	
Adjusted EBIT	94,176	55,617	69.3 %	50,817	32,132	58.1 %
Adjusted EBIT margin in %	9.1 %	7.2 %		9.1 %	8.0 %	
Result for the period without non-controlling interests	37,145	30,968	19.9 %	17,584	17,973	–2.2 %
Adjusted result for the period without non-contrilling interests	58,251	37,977	53.4 %	33,657	22,925	46.8 %
Basic earnings per share in EUR	0.82	0.68	20.6 %	0.39	0.39	0.0 %
Adjusted earnings per share in EUR	1.28	0.84	52.4 %	0.74	0.51	45.1 %

Net Assets (Equity + Liabilities)

in kEUR

	06/30/ 2023	12/31/ 2022	Change in %	06/30/ 2022
Balance sheet total	1,686,925	1,498,423	12.6 %	1,156,375
Equity	433,427	441,354	–1.8 %	431,128
Equity ratio in %	25.7 %	29.5 %		37.3 %
Non-current and current liabilities	1,253,498	1,057,069	18.6 %	725,247

Financial position

in kEUR

	Q1–Q2/ 2023	Q1–Q2/ 2022	Change in %	Q2/ 2023	Q2/ 2022	Change in %
Net cash flow from operating activities	**43,636**	**18,773**	**132.4 %**	**31,549**	**23,971**	**31.6 %**
Net cash flow from investing activities (property, plant and equipment/intangible assets)	–13,156	–10,074	30.6 %	–6,443	–5,256	22.6 %
Operating free cash flow	**30,480**	**8,699**	**250.4 %**	**25,106**	**18,715**	**34.1 %**
Net cash flow from investing activities (acquisition of subsidiaries)	–	–28,362	–100.0 %	–	–28,362	–100.0 %
Total free cash flow	**30,480**	**–19,663**	**–255.0 %**	**25,106**	**–9,647**	**–360.2 %**

Yield

in %

	Q1–Q2/ 2023	Q1–Q2/ 2022
Return on capital employed (ROCE)	17.1 %	14.8 %

Employees

	06/30/ 2023	12/31/ 2022	Change in %
Employees	6,136	3,768	62.8 %

All figures shown are rounded. Minor discrepancies may arise from additions of these amounts.

Operating free cash flow = Net cash flow from operating activities less net cash flow from investing activities (purchase of PP&E and intangible assets less proceeds from sales of PP&E).

ROCE = Adjusted EBIT / (total equity + financial liabilities + lease liabilities) + pension and other similar benefits – cash and cash equivalents).

Employees at the reporting date = Active employees and temporary workers.

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INDUSTRY ENVIRONMENT

MARKET ENVIRONMENT CONTINUES TO BE FAVORABLE

Demand remained strong in the first half of 2023 in all markets relevant for SAF-HOLLAND. As a result, the market environment was generally somewhat more favorable than presented in the outlook in the Annual Report 2022. This was particularly true for the North American trailer and truck markets, which saw continued production increase compared to the same prior-year period. In the Asian markets, strong demand continued, particularly in India, and there were clear signs of recovery in China. In the EMEA region the trend was mixed, as expected. Growth in the truck sector was offset by slight declines in the trailer sector.

When assessing the development in the respective regions, the varying importance to SAF-HOLLAND of the different customer segment – Original Equipment Trailer, Original Equipment Truck and Aftermarket – should be taken into account. In the Original Equipment Trailer and Aftermarket customer segment, SAF-HOLLAND has operations worldwide. In the first half of 2023, these customer segments represented 57.3 % and 29.1 % of Group sales. The Original Equipment Truck customer segment, which generates the majority of its sales in the Americas region, accounted for 13.6 % of Group sales.

DIVERGENT TRENDS IN THE EMEA COMMERCIAL VEHICLE MARKETS

The trailer and truck markets in the EMEA region saw very divergent trends in the first half of 2023. The truck market benefited from solid demand, supported primarily by fleet operators' replacement requirements. In addition, the comparison basis was low due to the supply bottlenecks for important components in the same prior-year period. SAF-HOLLAND estimates that the production of heavy trucks increased by around 10 % in the first six months. It is important to note, however, that the EMEA truck market is only of secondary importance for SAF-HOLLAND.

In the trailer market, in contrast, customers, particularly in Europe, were somewhat reluctant to make purchases in the first half of 2023 due to the challenging economic environment. According to SAF-HOLLAND estimates, trailer production in the EMEA region in the first half is likely to be around 5 % below the previous year's level.

NORTH AMERICAN TRUCK AND TRAILER MARKETS CONTINUE TO INCREASE PRODUCTION

According to ACT Research, North American heavy truck (Class 8 trucks) manufacturers continued to expand production in the first half of 2023. Following a substantial increase of 17.2 % year-on-year in the first quarter, year-on-year growth in the second quarter was more moderate at 11.4 %, as expected. Truck manufacturers benefited from continuing high order backlogs following very strong order volumes in 2022.

A similar development was seen in the North American trailer market where, according to data from ACT Research, production in the second quarter increased year-on-year by 8.9 %, after growth of 14.4 % still in the first quarter.

BRAZIL SEES UNEVEN TRENDS IN TRUCK AND TRAILER MARKETS

Brazil, South America's most important commercial vehicle market, recorded uneven development in the first half of 2023. While, according to the industry association ANFAVEA, heavy truck production fell by 34 % to approximately 47,200 units, according to ANFIR data, trailer production increased by 5 % to approximately 42,100 units.

CHINESE COMMERCIAL VEHICLE MARKET RECOVERS

The Chinese commercial vehicle market recovered in the first half of 2023 after recording sharp production declines in the prior year due to restrictions imposed by the zero-COVID strategy. According to SAF-HOLLAND estimates, production of heavy trucks in the first half-year grew by around 30 % and trailers by around 45 %.

SHARP RISE IN TRAILER PRODUCTION IN INDIA

In India, where SAF-HOLLAND is predominantly active in the trailer sector, the favorable market development continued in the first half-year. According to the Society of Indian Automobile Manufacturers (SIAM), around 79 % more trailers rolled off production lines in this period than in the prior year. The growth for trucks, in contrast, reached only around 2 %. The performance of the Indian commercial vehicle market was supported by extensive government infrastructure programs.

SIGNIFICANT EVENTS IN THE SECOND QUARTER OF 2023

JURATE KEBLYTE NEW MEMBER OF THE SAF-HOLLAND SE SUPERVISORY BOARD

Effective April 3, 2023, Jurate Keblyte was appointed as a new member of the Supervisory Board by the District Court of Aschaffenburg. The court appointment was necessary after the resignation of Martina Merz from the Company's Supervisory Board effective December 12, 2022, leaving the Supervisory Board short-staffed for a period of more than three months. The Annual General Meeting of SAF-HOLLAND SE on May 23, 2023 elected Jurate Keblyte as a member of the Supervisory Board. Jurate Keblyte is also a member of the Management Board and CFO of the listed company GRAMMER AG, Ursensollen, Germany.

SCOPE RATING AGENCY ASSIGNS INVESTMENT GRADE RATING BBB –

On April 19, 2023, SAF-HOLLAND SE received a rating report from Scope Ratings GmbH ("Scope") awarding SAF-HOLLAND SE rating a BBB– rating with a stable outlook. The newly assigned rating BBB–/stable is at the same level as the rating previously assigned by Scope Hamburg GmbH in April 2022. According to Scope, the stable outlook is based on the expectation that SAF-HOLLAND, with its resilient aftermarket-based business model, could also withstand a moderate cyclical downturn in the global commercial vehicle markets. The rating can be improved in the future through a gradual reduction in financial liabilities and the further rise in free cash flow.

In connection with the rating assignment, Scope also assessed the impact of the acquisition of the Swedish braking systems specialist Haldex AB on SAF-HOLLAND's financial profile. The advantages resulting from the merger, such as an improved strong market position, broader customer base and international presence, a complementary product portfolio and a growing share of Group sales from the more profitable aftermarket business, were rated positively. According to Scope, the comparatively high volatility of free cash flow in recent years, the cyclical risks of the business, and the operating profitability, which still has room for improvement relative to the industry, stood in the way of a better rating.

OUTLOOK SPECIFIED FOR 2023

On May 4, 2023, SAF-HOLLAND published preliminary figures for the first quarter of 2023 in the scope of an ad hoc announcement. The Company also specified its outlook for full-year 2023. At that time, SAF-HOLLAND expected Group sales to tend around the upper end of the previously planned sales range of EUR 1,800 million to EUR 1,950 million. The Group's full-year adjusted EBIT margin in 2023 was still expected to be in the range of 7.5 % to 8.5 %.

ANNUAL GENERAL MEETING APPROVES ALL AGENDA ITEMS

The Annual General Meeting of SAF-HOLLAND SE, held on May 23, 2023 for the first time after the COVID-19 pandemic as an in-person event, approved all resolution proposals of the Management Board and Supervisory Board. Among others, the shareholders approved the management's proposal to distribute a dividend of EUR 0.60 per share from the reported retained earnings. In addition, the shareholders also approved the proposed adjustments to the remuneration systems of the Management Board, the change in the remuneration of the Supervisory Board, as well as the proposal to the Annual General Meeting to appoint Jurate Keblyte, who was previously appointed by the court, as a new member of the Supervisory Board.

SUCCESSFUL PLACEMENT OF PROMISSORY NOTE

On June 13, 2023, SAF-HOLLAND announced the placement of a promissory note transaction with a volume of EUR 105 million. The various tranches of the promissory note have both fixed and variable interest rates with maturities of three, five and seven years. The proceeds of the issue are earmarked for the refinancing of existing bank debt raised during the acquisition of Haldex AB. The issue contributes to the optimisation of borrowing costs, the maturity profile as well as to the further broadening of the investor base.

OVERCOMING THE CYBERATTACK PROCEEDS ACCORDING TO PLAN

At the end of March 2023, SAF-HOLLAND's IT systems became the target of a cyberattack, leading to a temporary production interruption at several of the Group's manufacturing sites. In the second week of April, the Company began to restart production at its main European plant at the Bessenbach site in Germany. Since mid-April, production at the manufacturing sites in the North America region, which was also affected, has been running at full capacity again. In the course of the second quarter, production processes and cycle times were optimized and output volumes gradually increased.

By maintaining close communication with its customers and suppliers, SAF-HOLLAND was able to limit the impact of the cyberattack on its operating business. The Company estimates the loss in sales from production downtime to total around EUR 40 million. While approximately EUR 15 million of this was attributable to the first quarter of 2023, which incurred one week of downtime, the greater effect emerged in the second quarter in the month of April. As expected, SAF-HOLLAND was already able to work off the majority of the production backlog and recover corresponding earnings contribution through flexible planning tools and additional shifts in the second quarter. The Company continues to expect to fully recover the remaining sales shortfall and earnings contribution in the course of the third quarter. For IT security consulting and special services as well as other related costs, SAF-HOLLAND anticipates one-time special expenses in the mid single-digit million euro range, most of which were incurred in the second quarter of 2023.

REPORT ON ECONOMIC POSITION

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

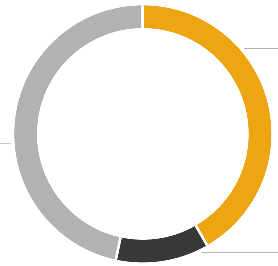
RESULTS OF OPERATIONS

Group sales in the first half of 2023 exceed EUR 1 billion for the first time; sustained strong organic growth of 11.1 %

In the first half of 2023, SAF-HOLLAND increased Group sales by 34.0 % to EUR 1,036.1 million (previous year: EUR 773.3 million). Growth was largely driven by the Haldex acquisition, continued high customer demand for trailer and truck components, and price adjustments already made in the course of 2022 due to higher steel, freight and energy costs. On a pro forma basis that assumes SAF-HOLLAND had already consolidated Haldex as of January 1, 2023, a total of EUR 1,105.3 million in Group sales in the first half of 2023 would have been achieved.

Group sales by segment Q1 – Q2 2023

in %



Haldex AB, which has been included in the scope of consolidation since February 21, 2023, contributed EUR 176.4 million to Group sales in the first half-year. The acquisition of IMS completed in the previous year resulted in an additional sales contribution of EUR 6.0 million. By contrast, currency translation resulted in negative effects of EUR 5.4 million in the first half of 2023, mainly due to the appreciation of the euro against the Indian rupee. Adjusted for exchange rate and acquisition effects, sales in the first half-year increased by 11.1 % or EUR 85.8 million.

Sales grew 37.7 % to EUR 555.7 million (previous year: EUR 403.5 million) in the second quarter of 2023. On an organic basis, the increase was 11.4 %, resulting in a slight acceleration in growth momentum compared to the first quarter (10.8 %). The cyberattack resulted in lost sales of around EUR 15 million and EUR 25 million in March and April 2023, respectively. The majority of these losses were recouped in the further course of the second quarter, so that the overall sales effect, primarily in the EMEA region, in the quarter was only slightly negative.

Group sales by region

in kEUR

	Q1 – Q2/2023	Q1 – Q2/2022	Change in %	Q2/2023	Q2/2022	Change in %
EMEA	480,888	423,452	13.6 %	242,042	214,952	12.6 %
in % of Group sales	46.4 %	54.7 %		43.6 %	53.3 %	
Americas	433,079	278,051	55.8 %	244,028	151,082	61.5 %
in % of Group sales	41.8 %	36.0 %		43.9 %	37.4 %	
APAC	122,129	71,750	70.2 %	69,603	37,512	85.5 %
in % of Group sales	11.8 %	9.3 %		12.5 %	9.3 %	
Group sales	**1,036,096**	**773,253**	**34.0 %**	**555,673**	**403,546**	**37.7 %**

Very strong growth in both Original Equipment truck and aftermarket business

Group sales by customer segment

in kEUR

	Q1–Q2/2023	Q1–Q2/2022	Change in %	Q2/2023	Q2/2022	Change in %
Original Equipment Trailer	593,276	465,627	27.4 %	299,537	239,138	25.3 %
in % of Group sales	57.3 %	60.2 %		53.9 %	59.3 %	
Original Equipment Trucks	141,296	97,644	44.7 %	79,967	50,823	57.3 %
in % of Group sales	13.6 %	12.6 %		14.4 %	12.6 %	
Aftermarket business	301,524	209,982	43.6 %	176,169	113,585	55.1 %
in % of Group sales	29.1 %	27.2 %		31.7 %	28.1 %	
Group sales	**1,036,096**	**773,253**	**34.0 %**	**555,673**	**403,546**	**37.7 %**

The distribution of sales by customer segment in the first half of 2023 shifted in favor of the aftermarket business as expected. Based on an increase in aftermarket sales of 43.6 % in the first half to EUR 301.5 million (previous year: EUR 210.0 million), this segment's share of Group sales rose to 29.1 % (previous year: 27.2 %). The inclusion of Haldex had a particularly positive effect on this development, as Haldex generates around half of its sales from the aftermarket business. The Original Equipment Trucks business also recorded very robust growth of 44.7 %, benefiting in particular from strong demand in the US market. Sales in the Original Equipment Trailer business increased by 27.4 %, reducing this segment's share of Group sales to 57.3 % (previous year: 60.2 %).

Gross margin improves by 2.3 percentage points

The cost of sales increased by 30.3 % to EUR 842.4 million in the first six months of 2023 (previous year: EUR 646.5 million). The primary driver for the increase was greater purchasing volumes resulting from higher sales and the first-time inclusion of Haldex in the scope of consolidation.

The lower percentage increase in the cost of sales compared to sales growth in the first half-year led to a rise in the gross margin of 2.3 percentage points to 18.7 % (previous year: 16.4 %). In the same prior-year period, the gross margin was still under pressure from the sharp rise in steel, logistics and energy costs. Only in the course of 2022 was SAF-HOLLAND able to gradually pass on the corresponding higher costs to customers. In addition, costs were brought down in the first half of 2023 as a result of successfully implemented efficiency improvements in production-related areas.

Earnings development

in kEUR	Q1 – Q2/2023	Q1 – Q2/2022	Change in %	Q2/2023	Q2/2022	Change in %
Sales	1,036,096	773,253	34.0 %	555,673	403,546	37.7 %
Cost of sales	– 842,388	– 646,509	30.3 %	– 448,243	– 334,783	33.9 %
Gross profit	193,708	126,744	52.8 %	107,430	68,763	56.2 %
Gross margin in %	18.7 %	16.4 %		19.3 %	17.0 %	
Adjusted gross profit	201,513	128,010	57.4 %	114,416	69,496	64.6 %
Adjusted gross margin in %	19.4 %	16.6 %		20.6 %	17.2 %	
Other income	3,002	1,697	76.9 %	2,225	1,354	64.3 %
Other expenses	– 1,242	– 2,158	– 42.4 %	– 1,242	– 2,158	– 42.4 %
Selling expenses	– 49,733	– 36,135	37.6 %	– 29,941	– 19,006	57.5 %
Administrative expenses	– 57,368	– 33,366	71.9 %	– 35,107	– 17,095	105.4 %
Research and development expenses	– 16,872	– 8,839	90.9 %	– 10,306	– 4,576	125.2 %
Operating result	**71,495**	**47,943**	**49.1 %**	**33,059**	**27,282**	**21.2 %**

Substantial increase in operating result
Due to the first-time consolidation of Haldex and the general increase in business volume, individual expense line items on the income statement for the first half of 2023 increased considerably year-on-year.

Selling expenses rose 37.6 % to EUR 49.7 million (previous year: EUR 36.1 million) in the first half of 2023, due, among other things, to significantly higher depreciation and amortization from the purchase price allocation of EUR 5.8 million (previous year: EUR 3.4 million). Administrative expenses of EUR 57.4 million in the first half of 2023 (previous year: EUR 33.4 million) include restructuring and transaction costs of EUR 7.1 million (previous year: EUR 0.8 million), consisting mainly of expenses in connection with the cyberattack and the integration of Haldex. Research and development expenses included amortization from the purchase price allocation of EUR 0.9 million (previous year: EUR 0.2 million) and increased by 90.9 % to EUR 16.9 million (previous year: EUR 8.8 million). In assessing this increase, it should be taken into account that Haldex has a higher proportion of R&D costs in relation to sales compared to SAF-HOLLAND.

As a result of the gross margin improvement described above, the operating result grew faster than sales in percentage terms, increasing 49.1 % to EUR 71.5 million (previous year: EUR 47.9 million).

Adjusted EBIT margin expands to 9.1 %
Despite the one-off expenses, earnings before interest and taxes (EBIT) was able to outpace sales growth in percentage terms, increasing 48.4 % in the first half of 2023 for a total of EUR 72.3 million (previous year: EUR 48.7 million). The EBIT margin improved accordingly to 7.0 % (previous year: 6.3 %). Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 51.0 % to EUR 107.4 million (previous year: EUR 71.2 million).

To manage and present the Group's underlying operating earnings situation, SAF-HOLLAND adjusts for non-recurring and acquisition-related income and expenses. From the management's perspective, adjusted EBIT and adjusted EBIT margin represent the most important performance indicators for assessing and evaluating the Group's results of operations.

Reconciliation of operating result to adjusted EBIT

in kEUR	Q1–Q2/2023	Q1–Q2/2022	Change in %	Q2/2023	Q2/2022	Change in %
Operating result	71,495	47,943	49.1 %	33,059	27,282	21.2 %
Share of net profit of investments accounted for using the equity method	785	776	1.2 %	390	398	–2.0 %
EBIT	72,280	48,719	48.4 %	33,449	27,680	20.8 %
EBIT margin in %	7.0 %	6.3 %		6.0 %	6.9 %	
Additional depreciation and amortization from PPAs	8,240	4,640	77.6 %	5,912	2,351	151.5 %
Valuation effects from call and put options	1,242	1,256	–1.1 %	1,242	1,256	–1.1 %
Restructuring and transaction costs	7,102	1,002	608.8 %	4,902	845	480.1 %
Other adjustments	5,312	–		5,312	–	
Adjusted EBIT	94,176	55,617	69.3 %	50,817	32,132	58.1 %
Adjusted EBIT margin in %	9.1 %	7.2 %		9.1 %	8.0 %	
Depreciation and amortization of intangible assets and property, plant and equipment	26,928	17,820	51.1 %	14,584	8,937	63.2 %
Adjusted EBITDA	121,104	73,437	64.9 %	65,401	41,069	59.2 %
Adjusted EBITDA margin in %	11.7 %	9.5 %		11.8 %	10.2 %	
EBITDA	107,448	71,179	51.0 %	53,945	38,969	38.4 %
EBITDA margin in %	10.4 %	9.2 %		9.7 %	9.7 %	

In the first six months of 2023, non-recurring and acquisition-related expenses and income totaling EUR 21.9 million (previous year: EUR 6.9 million) were incurred at the level of earnings before interest and taxes (EBIT). Depreciation and amortization from purchase price allocations increased to EUR 8.2 million (previous year: EUR 4.6 million) as a result of the preliminary purchase price allocation for Haldex. SAF-HOLLAND assumes that the Haldex acquisition will lead to additional depreciation and amortization of the purchase price (PPA) of around EUR 11 million in 2023. Furthermore, there was a one-time expense of EUR 5.3 million from the step-up purchase price allocation from the valuation of inventories in the context of the Haldex acquisition. Restructuring and transaction costs of EUR 7.1 million (previous year: EUR 1.0 million) largely resulted from expenses of approximately EUR 4 million in connection with the cyberattack. This item also included expenses incurred in the course of the integration of Haldex in the amount of EUR 2 million.

Adjusted EBIT in the first half-year increased by 69.3 % to reach EUR 94.2 million (previous year: EUR 55.6 million). Consequently, the adjusted EBIT margin improved from 7.2 % to 9.1 %. This rise resulted primarily from the increase in gross margin as a result of realized cost improvements, economies of scale and process optimisations, as well as from gradually passing on earlier increases in steel, logistics and energy costs. SAF-HOLLAND also benefited from the first synergy effects stemming from the Haldex acquisition.

In the second quarter of 2023, adjusted EBIT equaled EUR 50.8 million (previous year: EUR 32.1 million) and the adjusted EBIT margin totaled 9.1 % (previous year: 8.0 %). As a result, the SAF-HOLLAND Group was able to slightly increase its profitability again in comparison to the first quarter of 2023 (9.0 %).

Finance result at EUR – 15.2 million

The finance result for the first half-year totaled EUR – 15.2 million (previous year: EUR – 3.3 million). This figure includes positive currency effects in the mid single-digit million euro range. Finance expenses amounted to EUR – 22.3 million (previous year: EUR – 6.5 million). The sharp increase in finance expenses resulted from additional borrowing assumed in connection with the acquisition of Haldex in 2022.

Finance result

in kEUR

	Q1 – Q2/2023	Q1 – Q2/2022	Change in %	Q2/2023	Q2/2022	Change in %
Finance income	7,121	3,130	127.5 %	5,479	2,230	145.7 %
Finance expenses	– 22,297	– 6,473	244.5 %	– 10,415	– 2,775	275.3 %
Finance result	**– 15,176**	**– 3,343**	**354.0 %**	**– 4,936**	**– 545**	**805.7 %**

Result for the period up 19.6 % and adjusted result for the period up 52.8 %

The result before income tax amounted to EUR 57.1 million in the first half of 2023 (previous year: EUR 45.4 million). With an increased Group tax rate of 34.5 % (previous year: 31.0 %), the result for the period rose by 19.6 % to EUR 37.4 million (previous year: EUR 31.3 million). The increase in the tax rate resulted from unrecognised losses of subsidiaries. Based on an unchanged number of ordinary shares outstanding of approximately 45.4 million, basic earnings per share amounted to EUR 0.82 (previous year: EUR 0.68).

The adjusted result for the period in the first six months of 2023 increased by 52.8 % to EUR 58.5 million (previous year: EUR 38.3 million) and adjusted earnings per share reached EUR 1.28 (previous year: EUR 0.84). The stronger increase in the adjusted result for the period compared with the result for the period reported under IFRS was caused by a high volume of adjustment items in the first half of 2023 and the use of a normalised tax rate of 26.0 % in the calculation of the adjusted result for the period.

Reconciliation of the result before taxes to earnings per share

in kEUR

	Q1 – Q2/2023	Q1 – Q2/2022	Change in %	Q2/2023	Q2/2022	Change in %
Result before taxes	57,104	45,376	25.8 %	28,513	27,135	5.1 %
Income taxes	– 19,718	– 14,105	39.8 %	– 10,617	– 8,950	18.6 %
Income tax rate in %	– 34.5 %	– 31.0 %		– 37.2 %	– 33.0 %	
Result for the period	37,386	31,271	19.6 %	17,896	18,185	– 1.6 %
attributable to equity holders of the parent	37,145	30,968	19.9 %	17,584	17,973	– 2.2 %
Basic earnings per share in EUR	0.82	0.68	20.6 %	0.39	0.39	0.0 %
Adjusted result for the period	58,492	38,280	52.8 %	33,969	23,137	46.8 %
attributable to equity holders of the parent	58,251	37,977	53.4 %	33,657	22,925	46.8 %
Adjusted earnings per share in EUR	1.28	0.84	52.4 %	0.74	0.51	45.1 %

SEGMENT REPORTING

EMEA region: Sales growth driven by Haldex acquisition; adjusted EBIT margin improves significantly

The EMEA region achieved sales growth of 13.6 % to a total of EUR 480.9 million in the first half-year (previous year: EUR 423.5 million), with the acquisition of Haldex making a significant contribution. Adjusted for exchange rate effects and changes in the scope of consolidation, the region's sales at –0.5 % were approximately at the prior year's level, outperforming the underlying market.

The organic sales development reflects the effects of the sales mix as well as a small share of sales not yet recovered from the cyberattack and the somewhat more subdued market environment in the EMEA region year-to-date. The growth in the aftermarket business significantly outpaced overall growth in the first half-year. This resulted from the inclusion of Haldex, which has a significantly higher share of aftermarket sales. In addition, numerous customers had reduced inventories at the end of 2022 in anticipation of weaker demand, which led to catch-up effects in the first half of 2023.

In the second quarter of 2023, the EMEA region increased sales by 12.6 % to EUR 242.0 million (previous year: EUR 215.0 million). On an organic basis, sales declined slightly by 1.8 %.

Adjusted EBIT in the EMEA region improved to EUR 36.9 million in the first half-year (previous year: EUR 23.5 million). Earnings benefited particularly from the ability to offset higher steel, logistics and energy costs, which were still a heavy burden in the prior-year period, through internal efficiency improvements in the course of 2022 or passing on increases to the market after a time lag. The product mix made a positive contribution due to the higher share of the more profitable aftermarket business. Overall, the adjusted EBIT margin increased to 7.7 % (previous year: 5.5 %).

In the second quarter of 2023, adjusted EBIT equaled EUR 18.0 million (previous year: EUR 13.4 million), and the adjusted EBIT margin reached 7.4 % (previous year: 6.2 %). The slightly lower margin compared to the first quarter of 2023 (7.9 %) was caused mainly by a lower level of absolute sales volume on an organic basis in the second quarter resulting from the impact of the cyberattack. Furthermore, the consolidation of Haldex weighed on profitability, due to the slightly lower adjusted EBIT margin of Haldex in the EMEA region than the level of SAF-HOLLAND.

EMEA segment

in kEUR

	Q1 – Q2/2023	Q1 – Q2/2022	Change in %	Q2/2023	Q2/2022	Change in %
Sales	480,888	423,452	13.6 %	242,042	214,952	12.6 %
EBIT	**25,138**	**20,535**	**22.4 %**	**9,265**	**11,651**	**– 20.5 %**
EBIT margin in %	5.2 %	4.8 %		3.8 %	5.4 %	
Additional depreciation and amortization from PPAs	3,368	2,214	52.1 %	2,269	1,104	105.5 %
Restructuring and transaction costs	7,395	746	891.3 %	5,495	608	803.8 %
Step-up purchase price allocation from the valuation of inventories from acquisitions	971	–		971	–	
Adjusted EBIT	**36,872**	**23,495**	**56.9 %**	**18,000**	**13,363**	**34.7 %**
Adjusted EBIT margin in %	7.7 %	5.5 %		7.4 %	6.2 %	
Depreciation and amortization of intangible assets and property, plant and equipment	13,784	8,912	54.7 %	8,015	4,513	77.6 %
Adjusted EBITDA	50,656	32,407	56.3 %	26,015	17,876	45.5 %
Adjusted EBITDA margin in %	10.5 %	7.7 %		10.7 %	8.3 %	

Americas region: High customer demand coupled with Haldex acquisition lead to strong business performance
The Americas region expanded sales by 55.8 % to EUR 433.1 million in the first six months of 2023 (previous year: EUR 278.1 million). Important to highlight is that Haldex alone generated more than half of its sales in the Americas region. Exchange rate effects had a slightly positive impact on sales of EUR 1.5 million in the first half-year. Adjusted for exchange rate and acquisition effects, the Americas region increased sales in the first half by 16.1 %.

Sales growth in the original equipment business was driven by continued high demand from trailer and truck customers in North America as a result of strong production figures and high order backlogs for heavy trucks (Class 8 trucks) and trailers. The trend among major fleet operators towards the greater use of technologically more sophisticated and effective disc-braked axle systems for trailers also continued. SAF-HOLLAND is a clear beneficiary of this trend due to its strong market position in this segment. The growth in the aftermarket business was strengthened, among others, by the inclusion of Haldex.

In the second quarter of 2023, sales in the Americas region increased by 61.5 % to EUR 244.0 million (previous year: EUR 151.1 million). This made the Americas the Group's strongest region from April to June 2023 in terms of sales. On an organic basis, sales grew by 15.0 %.

Supported by the strong sales growth, the Americas region increased adjusted EBIT in the first half of 2023 to EUR 43.9 million (previous year: EUR 24.8 million). The adjusted EBIT margin improved year-on-year from 8.9 % to 10.1 %. The improvement in earnings resulted mainly from economies of scale and effective enhancements in efficiency as well as savings in the overhead area.

In the second quarter of 2023, adjusted EBIT reached EUR 24.9 million (previous year: EUR 14.9 million) and the adjusted EBIT margin 10.2 % (previous year: 9.9 %).

Americas segment

in kEUR

	Q1–Q2/2023	Q1–Q2/2022	Change in %	Q2/2023	Q2/2022	Change in %
Sales	433,079	278,051	55.8 %	244,028	151,082	61.5 %
EBIT	**34,976**	**22,272**	**57.0 %**	**16,623**	**12,947**	**28.4 %**
EBIT margin in %	8.1 %	8.0 %		6.8 %	8.6 %	
Additional depreciation and amortization from PPAs	3,394	1,134	199.3 %	2,823	584	383.4 %
Valuation effects from put and call options	1,242	1,256	–1.1 %	1,242	1,256	–1.1 %
Restructuring and transaction costs	342	131	161.1 %	342	107	219.6 %
Step-up purchase price allocation from the valuation of inventories from acquisitions	3,896	–		3,896	–	
Adjusted EBIT	**43,850**	**24,793**	**76.9 %**	**24,926**	**14,894**	**67.4 %**
Adjusted EBIT margin in %	10.1 %	8.9 %		10.2 %	9.9 %	
Depreciation and amortization of intangible assets and property, plant and equipment	10,883	7,369	47.7 %	6,566	3,727	76.2 %
Adjusted EBITDA	54,733	32,162	70.2 %	31,492	18,621	69.1 %
Adjusted EBITDA margin in %	12.6 %	11.6 %		12.9 %	12.3 %	

APAC region: Organic sales soar by more than 60%

The APAC region generated sales of EUR 122.1 million in the first half of 2023 (previous year: EUR 71.8 million), corresponding to growth of 70.2%. Adjusted for exchange rate effects and changes in the scope of consolidation, sales increased year-on-year by 60.3%.

Growth in the APAC region was strongly driven once again by developments in India. As the leading manufacturer of axle and suspension systems for trailers, SAF-HOLLAND benefited from strong customer demand accompanying the expansion in the transport sector. In order to keep pace with the growth in demand, SAF-HOLLAND moved into a new production building at the Pune site in early 2023. This was accompanied by an expansion of production capacities. In addition, SAF-HOLLAND is increasingly supplying its US customers from India. In China, SAF-HOLLAND was also able to substantially increase its business in the first half-year, starting from a comparatively low absolute level.

In the second quarter of 2023, sales in the APAC region increased by 85.5% to EUR 69.6 million (previous year: EUR 37.5 million). Adjusted for exchange rate effects and changes in the scope of consolidation, the increase in the quarter amounted to 72.4%.

The APAC region generated adjusted EBIT of EUR 13.5 million in the first half-year (previous year: EUR 7.3 million), yielding an adjusted EBIT margin of 11.0% (previous year: 10.2%). In addition to economies of scale from the higher volume of business in India, the earnings increase was also driven by a continued improvement in the earnings situation in China. In the second quarter, the region doubled adjusted EBIT to EUR 7.9 million (previous year: EUR 3.9 million), and the adjusted EBIT margin increased to 11.3% (previous year: 10.3%).

APAC segment

in kEUR	Q1–Q2/2023	Q1–Q2/2022	Change in %	Q2/2023	Q2/2022	Change in %
Sales	122,129	71,750	70.2%	69,603	37,512	85.5%
EBIT	**12,166**	**5,912**	**105.8%**	**7,560**	**3,082**	**145.3%**
EBIT margin in %	10.0%	8.2%		10.9%	8.2%	
Additional depreciation and amortization from PPAs	1,478	1,292	14.4%	820	663	23.7%
Restructuring and transaction costs	−635	125		−935	130	
Step-up purchase price allocation from the valuation of inventories from acquisitions	445	–		445	–	
Adjusted EBIT	**13,454**	**7,329**	**83.6%**	**7,890**	**3,875**	**103.6%**
Adjusted EBIT margin in %	11.0%	10.2%		11.3%	10.3%	
Depreciation and amortization of intangible assets and property, plant and equipment	2,261	1,539	46.9%	3	697	−99.6%
Adjusted EBITDA	15,715	8,868	77.2%	7,893	4,572	72.6%
Adjusted EBITDA margin in %	12.9%	12.4%		11.3%	12.2%	

NET ASSETS

First-time consolidation of Haldex leads to shifts on the assets side

The inclusion of Haldex in the scope of consolidation of SAF-HOLLAND, effective February 21, 2023, resulted in significant shifts on the assets side of the consolidated balance sheet. In the course of the first-time consolidation, SAF-HOLLAND recognised assets from Haldex totaling EUR 550.6 million. This consisted primarily of goodwill in the amount of EUR 58.5 million, other intangible assets in the amount of EUR 171.8 million, property, plant and equipment of EUR 111.4 million, inventories in the order of EUR 97.0 million, and trade receivables of EUR 85.6 million. In contrast, the non-current financial assets of EUR 402.2 million recognised as of December 31, 2022, which included the acquired Haldex shares and a loan assumed by SAF-HOLLAND that was originally extended to Haldex, were eliminated as part of the Haldex consolidation. As a result, total assets grew by 12.6 % to EUR 1,686.9 million as of June 30, 2023 (December 31, 2022: EUR 1,498.4 million).

The purchase price allocation for Haldex, with recognised goodwill of EUR 58.5 million, is still preliminary as of June 30, 2023. For further details, please refer to Note 4 to the interim consolidated financial statements.

Inclusion of Haldex results in decrease in non-current assets

The development of non-current assets was also largely influenced by the first-time inclusion of Haldex. The consolidation-related elimination of non-current financial assets recognised as of December 31, 2022, which mainly comprised the acquired Haldex shares and the loan to Haldex, outweighed the additions to property, plant and equipment and intangible assets. As a result, non-current assets decreased to EUR 796.1 million as of June 30, 2023 (December 31, 2022: EUR 872.2 million).

Net assets: Assets

in kEUR

	06/30/2023	12/31/2022	Change in %
Non-current assets	**796,077**	**872,183**	**–8.7 %**
Intangible assets	437,797	227,918	92.1 %
Property, plant and equipment	307,956	205,729	49.7 %
Other (financial) assets	50,324	438,536	–88.5 %
Current assets	**890,848**	**626,240**	**42.3 %**
Inventories	305,723	202,249	51.2 %
Trade receivables	286,352	144,744	97.8 %
Cash and cash equivalents	215,318	243,460	–11.6 %
Other (financial) assets	83,455	35,787	133.2 %
Total assets	**1,686,925**	**1,498,423**	**12.6 %**

Seasonal increase in current assets

Current assets increased to EUR 890.8 million as of June 30, 2023 (December 31, 2022: EUR 626.2 million). Increases within this item primarily concerned inventories of EUR 305.7 million (December 31, 2022: EUR 202.2 million) and trade receivables of EUR 286.4 million (December 31, 2022: EUR 144.7 million). In addition to the aforementioned effect of the Haldex consolidation, the increase was also the result of the customary seasonal build-up in working capital at the beginning of a year. It should be taken into account that inventories and receivables tend to be lower at the end of the year due to plant vacation shutdowns at many customers and tend to build up again when plant vacations are completed. There were only minor changes in both inventories (EUR –2.7 million) and trade receivables (EUR +3.3 million) in comparison to March 31, 2023.

Cash and cash equivalents amounted to EUR 215.3 million as of June 30, 2023 (December 31, 2022: EUR 243.5 million). The decrease resulted mainly from the dividend payment as well as from repayments and refinancing measures.

Equity ratio equals 25.7 %

As of June 30, 2023, the Group's equity amounted to EUR 433.4 million, compared to EUR 441.4 million as of December 31, 2022. The result for the period for the first half of 2023 amounted to EUR 37.4 million and drove equity higher. This increase was offset, among others, by the dividend payment of EUR 27.2 million and currency differences in the amount of EUR – 22.4 million from the translation of foreign operations.

The expansion in total assets resulting from the consolidation of Haldex caused the equity ratio to decrease slightly to 25.7 % as of June 30, 2023 (December 31, 2022: 29.5 %).

Expansion in long-term financing

In comparison to year-end 2022, non-current liabilities increased by 20.8 % to EUR 867.6 million. The cause of the increase was mainly the expansion in interest-bearing loans and bonds to EUR 670.3 million (December 31, 2022: EUR 614.1 million). The non-current funds raised were used to repay the tranche of an expiring promissory note in the amount of EUR 97.5 million at the end of March 2023. In addition, a promissory note with a volume of EUR 105 million was placed in June 2023 to refinance bank liabilities taken out in the course of the acquisition of Haldex AB. As a result, the ratio of non-current liabilities to total assets increased to 51.4 % as of June 30, 2023 (December 31, 2022: 47.9 %).

Majority of current finance liabilities repaid

Current liabilities increased to EUR 385.9 million as of June 30, 2023 (December 31, 2022: EUR 338.9 million). This increase was due mainly to higher trade payables of EUR 261.4 million (December 31, 2022: EUR 159.0 million), which was largely attributable to the consolidation of Haldex. With the aforementioned repayment of the promissory note in March 2023, current interest-bearing loans and bonds were reduced to EUR 13.5 million (December 31, 2022: EUR 101.5 million) and thus largely repaid. Overall, current liabilities accounted for 22.9 % of the Group's total assets at the end of the first half-year (December 31, 2022: 22.6 %).

Net assets: Equity and liabilities

in kEUR

	06/30/2023	12/31/2022	Change in %
Total equity	**433,427**	**441,354**	**– 1.8 %**
Non-current liabilities	**867,571**	**718,175**	**20.8 %**
Interest-bearing loans and bonds	670,340	614,118	9.2 %
Lease liabilities	55,197	30,698	79.8 %
Other non-current liabilities	142,034	73,359	93.6 %
Current liabilities	**385,927**	**338,894**	**13.9 %**
Interest-bearing loans and bonds	13,466	101,541	– 86.7 %
Lease liabilities	12,770	7,695	66.0 %
Trade payables	261,371	159,029	64.4 %
Other current liabilities	98,320	70,629	39.2 %
Total equity and liabilities	**1,686,925**	**1,498,423**	**12.6 %**

Net financial debt increases following dividend payment

Net financial debt including lease liabilities increased slightly to EUR 536.5 million as of June 30, 2023 (December 31, 2022: EUR 510.6 million), mainly due to the dividend payment, which reduced the cash position. The leverage ratio (ratio of net financial debt to EBITDA) was reported at 3.4x as of December 31, 2022, but only included the additional net financial debt raised in connection with the Haldex acquisition and not the EBITDA contribution from Haldex. On a pro forma basis, taking into account the EBITDA contribution of Haldex for the trailing twelve months, the leverage ratio was 2.5x as of June 30, 2023 (December 31, 2022: 2.6x). SAF-HOLLAND's target continues to be to bring the leverage ratio, which temporarily increased in the course of the Haldex acquisition, back down to a maximum of 2.0x by the end of 2024.

Change in net debt

in kEUR

	06/30/2023	12/31/2022	Change in %
Non-current interest-bearing loans and bonds	670,340	614,118	9.2 %
Current interest-bearing loans and bonds	13,466	101,541	−86.7 %
Non-current lease liabilities	55,197	30,698	79.8 %
Current lease liabilities	12,770	7,695	66.0 %
Total financial liabilities	**751,773**	**754,052**	**−0.3 %**
Cash and cash equivalents	−215,318	−243,460	−11.6 %
Net debt	**536,455**	**510,592**	**5.1 %**

Net working capital ratio at 15.4 %

Net working capital is defined as the sum of inventories and trade receivables less trade payables. The described increase in these items in the first half of 2023, which was also attributable to the Haldex consolidation alongside a customary seasonal build-up at the beginning of the year, led to an expansion in net working capital to EUR 330.7 million as of the June 30, 2023 reporting date (December 31, 2022: EUR 188.0 million). In a sequential comparison with the March 31, 2023 reporting date (EUR 329.2 million), however, stringent management of net working capital resulted in a virtually unchanged level.

In order to optimise liquidity, SAF-HOLLAND used factoring in the amount of approximately EUR 37.6 million as of the half-year reporting date. As a result of the system-related restrictions caused by the cyberattack, the use of factoring as of March 31, 2023 had amounted to a mere EUR 23.4 million.

The net working capital ratio, measured as the ratio of net working capital to Group sales for the trailing twelve months, increased to 15.4 % (December 31, 2022: 12.0 %). For better comparability, the calculation takes into account Haldex's contribution to sales on a pro forma basis for the trailing twelve months, as Haldex's contribution to net working capital is also fully included as of June 30, 2023. The net working capital ratio as of this date in the prior year was 17.4 %. This comparison, which in each case takes into account the usual seasonal build-up of net working capital at the beginning of the year, shows the progress made in the further optimisation of net working capital year-to-date.

Net working capital development

in kEUR

	06/30/2023	12/31/2022	Change in %
Inventories	305,723	202,249	51.2 %
Trade receivables	286,352	144,744	97.8 %
Trade payables	−261,371	−159,029	64.4 %
Net working capital	**330,704**	**187,964**	**75.9 %**
Group sales (last 12 months)[1]	2,143,186	1,565,089	36.9 %
Net working capital ratio	**15.4 %**	**12.0 %**	

[1] On a pro forma basis, including Haldex

FINANCIAL POSITION

Net cash flow from operating activities increases to EUR 43.6 million

Net cash flow from operating activities equaled EUR 43.6 million in the first half-year (previous year: EUR 18.8 million). The substantial increase of EUR 24.8 million was based on the strong improvement in the result before taxes and stringent net working capital management. By contrast, income taxes paid of EUR 27.0 million (previous year: EUR 13.9 million) had a negative impact on cash flow.

Payments for investments in property, plant and equipment and intangible assets in preparation for planned future growth totaled EUR 14.0 million (previous year: EUR 10.6 million). SAF-HOLLAND received proceeds of EUR 0.9 million from the sale of property, plant and equipment (previous year: EUR 0.5 million).

Operating free cash flow improves to EUR 30.5 million

In total, SAF-HOLLAND generated significantly stronger operating free cash flow (net cash flow from operating activities after deducting net investments in property, plant and equipment and intangible assets) of EUR 30.5 million in the first half of 2023 (previous year: EUR 8.7 million).

Free cash flow

in kEUR	Q1 – Q2/2023	Q1 – Q2/2022	Change in %	Q2/2023	Q2/2022	Change in %
Net cash flow from operating activities	**43,636**	**18,773**	**132.4 %**	**31,549**	**23,971**	**31.6 %**
Net cash flow from investments in property, plant and equipment and intangible assets	–13,156	–10,074	30.6 %	–6,443	–5,256	22.6 %
Operating free cash flow	**30,480**	**8,699**	**250.4 %**	**25,106**	**18,715**	**34.1 %**
Net cash flow from the acquisition of other financial assets and investments in equity instruments	–	–28,362	–100.0 %	–	–28,362	–100.0 %
Total free cash flow	**30,480**	**–19,663**	**–255.0 %**	**25,106**	**–9,647**	**–360.2 %**

ROCE improves

A key function of the Group's capital management is to optimise the cost of capital and generate an appropriate return on capital employed. In the medium term, SAF-HOLLAND's target is to achieve a return on capital employed (ROCE) of at least 15 %. In the first half of 2023, ROCE was above this target at 17.1 %. For better comparability, the calculation takes into account the Haldex contribution to adjusted EBIT on a pro forma basis for the trailing twelve months, as the Haldex contribution to capital employed is also fully included as of June 30, 2023.

Financial return: ROCE

in kEUR

	06/30/2023	12/31/2022	Change in %
Equity	433,427	441,354	–1.8 %
Interest-bearing loans and bonds, current and non-current	683,806	715,659	–4.5 %
Lease liabilities, current and non-current	67,967	38,393	77.0 %
Pensions and other similar benefits	41,604	15,322	171.5 %
Cash and cash equivalents	–215,318	–243,460	–11.6 %
Capital employed	**1,011,486**	**967,268**	**4.6 %**
Adjusted EBIT (last 12 months)	172,557	124,601	38.5 %
ROCE [1]	**17.1 %**	**12.9 %**	

[1] Value as of June 30, 2023 on a pro forma basis, which includes the adjusted EBIT contribution from Haldex for the prior 12 months.

OUTLOOK

MACROECONOMIC CONDITIONS AND SECTOR ENVIRONMENT

SLIGHTLY BETTER OUTLOOK FOR GLOBAL ECONOMIC GROWTH

In its World Economic Outlook Update of July 2023, the International Monetary Fund (IMF) raised its forecast for global economic growth slightly to 3.0 %. In April, the IMF was still forecasting growth of 2.8 %. Despite the slight upward revision, the economic outlook for 2023 remains rather subdued in a long-term comparison. The IMF attributes the sharp increase in interest rates by most central banks to combat inflation as the main reason for relatively low growth. Although the IMF expects inflation to decline worldwide in the current year compared to 2022, the IMF believes that the decline in the core rate (excluding food and energy) will be slower than expected. The IMF however takes a positive view of the agreement reached in the debt dispute in the USA and the elimination of uncertainties in the banking sector through the strong intervention of supervisory authorities.

Economic development in key markets

in %

	Outlook 2023	2022
Eurozone	0.9	3.5
Germany	– 0.3	1.8
United States	1.8	2.1
Brazil	2.1	2.9
China	5.2	3.0
India	6.1	7.2
World	3.0	3.5

Source: International Monetary Fund, World Economic Outlook Update, July 2023

The IMF has slightly increased its forecasts for the majority of countries and regions in comparison to April. For example, it now expects growth in the USA of 1.8 %, compared to its previous forecast of 1.6 %. The forecast for economic growth in the eurozone in 2023 was raised by 0.1 percentage points to 0.9 %, despite lowering the forecast for Germany, the eurozone's most important economy, to – 0.3 % (previous forecast: – 0.1 %). The forecast for India was also adjusted slightly higher by +0.2 percentage points to 6.1 % (previous forecast: 5.9 %). For Brazil, South America's most important economy, the IMF raised its estimate significantly to 2.1 % (previous forecast: 0.9 %). For China, the IMF continues to expect growth of 5.2 % in the current year.

SECTOR ENVIRONMENT: EUROPE AND NORTH AMERICA FACING CONSOLIDATION; STRONG GROWTH IN THE APAC REGION

The following forecasts for the individual markets reflect the assessment of the SAF-HOLLAND SE Management Board of as of the publication date of the Half-Year Financial Report 2023. The expectations of the following market research institutes and industry associations were taken into account: Clear International (trailer markets in both Western and Eastern Europe), ACT Research (trailer and truck markets in North America), ANFAVEA (truck market in Brazil), ANFIR (trailer market in Brazil), China Association of Automobile Manufacturers (trailer and truck markets in China). In addition, the communication of leading truck manufacturers on the expected market development in 2023 has also been incorporated into the SAF-HOLLAND SE Management Board's assessment.

In SAF-HOLLAND's core markets, Europe and North America, demand for trailer and truck components is expected to remain solid in 2023, with a normalization of demand for trailers emerging in the EMEA region. In absolute terms, however, this occurs at a very high level. For the increasingly important trailer markets in the APAC region, especially India, the Management Board continues to expect production to grow, in some cases significantly.

EMEA TRUCK MARKET BENEFITS FROM CATCH-UP EFFECTS

After last year's production of heavy trucks was still experiencing the effects of supply bottlenecks, the market in the current year is benefiting from strong order backlogs, catch-up effects and replacement demand, especially from large fleet operators. SAF-HOLLAND is therefore anticipating an increase in the production of truck tractor units in the EMEA region of around 10% in 2023. The truck market in the EMEA region, however, is of secondary importance for SAF-HOLLAND's sales and earnings development.

TRAILER MARKET ANTICIPATED TO DECLINE MODERATELY IN THE EMEA REGION

In contrast to the truck market, the European trailer market was significantly less affected by component bottlenecks in 2022 and saw a very high production volume. This year the trailer market could be negatively impacted by the adverse overall economic environment, a significantly higher level of European Central Bank key interest rates, and uncertainties in connection with the war in Ukraine. SAF-HOLLAND expects a decline in production volume in the mid single-digit percentage range for the EMEA region in 2023.

FORECAST RAISED FOR THE NORTH AMERICAN TRUCK MARKET

In view of the continued robust economic environment and the strong order backlogs at leading manufacturers, SAF-HOLLAND expects the North American truck market to increase by around 10% compared to the strong level of the prior year.

NORTH AMERICAN TRAILER MARKET SEEN NEAR PREVIOUS YEAR HIGH

The Management Board believes that the prospects for the North American trailer market for full-year 2023 have improved in recent months. It expects the overall growth of the American trailer market to be in the high single-digit percentage range.

WEAKER COMMERCIAL VEHICLE MARKET IN BRAZIL

Following the introduction of stricter emission standards and a slowdown in economic growth, SAF-HOLLAND expects the market volume of heavy trucks in Brazil, South America's most important commercial vehicle market, to decline in 2023. Compared to the high level of the previous year, the market is expected to decline by around 20%. For trailers, a more moderate development is expected, with a decline in production estimated at 5%.

CHINESE COMMERCIAL VEHICLE MARKET IN RECOVERY

After recording a sharp downturn in the market in the previous year due to the zero-COVID strategy, a recovery is emerging for the truck and trailer markets in China in 2023. SAF-HOLLAND expects an expansion of at least 15% in the production of heavy trucks and at least 35% in the production of trailers.

TRAILER DEMAND IN INDIA CONTINUES TO GROW STRONGLY

Following two years of very high growth, SAF-HOLLAND expects the growth trend in the Indian trailer market to continue in 2023. Trailer production, which is currently supported by high government investment in infrastructure expansion, is expected to increase by around 70% in 2023. For the truck sector, in contrast, which is less relevant for SAF-HOLLAND, the Company anticipates a production increase of approximately 14%.

OUTLOOK FOR BUSINESS DEVELOPMENT

OUTLOOK ADJUSTED FOR 2023

In view of the results of the first half of 2023 and the continued high demand for trailer and truck components, the Management Board of SAF-HOLLAND SE has decided on August 8, 2023 to adjust its outlook for Group sales and adjusted EBIT margin. Assuming stable exchange rates and taking into account the sales contribution of Haldex following its inclusion in the Group's scope of consolidation as of February 21, 2023, the Management Board now expects Group sales of slightly above EUR 2,000 million (previous outlook tending around the upper end of the sales range of EUR 1,800 to 1,950 million). Based on continued strong market demand from the higher-margin Americas and APAC regions, as well as significant progress in achieving synergy targets following the acquisition of Haldex, the Management Board expects an adjusted EBIT margin of up to 9% in full-year 2023 (previous outlook: 7.5% to 8.5%). In order to achieve the growth targets, position the Company for the future in terms of products, and realize the identified synergy potential of the Haldex integration, the Group, including Haldex, still plans to make capital expenditures of up to 3% of Group sales in the 2023 financial year.

The planned investments will focus on building and expanding manufacturing capacities in Mexico, India and Brazil.

Another focus of investment will be on the roll-out of the SAP S/4HANA system planned over the next few years. This will create global standards and implement best practice processes with maximum synergy potential throughout the Group.

Previously, on May 4, 2023 the Management Board of SAF-HOLLAND SE had specified its outlook of March 30, 2023 as follows: At that time, the Company was assuming sales for full-year 2023 tending around the upper end of the then-planned sales range of EUR 1,800 million to EUR 1,950 million (previous year: EUR 1,565.1 million). The Group's adjusted EBIT margin for full-year 2023 was still expected to be in the range of 7.5% to 8.5%.

Outlook Full Year 2023 for the Group including Haldex*

in EUR millions	Forecast dated March 30, 2023	Adjustment dated August 8, 2023
Group sales	1,800 – 1,950	Slightly above 2,000
Adjusted EBIT margin in %	7.5 – 8.5%	Up to 9%
Capex ratio in %	<= 3%	<= 3%

* Haldex consolidated as of February 21, 2023.

RISK AND OPPORTUNITY REPORT

Risks and opportunities to which the Group is exposed are recorded on a continual basis, and their assessment is regularly reviewed and adjusted to reflect the current circumstances. This process naturally leads to changes at the level of individual risks. At the end of March 2023, for example, SAF-HOLLAND announced that the Company's IT systems had become the target of a cyberattack. In the view of SAF-HOLLAND, the Company's existing security systems have proven themselves overall, and the risks from the IT area continue to be assessed as B risks.

There were no significant changes to the overall risk situation in the reporting period compared with the risk and opportunities presented in the Annual Report 2022.

As a result, from today's perspective, there continue to be no risks that individually or in combination could lead to the Company's overindebtedness or insolvency.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

in kEUR	Note	Q1 – Q2/ 2023	Q1 – Q2/ 2022	Q2/ 2023	Q2/ 2022
Sales	(5)	1,036,096	773,253	555,673	403,546
Cost of sales		– 842,388	– 646,509	– 448,243	– 334,783
Gross profit		**193,708**	**126,744**	**107,430**	**68,763**
Other income		3,002	1,697	2,225	1,354
Other expenses		– 1,242	– 2,158	– 1,242	– 2,158
Selling expenses		– 49,733	– 36,135	– 29,941	– 19,006
Administrative expenses		– 57,368	– 33,366	– 35,107	– 17,095
Research and development expenses		– 16,872	– 8,839	– 10,306	– 4,576
Operating result		**71,495**	**47,943**	**33,059**	**27,282**
Share of net profit of investments accounted for using the equity method		785	776	390	398
Earnings before interest and taxes		**72,280**	**48,719**	**33,449**	**27,680**
Finance income	(6)	7,121	3,130	5,479	2,230
Finance expenses	(6)	– 22,297	– 6,473	– 10,415	– 2,775
Finance result	(6)	**– 15,176**	**– 3,343**	**– 4,936**	**– 545**
Result before income tax		**57,104**	**45,376**	**28,513**	**27,135**
Income tax	(7)	– 19,718	– 14,105	– 10,617	– 8,950
Result for the period		**37,386**	**31,271**	**17,896**	**18,185**
Attributable to:					
Equity holders of the parent		37,145	30,968	17,584	17,973
Shares of non-controlling interests		241	303	312	212

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in kEUR	Note	Q1–Q2/ 2023	Q1–Q2/ 2022	Q2/ 2023	Q2/ 2022
Result for the period		**37,386**	**31,271**	**17,896**	**18,185**
Attributable to:					
Equity holders of the parent		37,145	30,968	17,584	17,973
Shares of non-controlling interests		241	303	312	212
Items that will not be reclassified subsequently to profit or loss					
Net gain/loss on equity instruments measured at fair value through other comprehensive income	(12)	–1,563	2,958	–1,563	2,958
Remeasurements of defined benefit plans	(12)	5,156	9,906	4,980	9,906
Income tax effects on items recognized in other comprehensive income	(12)	–1,276	–2,613	–1,276	–2,613
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	(12)	–22,425	34,424	–11,191	28,040
Other comprehensive income		**–20,108**	**44,675**	**–9,050**	**38,291**
Comprehensive income for the period		**17,278**	**75,946**	**8,846**	**56,476**
Attributable to:					
Equity holders of the parent		17,086	75,569	8,667	56,203
Shares of non-controlling interests		192	377	179	273
Basic earnings per share in EUR	(18)	**0.82**	**0.68**	**0.39**	**0.39**
Diluted earnings per share in EUR	(18)	**0.82**	**0.68**	**0.39**	**0.39**

CONSOLIDATED BALANCE SHEET

in kEUR	Note	06/30/2023	12/31/2022
Assets			
Non-current assets		**796,077**	**872,183**
Goodwill	(8)	136,537	80,413
Other intangible assets	(8)	301,260	147,505
Property, plant and equipment	(9)	307,956	205,729
Investments accounted for using the equity method		12,480	13,827
Financial assets	(17)	55	402,214
Other non-current assets		16,395	7,334
Deferred tax assets		21,394	15,161
Current assets		**890,848**	**626,240**
Inventories	(10)	305,723	202,249
Trade receivables	(10)	286,352	144,744
Income tax receivables		6,939	1,663
Other current assets		74,553	28,984
Financial assets	(17)	1,963	5,140
Cash and cash equivalents	(11)	215,318	243,460
Total assets		**1,686,925**	**1,498,423**

in kEUR	Note	06/30/2023	12/31/2022
Equity and liabilities			
Total equity	(12)	**433,427**	**441,354**
Equity attributable to equity holders of the parent		**430,539**	**440,535**
Subscribed share capital		45,394	45,395
Share premium		224,104	224,104
Retained earnings		179,695	169,648
Accumulated other comprehensive income		–18,654	1,389
Shares of non-controlling interests		2,888	819
Non-current liabilities		**867,571**	**718,175**
Pensions and other similar benefits	(13)	41,604	15,322
Other provisions	(14)	17,233	12,946
Interest-bearing loans and bonds	(15)	670,340	614,118
Lease liabilities	(16)	55,197	30,698
Other liabilities		454	382
Deferred tax liabilities		82,743	44,709
Current liabilities		**385,927**	**338,894**
Other provisions	(14)	19,309	10,911
Interest-bearing loans and bonds	(15)	13,466	101,541
Lease liabilities	(16)	12,770	7,695
Trade payables	(10)	261,371	159,029
Income tax liabilities		10,994	4,900
Other financial liabilities	(17)	366	2,731
Other liabilities		67,651	52,087
Total equity and liabilities		**1,686,925**	**1,498,423**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in kEUR

	Q1 – Q2/2023						
	Attributable to equity holders of the parent						
	Subscribed share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Total	Shares of non-controlling interests	Total equity (Note 12)
As of 01/01/2023	**45,394**	**224,104**	**169,648**	**1,389**	**440,535**	**819**	**441,354**
Result for the period	–	–	37,145	–	37,145	241	37,386
Other comprehensive income	–	–	–	–20,059	–20,059	–49	–20,108
Comprehensive income for the period	**–**	**–**	**37,145**	**–20,059**	**17,086**	**192**	**17,278**
Dividend	–	–	–27,237	–	–27,237	–	–27,237
Transactions with non-controlling interests	–	–	139	16	155	–12,338	–12,183
Addition of shares of non-controlling interests	–	–	–	–	–	14,215	14,215
As of 06/30/2023	**45,394**	**224,104**	**179,695**	**–18,654**	**430,539**	**2,888**	**433,427**

in kEUR

	Q1 – Q2/2022						
	Attributable to equity holders of the parent						
	Subscribed share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Total	Shares of non-controlling interests	Total equity (Note 12)
As of 01/01/2022	**45,394**	**224,104**	**124,235**	**–23,513**	**370,220**	**850**	**371,070**
Result for the period	–	–	30,968	–	30,968	303	31,271
Other comprehensive income	–	–	–	44,601	44,601	74	44,675
Comprehensive income for the period	**–**	**–**	**30,968**	**44,601**	**75,569**	**377**	**75,946**
Dividend	–	–	–15,888	–	–15,888	–	–15,888
As of 06/30/2022	**45,394**	**224,104**	**139,315**	**21,088**	**429,901**	**1,227**	**431,128**

CONSOLIDATED STATEMENT OF CASH FLOWS

in kEUR	Note	Q1–Q2/2023	Q1–Q2/2022
Cash flow from operating activities			
Result before income tax		**57,104**	**45,376**
– Finance income	(6)	–7,121	–3,130
+ Finance expenses	(6)	22,297	6,473
+/– Share of net profit of investments accounted for using the equity method		–785	–776
+/– Other non-cash transactions		2,635	2,158
+ Amortization and depreciation of intangible assets and property, plant and equipment		35,168	22,460
+ Allowance of current assets		8,038	5,213
+/– Change in other provisions and pensions		2,277	1,824
+/– Change in other assets		–9,373	5,441
+/– Change in other liabilities		–18,059	–3,553
+/– Loss/gain on disposal of property, plant and equipment		188	160
+ Dividends from investments accounted for using the equity method		4,300	19
Cash flow before change of net working capital		**96,669**	**81,665**
+/– Change in inventories		–15,730	–33,018
+/– Change in trade receivables		–62,363	–39,153
+/– Change in trade payables		52,070	23,129
Change of net working capital		**–26,023**	**–49,042**
Cash flow from operating activities before income tax paid		**70,646**	**32,623**
– Income tax paid		–27,010	–13,850
Net cash flow from operating activities		**43,636**	**18,773**

in kEUR

		Note	Q1–Q2/2023	Q1–Q2/2022
Cash flow from investing activities				
–	Purchase of property, plant and equipment		–12,415	–8,628
–	Purchase of intangible assets		–1,607	–1,958
+	Proceeds from sales of property, plant and equipment		866	512
–	Purchase of other financial assets		–	–28,362
–	Cash received from acquisitions		–	723
–	Cash received less payment for acquisition of outstanding shares in Haldex AB		30,732	–
+	Interest received		2,166	240
Net cash flow from investing activities			**19,742**	**–37,473**
Cash flow from financing activities				
–	Dividend payments to shareholders of SAF-HOLLAND SE	(12)	–27,237	–15,888
+	Proceeds from promissory notes		105,000	–
–	Repayments of current and non-current financial liabilities	(15)	–208,125	–
–	Paid transaction costs relating to financing agreements		–116	–
+/–	Proceeds and payments from hedging instruments		–528	194
–	Payments for lease liabilities		–6,948	–4,283
–	Interest paid		–18,292	–3,895
+/–	Change in drawings on the credit line and other financing activities	(15)	70,046	41,287
Net cash flow from financing activities			**–86,200**	**17,415**
Net increase/decrease in cash and cash equivalents			**–22,822**	**–1,285**
+/–	Effect of changes in exchange rates on cash and cash equivalents		–5,320	9,062
Cash and cash equivalents at the beginning of the period		**(11)**	**243,460**	**165,221**
Cash and cash equivalents at the end of the period		**(11)**	**215,318**	**172,998**

[1] As of June 30, 2023, trade receivables amounting to EUR 37.6 million (previous year: EUR 45.0 million) were sold under a factoring agreement. Assuming the legal validity of the receivables, no further rights of recourse to SAF-HOLLAND exist from receivables sold.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the period from January 1 to June 30, 2023

1. CORPORATE INFORMATION

SAF-HOLLAND SE (the "Company") was founded on December 21, 2005 in the form of a stock corporation (Société Anonyme) under Luxembourg law. It was converted into a European stock corporation (Societas Europaea) by resolution of the extraordinary general meeting on February 14, 2020 and subsequent registration in the Luxembourg Trade and Companies Register on February 24, 2020. The registered office of the Company has been located in Germany since July 1, 2020. The Company is registered in the Commercial Register of the District Court of Aschaffenburg under the registration number HRB 15646. The Company's shares are listed on the SDAX of the Frankfurt Stock Exchange.

2. KEY ACCOUNTING AND MEASUREMENT POLICIES

The consolidated financial statements of SAF-HOLLAND SE and its subsidiaries (the "Group") were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of the reporting date.

The interim consolidated financial statements for the first half of 2023 were prepared in accordance with IAS 34 "Interim Financial Reporting". The same accounting and measurement policies and consolidation methods were applied as those applied in the preparation of the consolidated financial statements for the 2022 financial year, unless explicitly stated otherwise. The interim consolidated financial statements should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

In preparing the interim consolidated financial statements, management is required to make assumptions and estimates that affect the reported amounts of assets and liabilities, income and expenses, and contingent liabilities as of the reporting date. In certain cases, actual amounts may differ from the assumptions and estimates made.

Expenses and income incurred irregularly during the financial year are brought forward or deferred when it is appropriate to recognize these expenses at the end of the financial year.

The major functional currencies of the foreign operations are listed in the table below:

	Closing rate		Average rate	
	06/30/2023	06/30/2022	Q1 – Q2/2023	Q1 – Q2/2022
Australian dollar	0.60767	0.65670	0.62587	0.65817
Brazilian real	0.18922	0.18204	0.18260	0.18088
Chinese renminbi	0.12673	0.14231	0.13373	0.14129
Indian rupee	0.01119	0.01210	0.01126	0.01202
Canadian dollar	0.69255	0.74047	0.68695	0.71943
Polish zloty	0.22440	0.21366	0.21625	0.21601
Russian rouble	0.01057	0.01811	0.01204	0.01224
Swedish krona	0.08481	0.09360	0.08831	0.09549
US dollar	0.91822	0.95337	0.92551	0.91461

The interim consolidated financial statements and the interim group management report have not been reviewed by an auditor.

3. SEASONALITY EFFECTS

In the course of the year, seasonality effects may lead to varying sales and resulting profits. For information on the development of earnings, please refer to the comments in the interim group management report.

4. SCOPE OF CONSOLIDATION

The following describes the changes to the scope of consolidation compared to the consolidated financial statements as of December 31, 2022:

BUSINESS ACQUISITIONS

Acquisition of Haldex AB

On February 21, 2023, the Polish antitrust authorities unconditionally approved SAF-HOLLAND SE's acquisition of the Swedish braking systems and EBS specialist Haldex AB. The European and US antitrust authorities had already issued their approval prior to this date. With the completion of the merger control clearance process, SAF-HOLLAND SE gained control over Haldex AB and, consequently, Haldex AB was included in SAF-HOLLAND SE's scope of consolidation as of February 21, 2023.

Previously, on June 8, 2022, SAF-HOLLAND SE had announced a cash offer to the shareholders of Swedish Haldex AB at an offer price of SEK 66 per share.

At the end of the extended acceptance period on August 31, 2022, SAF-HOLLAND SE held a total of 46,746,597 Haldex shares, which represented approximately 96.14 % of Haldex's total shares outstanding.

The initial consolidation of Haldex AB was carried out in accordance with IFRS 3 using the purchase method.

Due to the difference in the timing between the payment of the purchase price to the shareholders in August 2022, the completion of the merger control clearance process, and the associated acquisition of control in February 2023, the fair value of the consideration transferred was determined based on a discounted cash flows model. As of the date of acquisition of control, the fair value of the consideration transferred was EUR 291 million.

The following table shows the preliminary purchase price allocation and the amounts of the main groups of assets acquired and liabilities assumed that were recognized as of the acquisition date:

in kEUR	**Fair value as of acquisition date**
Brand	22,082
Other intangible assets	149,709
Property, plant and equipment	111,358
Investments accounted for using the equity method	2,760
Inventories	97,043
Trade receivables	85,634
Other financial assets	3,514
Other assets	35,781
Cash and cash equivalents	42,673
	550,554
Deferred tax liabilities	41,960
Interest-bearing loans and bonds	117,569
Trade payables	51,885
Lease liabilities	27,674
Other liabilities	26,763
Pension provisions	27,283
Other provisions	10,133
Tax liabilities	2,951
	306,218
Total of identified net assets	**244,336**
Shares of non-controlling interests	–11,313
Goodwill from the acquisition	58,463
Consideration transferred	**291,486**

The gross amount of trade receivables as of the date of initial consolidation equaled EUR 87.0 million.

Goodwill amounted to EUR 58.5 million and consists mainly of sales and cost synergies. Sales synergies are anticipated to arise largely from the expansion of the product portfolio. Cost synergies are expected to be realized primarily in the areas of purchasing and general administration.

With the addition of Haldex AB to the SAF-HOLLAND Group's scope of consolidation, cash and cash equivalents in the amount of EUR 42.7 million were acquired.

The cash payment for the acquisition of the Haldex shares in the amount of EUR 285.9 million took place in the financial year 2022.

The transaction costs incurred in connection with the acquisition totaled EUR 6.3 million, of which EUR 6.2 million were incurred in 2022. The transaction costs were recognized on the income statement under the line item administrative expenses.

Subsidiaries and associated companies were allocated to the EMEA, Americas and APAC regions based on their country of domicile.

In the period as of the closing date of the transaction on February 21 to June 30, 2023, the acquired Haldex Group contributed sales of EUR 176.1 million and, prior to considering earnings effects of purchase price allocation and integration costs, a result before income tax of EUR 12.2 million to the Group's earnings.

If the acquisition had already been included in the consolidated financial statements as of January 1, sales and result before income tax in the first half of 2023 would have amounted to EUR 1,105.3 million and EUR 61.1 million, respectively.

DECONSOLIDATIONS

The company SAF-Holland India Private Limited, India, was deconsolidated upon its liquidation on May 26, 2022.

The deconsolidation had no effect on the Group's net assets, financial position or results of operations.

OTHER CHANGES

After the cash offer to the shareholders of Haldex AB, SAF-HOLLAND acquired approximately 96.14 % of the outstanding shares of Haldex AB. Subsequently, SAF-HOLLAND initiated a mandatory takeover procedure under Swedish company law to acquire all shares not tendered in the offer. The takeover procedure was concluded on February 28, 2023. The transfer of the remaining minority shares in Haldex AB to SAF-HOLLAND SE took place on March 1, 2023. Upon completion of the takeover procedure, SAF-HOLLAND held all of the shares of Haldex AB.

In April 2023, SAF-HOLLAND Inc. acquired the outstanding shares in the US manufacturer of tire pressure management systems PressureGuard LLC for a purchase price of USD 2.7 million. As a result, SAF-HOLLAND now holds all of the shares of PressureGuard LLC, after already acquiring 51 % of the shares in the first quarter of 2019.

5. SEGMENT REPORTING

For the purposes of corporate management and Group reporting, the Group is organized into the regionally focused segments “EMEA”, “Americas”, and “APAC”. The three regions cover both the original equipment and the spare parts business.

Management assesses the performance of the regional segments based on adjusted EBIT. The reconciliation from operating profit to adjusted EBIT for the Group is as follows:

in kEUR	Q1–Q2/2023	Q1–Q2/2022
Operating result	71,495	47,943
Share of net profit of investments accounted for using the equity method	785	776
EBIT	**72,280**	**48,719**
Additional amortization and depreciation of intangible assets and property, plant and equipment from PPA	8,240	4,640
Step-up purchase price allocation from valuation of inventory from acquisition	5,312	–
Valuation effects from call and put options	1,242	1,256
Restructuring and transaction expenses	7,102	1,002
Adjusted EBIT	**94,176**	**55,617**

Information on segment sales and earnings for the period from January 1 to June 30, 2023:

in kEUR	EMEA[1]		Americas[2]		APAC[3]		Total	
	Q1–Q2/2023	Q1–Q2/2022	Q1–Q2/2023	Q1–Q2/2022	Q1–Q2/2023	Q1–Q2/2022	Q1–Q2/2023	Q1–Q2/2022
Sales	480,888	423,452	433,079	278,051	122,129	71,750	1,036,096	773,253
Adjusted EBIT	36,872	23,495	43,850	24,793	13,454	7,329	94,176	55,617
Adjusted EBIT margin in %	7.7 %	5.5 %	10.1 %	8.9 %	11.0 %	10.2 %	9.1 %	7.2 %
Amortization and depreciation of intangible assets and property, plant and equipment (without PPA)	13,784	8,912	10,883	7,369	2,261	1,539	26,928	17,820
in % of sales	2.9 %	2.1 %	2.5 %	2.7 %	1.8 %	2.1 %	2.6 %	2.3 %
Adjusted EBITDA	50,656	32,407	54,733	32,162	15,715	8,868	121,104	73,437
Adjusted EBITDA margin in %	10.5 %	7.7 %	12.6 %	11.6 %	12.9 %	12.4 %	11.7 %	9.5 %
Purchase of property, plant and equipment and intangible assets	6,715	5,166	5,858	5,231	1,449	189	14,022	10,586
in % of sales	1.4 %	1.2 %	1.4 %	1.9 %	1.2 %	0.3 %	1.4 %	1.4 %
No. of employees as of reporting date	2,302	1,642	2,676	1,580	1,158	517	6,136	3,739

[1] Includes Europe, the Middle East and Africa.
[2] Includes Canada, the USA and Central and South America.
[3] Includes Asia/Pacific, India and China.

In the first half of 2023, Group sales for the SAF-HOLLAND Group amounted to EUR 1,036.1 million, exceeding the sales for the same prior-year period (H1 2022: EUR 773.3 million) by 34.0 %. Sales growth was driven by continued strong customer demand for truck and trailer components; price adjustments made in the course of 2022 due to higher material, freight and energy costs; and the acquisition of Haldex.

At 9.1 %, the Group's adjusted EBIT margin was 1.9 % higher than the figure of 7.2 % for the same prior-year period. The improvement in the adjusted EBIT margin resulted, above all, from realized cost savings, economies of scale and process optimizations, as well as from the successive passing-on of higher material, logistics and energy costs.

For more information on the sales and earnings development of the segments, please refer to the corresponding explanations in the interim group management report.

6. FINANCE RESULT

Finance income was comprised as follows:

Finance income

	Q1 – Q2/2023	Q1 – Q2/2022
Unrealized foreign exchange gains on foreign currency loans and dividends	2,413	851
Realized foreign exchange gains on foreign currency loans and dividends	2,020	955
Finance income related to derivatives	45	899
Finance income related to pensions and similar benefits	58	28
Interest income	2,166	240
Other	419	157
Total	**7,121**	**3,130**

Finance expenses were comprised as follows:

Finance expenses

	Q1 – Q2/2023	Q1 – Q2/2022
Interest expenses related to interest-bearing loans and bonds	–15,726	–3,725
Amortization of transaction costs	–1,551	–373
Finance expenses due to pensions and similar benefits	–335	–111
Finance expenses related to derivatives	–413	–266
Realized foreign exchange losses on foreign currency loans and dividends	–633	–202
Unrealized foreign exchange losses on foreign currency loans and dividends	–1,971	–602
Finance expenses related to leasing	–1,100	–688
Other	–568	–506
Total	**–22,297**	**–6,473**

Unrealized foreign exchange gains and losses on loans and dividends denominated in foreign currency resulted primarily from the translation of intercompany foreign currency loans at the closing rate. Realized foreign exchange gains consist mainly of translation effects from the repayment of intercompany loans.

Amortization of transaction costs in the amount of EUR –1.6 million (previous year EUR –0.4 million) were related to contract closing fees for financing, which were recognized as an expense for the period over the term of the respective financing agreement using the effective interest method. In addition, the partial early refinancing of the bank loans taken out for the Haldex acquisition resulted in one-time additional amortization of transaction costs in the amount of EUR 1.0 million.

Finance income and finance expenses related to derivatives resulted mainly from the fair value measurement of foreign currency derivatives as of June 30, 2023.

7. INCOME TAXES

The Group's average tax rate amounted to 25.9% as of the reporting date (previous year: 26.8%) and is below the previous year's level.

The Group's effective tax rate, which is the ratio of actual tax expenses for the reporting period to the result before income tax, increased year-on-year by 3.5 percentage points and amounted to 34.5% (previous year: 31.0%). The increase in the Group's effective tax rate resulted primarily from losses and non-deductible interest expenses in the reporting period that can, however, be carried forward. No deferred tax assets were recognized for reasons of prudence. The increase in the Group tax rate was also the result of non-deductible operating expenses on dividend distributions from the group companies to SAF-HOLLAND GmbH. For reasons of prudence, deferred taxes on loss carryforwards and interest carryforwards were not capitalized on a pro rata basis in the reporting period, which was also the case in the comparative period in the previous year.

The difference between the Group's effective tax rate and the Group's average tax rate was 8.6 percentage points (previous year: 4.2 percentage points). This difference was primarily attributable to unrecognized deferred tax assets on loss carryforwards and interest carryforwards, non-deductible operating expenses on dividend distributions and tax effects from the difference between the local tax rates applicable to the individual group companies and the Group's average weighted tax rate.

8. INTANGIBLE ASSETS

Intangible assets consisted of the following:

Goodwill and other intangible assets – carrying amounts

in kEUR	06/30/2023	12/31/2022
Goodwill	136,537	80,413
Customer relationship	176,174	75,616
Licenses and software	5,810	7,667
Service network	480	566
Brand	61,304	40,923
Technology	26,318	5,188
Development costs	30,745	17,545
Intangible assets	429	–
Total	**437,797**	**227,918**

The increase in goodwill, brands, customer relationships and technologies was due, above all, to the recognition of hidden reserves as part of the purchase price allocation for the acquisition of the Haldex Group.

The increase in capitalized development costs was largely due to the inclusion of the Haldex Group in the SAF-HOLLAND scope of consolidation.

9. PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is shown in the table below:

in kEUR	06/30/2023	12/31/2022
Land and buildings	124,163	92,667
Technical equipment and machinery	118,047	72,589
Other equipment, operating and office equipment	30,266	11,656
Prepayments and assets under construction	35,480	28,817
Thereof right-of-use assets:		
of which land and buildings	57,624	29,710
of which technical equipment and machinery	168	108
of which other equipment, operating and office equipment	4,718	3,576
Total	**307,956**	**205,729**

The primary reason for the increase in property, plant and equipment as of June 30, 2023 was the acquisition of the Haldex Group.

Investment in the first half-year was focused on the USA, Mexico, Germany, Sweden and India. A total of EUR 12.4 million was invested in property, plant and equipment in the first half-year.

10. NET WORKING CAPITAL

As of June 30, 2023, net working capital (the sum of inventories and trade receivables less trade payables) increased by 75.9 % compared to December 31, 2022. This development was primarily driven by the inclusion of Haldex AB in the consolidated financial statements and the seasonal build-up of working capital in the first half of the financial year. The net working capital ratio – measured as the ratio of net working capital to Group sales for the trailing 12 months – increased from 12.0 % as of December 31, 2022 to 15.4 %. In comparison to June 30, 2022, however, the net working capital ratio improved by 2.0 percentage points. In calculating the net working capital ratio as of June 30, 2022, the Group's net sales for the past 12 months also included the sales of the acquired Haldex Group.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents developed as follows:

in kEUR	06/30/2023	12/31/2022
Cash on hand, cash at banks and checks	206,261	236,786
Short-term deposits	9,057	6,674
Total	**215,318**	**243,460**

12. EQUITY

The Company's share capital as of June 30, 2023 remained unchanged at EUR 45,394,302.00 compared to December 31, 2022. It consists of 45,394,302 (previous year 45,394,302) fully paid-in ordinary shares.

The changes in accumulated other comprehensive income consisted of the following items as of the reporting date:

in kEUR	Before taxes		Tax income/expense		After taxes	
	Q1 – Q2/2023	Q1 – Q2/2022	Q1 – Q2/2023	Q1 – Q2/2022	Q1 – Q2/2023	Q1 – Q2/2022
Exchange differences on translation of foreign operations	– 22,425	34,424	–	–	– 22,425	34,424
Net gain/loss on equity instruments measured at fair value through other comprehensive income	– 1,563	2,958	–	–	– 1,563	2,958
Remeasurement of defined benefit plans	5,156	9,906	– 1,276	– 2,613	3,880	7,293
Total	**– 18,832**	**47,288**	**– 1,276**	**– 2,613**	**– 20,108**	**44,675**

The Annual General Meeting on May 23, 2023 resolved a dividend payment of EUR 0.60 per share. Based on 45,394,302 shares, the total dividend distribution equaled EUR 27.2 million. This resulted in a payout ratio of 44.6 % of the available result for the period attributable to the shareholders of the parent company and was therefore within the targeted range. In the previous year, the distributed dividend equaled EUR 0.35 per share.

13. PENSIONS AND SIMILAR OBLIGATIONS

As a result of the higher interest rate environment in Europe and North America, pension obligations were remeasured and amounted to EUR 41.6 million as of the reporting date. Despite higher discount rates, pension obligations increased by EUR 26.3 million compared to December 31, 2022. The increase in pension obligations was mainly due to the assumption of the pension obligations of the Haldex Group in the course of its initial consolidation.

14. OTHER PROVISIONS

As of June 30, 2023, other provisions amounted to EUR 36.5 million, representing an increase of EUR 12.6 million compared to December 2022 (EUR 23.9 million). The increase was due to the first-time inclusion of the Haldex Group in the consolidated financial statements of SAF-HOLLAND SE, the higher business volume and the business development to date. Provisions for warranties, bonuses and outstanding invoices recorded a particularly significant increase.

15. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing loans and borrowings consisted of the following:

in kEUR	Non-current		Current		Total	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Interest-bearing bank loans	246,341	299,466	10,560	–	256,901	299,466
Promissory notes	379,000	274,000	–	97,500	379,000	371,500
Financing costs	–3,407	–4,575	–1,458	–1,730	–4,865	–6,305
Accrued interests	3,326	–	3,717	5,662	7,043	5,662
Other loans	45,080	45,227	647	109	45,727	45,336
Total	**670,340**	**614,118**	**13,466**	**101,541**	**683,806**	**715,659**

On June 13, SAF-HOLLAND placed a promissory note in the amount of EUR 105 million. The tranches of the promissory note have both fixed and variable interest rates with terms of three, five and seven years.

The promissory note issue makes a significant contribution to optimizing the maturity profile and borrowing costs. The issue proceeds were used for the early repayment of existing bank liabilities, which were assumed in the course of the acquisition of Haldex AB.

The following table shows the calculation of total liquidity as the sum of freely available credit lines valued at the rate as of the reporting date, plus available cash:

	06/30/2023			
	Amount drawn measured at rate on reporting date	Agreed credit lines measured at rate on reporting date	Cash and cash equivalents	Total liquidity
Revolving credit line	68,000	250,000	215,318	397,318
Total	**68,000**	**250,000**	**215,318**	**397,318**

	12/31/2022			
	Amount drawn measured at rate on reporting date	Agreed credit lines measured at rate on reporting date	Cash and cash equivalents	Total liquidity
Revolving credit line	–	250,000	243,460	493,460
Total	**–**	**250,000**	**243,460**	**493,460**

16. LEASE LIABILITIES

Lease liabilities increased by EUR 29.6 compared to December 31, 2022. Of this amount, EUR 23.3 million was related to the Haldex Group, which was included in the consolidated financial statements since February 21, 2023.

The age structure of lease liabilities was as follows:

Age structure of lease liabilities

in kEUR

	06/30/2023		12/31/2022	
	< 1 year	> 1 year	< 1 year	> 1 year
Land and buildings	10,789	52,537	6,194	28,616
Technical equipment and machinery	107	485	240	564
Vehicles	1,691	2,014	1,219	1,477
Other equipment, operating and office equipment	183	161	42	41
Total	**12,770**	**55,197**	**7,695**	**30,698**

17. FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

The fair values and carrying amounts of financial assets and liabilities as of the reporting date were as follows:

Financial instruments

in kEUR	Measurement category in accordance with IFRS 9	06/30/2023 Fair value	06/30/2023 Carrying amount	12/31/2022 Fair value	12/31/2022 Carrying amount
Assets					
Cash and cash equivalents	FAAC	215,318	215,318	243,460	243,460
Trade receivables	FAAC	286,352	286,352	144,744	144,744
Other financial assets					
Derivatives without a hedging relationship	FAtPL	1,043	1,043	1,479	1,479
Non-listed equity instruments	FATOCI	–	–	292,172	292,172
Non-current loan receivables	FAAC	–	–	105,192	110,000
Other financial assets	FAAC	975	975	3,703	3,703
Liabilities					
Trade payables	FLAC	261,371	261,371	159,029	159,029
Interest-bearing loans and bonds	FLAC	673,867	683,806	704,897	715,659
Other financial liabilities					
Derivatives without a hedging relationship	FLtPL	265	265	174	174
Other financial liabilities	FLtPL	101	101	2,557	2,557
of which aggregated by category in accordance with IFRS 9					
Financial assets measured at amortized cost	FAAC	502,645	502,645	497,099	501,907
Financial liabilities measured at amortized cost	FLAC	935,238	945,177	863,926	874,688
Financial assets at fair value through profit and loss	FAtPL	1,043	1,043	1,479	1,479
Financial assets at fair value through other comprehensive income	FATOCI	–	–	292,172	292,172
Financial Liabilities at fair value through profit and loss	FLtPL	366	366	2,731	2,731

Upon the antitrust clearance on February 21, 2023 granted by the Polish authorities, SAF-HOLLAND SE gained control over Haldex AB. As of that date, Haldex AB was fully consolidated and no longer included in the consolidated financial statements as an investment. This resulted in a corresponding reduction in listed equity instruments.

The following table shows the financial assets and liabilities measured at fair value allocated to the three fair value hierarchy levels:

in kEUR				06/30/2023
	Level 1	Level 2	Level 3	Total
Promissory notes	–	373,460	–	373,460
Interest-bearing loans and bonds	–	300,407	–	300,407
Other financial assets	–	975	–	975
Other financial liabilities	–	101	–	101
Derivative financial assets	–	1,043	–	1,043
Derivative financial liabilities	–	265	–	265

in kEUR				12/31/2022
	Level 1	Level 2	Level 3	Total
Non-listed equity instruments	–	–	292,172	292,172
Promissory notes	–	367,081	–	367,081
Interest-bearing loans and bonds	–	337,816	–	337,816
Put option for non-controlling interests	–	–	2,529	2,529
Non-current loan receivables	–	105,192	–	105,192
Other financial assets	–	3,703	–	3,703
Other financial liabilities	–	28	–	28
Derivative financial assets	–	1,479	–	1,479
Derivative financial liabilities	–	174	–	174

The fair values of the liabilities from interest-bearing loans and the promissory note, as well as the other financial assets and liabilities, were determined on the basis of factors that can be observed directly (for example, prices) or indirectly (derived from prices). This fair value measurement is therefore to be allocated to Level 2 of the hierarchy under IFRS 7.

18. EARNINGS PER SHARE

		Q1 – Q2/2023	Q1 – Q2/2022
Result for the period	**kEUR**	**37,145**	**30,968**
Weighted average number of shares outstanding	thousands	45,394	45,394
Basic earnings per share	euro	0.82	0.68
Diluted earnings per share	**euro**	**0.82**	**0.68**

Basic earnings per share are calculated by dividing the result for the period attributable to the shareholders of SAF-HOLLAND SE by the average number of shares outstanding.

As of the reporting date, the Group did not hold any debt instruments that could have a dilutive effect on earnings per share.

19. RELATED PARTY DISCLOSURES

The following tables show the composition of the Management Board and the Supervisory Board of SAF-HOLLAND SE as of the reporting date:

Management Board

Alexander Geis	Chief Executive Officer (CEO)
Frank Lorenz-Dietz	Chief Financial Officer (CFO)

Supervisory Board

Dr. Martin Kleinschmitt	Chairman of the Supervisory Board
Matthias Arleth	Member of the Supervisory Board
Ingrid Jägering	Member of the Supervisory Board
Carsten Reinhardt	Member of the Supervisory Board
Jurate Keblyte	Member of the Supervisory Board

Transactions with associated companies and joint ventures:

in kEUR	Sales to related parties		Purchases from related parties	
	Q2/2023	Q2/2022	Q2/2023	Q2/2022
Joint ventures	1,130	1,207	–	–
Associated companies	–	–	18,189	17,688
Total	**1,130**	**1,207**	**18,189**	**17,688**

in kEUR	Amounts owed by related parties		Amounts owed to related parties	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Joint ventures	1,092	463	–	–
Associated companies	–	–	4,610	3,913
Total	**1,092**	**463**	**4,610**	**3,913**

Transactions with associated companies and joint ventures include transactions with Castmetal FWI S.A. and SAF-HOLLAND Nippon Ltd. as well as Shaanxi Fast Haldex Brake Products Co. Ltd. The transactions were carried out on an arm's length basis.

20. SUBSEQUENT EVENTS

No significant events occurred after the reporting date.

Bessenbach, August 10, 2023

Alexander Geis
Chairman of the
Management Board and
Chief Executive Officer (CEO)

Frank Lorenz-Dietz
Member of the
Management Board and
Chief Financial Officer (CFO)

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the interim consolidated financial statements give a true and fair view of the results of operations, net assets and financial position of the Group, and the interim group 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 development of the Group for the remaining financial year.

Bessenbach, August 10, 2023

SAF-HOLLAND SE
The Management Board

Alexander Geis
Chairman of the
Management Board and
Chief Executive Officer (CEO)

Frank Lorenz-Dietz
Member of the
Management Board and
Chief Financial Officer (CFO)

FINANCIAL CALENDAR AND CONTACT

FINANCIAL CALENDAR

November 9, 2023
Publication of Quarterly Statement Q3 2023

CONTACT

Fabian Giese
Phone: +49 6095 301-904

Alexander Pöschl
Phone: +49 6095 301-117

Marleen Prutky
Phone: +49 6095 301-592

EMAIL

ir@safholland.de

WEBSITE

www.safholland.com

IMPRINT

PUBLISHER

SAF-HOLLAND SE
Hauptstraße 26
D-63856 Bessenbach

PUBLICATION DATE

August 10, 2023

COVER DESIGN AND CREATION

HGB Hamburger Geschäftsberichte GmbH & Co. KG
www.hgb.de

DISCLAIMER

The Half-Year Financial Report is also available in German. In cases of doubt, the German version shall prevail. The figures in this report have been rounded using commercial principles. In isolated instances, this can lead to rounding differences in the sum totals and percentages.

This report contains forward-looking statements. Such forward-looking statements are based on certain assumptions, expectations and forecasts made at the time of publication of this report. Consequently, they are inherently subject to risks and uncertainties. Moreover, the actual events could diverge significantly from the events described in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the ability of SAF-HOLLAND SE to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, the achievement of anticipated synergies, and the actions of government regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this publication. Likewise, SAF-HOLLAND SE does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these materials.

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